



Hengdeli records excellent results for 2011
Sales surges over RMB10 Billion
Profit up 48.7% to RMB918,276,000 (HKD1,105,328,821)

Comprehensive enhancement of retail outlet quality
Expanding retail network in proactive yet prudent manner

Financial Highlights		For the year ended 31 December		Change (%)
		2011	2010	
Sales	(RMB'000) (HKD'000)	11,375,280 13,692,425	8,215,643 9,493,175	+38.5%
Gross profit margin	%	25.1%	24.9%	+0.8%
Profit for the year	(RMB'000) (HKD'000)	918,276 1,105,329	617,378 713,380	+48.7%
Profit attributable to equity shareholders	(RMB'000) (HKD'000)	814,919 980,918	553,989 640,134	+47.1%
Basic Earnings per share	(RMB) (HKD)	0.185 0.223	0.133 0.154	+39.1%

[20 March 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 annual results for the year ended 31 December 2011 (the “year under review”).

In 2011, Hengdeli achieved excellent results. During the year under review, the Group recorded sales of RMB11,375,280,000, a year on year increase of 38.5%, while revenue from retail sales increased 34.7% to RMB8,589,323,000. Retail sales in Mainland China and Hong Kong amounted to RMB5,209,797,000 and RMB3,157,265,000, representing a year-on-year growth of 38.2% and 30.9% respectively. The Group’s profit for the year amounted to RMB918,276,000, a year on year increase of 48.7%. The Board proposed a dividend payout of RMB0.064 per share for the fiscal year ended 31 December 2011, representing approximately 34.5% of the profit attributable to equity shareholders.

Mr. Zhang Yuping, Chairman and Chief Executive Officer