

To: Business Editor  
For Immediate Release



## Hengdeli Achieves Steady and Healthy Business Results for 1H 2013 Prudent Expansion and Improved Quality

Financial Highlights		For the six months ended 30 June		
		2013	2012	Change
Sales	(RMB'000)	6,294,235	5,749,733	+9.5%
	(HKD'000)	7,831,287	7,072,747	
Gross profit	(RMB'000)	1,673,370	1,535,637	+9.0%
	(HKD'000)	2,082,007	1,888,987	
Gross profit margin	%	26.6%	26.7%	-10bps
Profit for the period	(RMB'000)	302,199	613,621	-50.8%
	(HKD'000)	375,996	754,815	
Profit for the period excluding the non-core businesses	(RMB'000)	353,489	485,959	-27.3%
	(HKD'000)	439,811	597,778	

(29 August 2013, 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 2013 (“period under review”).

During the first half of 2013, amid the complex and volatile economic environment, the Group pushed forward its business activities through consolidation of internal strengths and achieved stable performance despite the adverse operating environment. The Group recorded sales of RMB6,294,235,000, representing a growth of 9.5% over the corresponding period last year. Retail sales amounted to RMB4,819,386,000 and accounted for 76.6% of the total sales, which was in line with the Group’s strategic direction. During the period under review, the Group’s net profit was RMB302,199,000, representing an decrease of 50.8% as compared to the same period last year. Apart from a decrease in gross profit margin of sales and an increase in expenses arising from higher labor cost and rental expenses, the corresponding impairment provision of shares of Ming Fung Jewellery Group Limited (“Ming Fung Group”) held by the Group upon the Company’s share swap with the Ming Fung Group made according to accounting standards after the share price of Ming Fung Group plunged from the beginning of the year, and the relatively substantial impact on the non-recurring gain from the disposal of OMAS in the first half of 2012 also caused the decrease in net profits.

Mr. Zhang Yuping, Chairman and the Executive Director of Hengdeli, said, “During the first half of 2013, the Group kept abreast of the changing market trends in light of the global economic volatility, the lackluster domestic economy and the sluggish retail sales. Adhering to its strategy of “seeking progress amidst stability”, the Group pushed forward its business activities in a cautious manner and achieved stable performance despite the adverse operating environment, thus effectively protected the shareholders’ interests.”

During the period under review, the Group's retail network progressed soundly in a forward-looking manner. In Mainland China and Taiwan markets, the Group made timely adjustments to its product mix and retail network in response to the sluggish retail sales of high-end watches by further expanding its retail network for middle-end watches and penetrating into the highly potential second, third and fourth tier cities. More efforts were also made in streamlining outlets in the first tier market and high-end watch retail market to lay a solid foundation for the structural adjustment of the Group. As for Hong Kong, the Group continued to expand its market share through a multi-level distribution system, resulting in steady growth in sales. Following such optimization via adjustment and effective expansion, the number of the Group's retail outlets increased from 452 at the end of last year to 462 as at 30 June 2013. Due to the high base of sales income recorded in previous year and the downturn in sales of high-end watches, the Group's retail sales in Mainland China recorded a mild growth. Nonetheless, the sales of middle-end watches still managed to achieve a sound growth of 13.9% as expected, which highlighted the Group's growth momentum.

As at 30 June 2013, the Group operates a total of 384 retail outlets in Mainland China. During the period under review, demand for middle-end watches was stronger than that of high-end watches, thus steering the Group toward a concentrated approach to re-position and adjust the middle-end outlets with a view to further expand the retail network of middle-end watches. New outlets have been set up in the regions with the highest sales records, such as third and fourth tier cities as well as emerging second and third tier cities, to seize and secure larger market share both in depth and in scale. Meanwhile, highlighting the solidification and improvement of revenue contribution from single outlets, the Group intensified its efforts in streamlining outlets in the first tier market and high-end watch retail market to lay a solid foundation for the structural adjustment of the Group.

In response to the changes in the Mainland market, the Group underwent targeted and phased transformation and adjustment of the categories of retail outlets. Given the ever growing popularity of the middle-end brands, the Group commenced incremental integration and merger between "Prime Time" shops and "With Time" shops, so as to consolidate resources to secure and explore the market for middle-end and middle-to-high-end watches.

During the period under review, operations at Hong Kong are stable and positive. As at 30 June 2013, the Group operated a total of 18 retail outlets in Hong Kong. 3 boutiques were closed due to expiry of the lease terms during the period under review. Currently, the Group's shops are mainly located in prime commercial districts such as Tsim Sha Tsui, Central, Causeway Bay and Shatin. As at 30 June 2013, the Group recorded an increase of 12.6% in sales in Hong Kong as compared to the same period last year, whereas gross profit margin decreased slightly because the Group allowed more flexibility in discount offering in sales of high-end watches amid subdued economic environment, and the brand suppliers had not lifted the list prices this year.

The Group operated a total of 59 retail outlets in Taiwan as at 30 June 2013, mainly located in prime districts including Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi. Except for one "Elegant" shop which sells top-end watches and certain single-brand boutiques, all other retail outlets are "Hengdeli" shops which sell middle-end and middle-to-high-end watches. Fully complementing the Group's retail businesses in Mainland China and Hong Kong, the sales at Taiwan created huge synergistic effect. During the period under review, sales at Taiwan remained stable.

During the period under review, the Group also focused more on customer services by working closely with brand suppliers. The Group successively signed watch maintenance agent agreements with International Luxury Group and Eterna Group to deepen cooperation with these brands. The Group has become the maintenance agent for 65 international brands, of which 48 brands have engaged the Group as their exclusive maintenance agent. The Group extended the coverage of its multi-level comprehensive after-sales service network in Greater China to pre-sale and in-sale aspects, so as to

enhance consumer confidence and protection. The Group dispatched selected maintenance technicians to attend overseas training courses on a regular basis, so as to secure consistent supply of high-calibre maintenance technicians. Also, the Group organized maintenance technical training courses in and around second and third tier cities, with overseas senior technicians in charge of course planning and teaching, so as to provide strict training for the frontline maintenance technicians in a timely and phased manner. As a result, the Group's high-level customer services on par with the international standards are guaranteed.

The Group's distribution develops smoothly with about 400 wholesale customers in almost one hundred cities across Mainland China. The Group distributes and exclusively distributes world-known watch brands including TAG Heuer, Zenith, Bulgari of LVMH Group and Hamilton, Certina, Balmain, Tissot, Mido, and CK of Swatch Group. Backed by the extensive and tremendous support from these brand suppliers and numerous retailers, the Group has fostered harmonious and mutually beneficial development.

Looking ahead to the second half year, the Group will adhere to its principle of "seeking progress amidst stability" to cautiously advance the expansion in second, third and even fourth tier cities, step up the adjustment of the retail structure in first tier cities, and gradually merge the middle-end "With Time" shops into the middle-to-high-end "Prime Time" shops to build a single presence of "Prime Time" shops, so as to enhance the sales of middle-end and middle-to-high-end brands with consolidated resources. Meanwhile, the Group will continue to strengthen internal management, improve the operation and expansion systems, and upgrade the quality of outlets and the brand image of all retail outlets. On customer services, brand distribution and packaging and display segments, the Group will enhance the integration with brand suppliers through efficient division of labor. Continuous efforts will be also made in improving and strengthening the human resources management system and information management platform, etc. In respect of the jewellery business, the Group will adapt to the changes in the market and invest in a cautious manner.

Mr. Zhang concluded, "In spite of the instability in global economy, we are fully confident in China's economic growth and the Group's outlook. We believe that the growth momentum in China remains stable. Under the government policy of "prosperity amid stability", which aims at stabilizing growth, optimizing structure and deepening reform, the pace of urbanization, the growth of second, third and even fourth tier cities, and the expansion of the middle class will be accelerated, and a wholesome business environment with increasing domestic demand and consumption will emerge. In the second half year, the Group will continue to center our business in Mainland China and Hong Kong to gain a foothold in the Greater China region, while prudently expanding into Europe and the US. The Group will stay in tune with the market in a healthy and practical approach to grasp market opportunities and secure stable and sustainable progress, aiming to return shareholders, the community and employees with desirable results."

### **Breakdown of Turnover by Segment**

		<b>For the six months ended 30 June</b>				
			<b>2013</b>	<b>%</b>	<b>2012</b>	<b>%</b>
Retail Business	Mainland China	(RMB'000) (HKD'000)	<b>2,852,386</b> <b>3,548,939</b>	<b>45.4%</b>	2,824,790 3,474,774	49.1%
	Hong Kong	(RMB'000) (HKD'000)	<b>1,592,678</b> <b>1,981,610</b>	<b>25.3%</b>	1,414,761 1,740,298	24.6%
	Taiwan	(RMB'000) (HKD'000)	<b>90,179</b> <b>112,201</b>	<b>1.4%</b>	99,589 122,504	1.7%
	Harvest Max	(RMB'000) (HKD'000)	<b>284,143</b> <b>353,531</b>	<b>4.5%</b>	-	N/A
Wholesale Business		(RMB'000) (HKD'000)	<b>1,361,145</b> <b>1,693,537</b>	<b>21.6%</b>	1,283,898 1,579,323	22.3%
Customer Service and Others		(RMB'000) (HKD'000)	<b>113,704</b> <b>141,471</b>	<b>1.8%</b>	126,695 155,848	2.3%
<b>Total</b>		(RMB'000) (HKD'000)	<b>6,294,235</b> <b>7,831,287</b>	<b>100%</b>	5,749,733 7,072,747	100%

### **Sales Network Distribution**

<b>As of 30 June 2013</b>					
	<b>Mainland China</b>	<b>Hong Kong</b>	<b>Taiwan</b>	<b>Macau</b>	<b>Total</b>
Elegant Shop	17	5	1	-	<b>23</b>
Prime Time/Hengdeli	333	-	36	-	<b>369</b>
Brand Boutiques	34	13	22	1	<b>70</b>
<b>Total</b>	<b>384</b>	<b>18</b>	<b>59</b>	<b>1</b>	<b>462</b>

Average Exchange Rate	RMB :	HKD
January to June 2013	1	1.2442
January to June 2012	1	1.2301

### **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-end and middle-to-high-end renowned brand watches), and single-brand boutiques. As at 30 June 2013, Hengdeli had an extensive sales network of 462 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 renowned watches, including the SWATCH Group, the LVMH Group, the RICHEMONT Group and the ROLEX Group, distributes and exclusively distributes numerous world-known watch brands.

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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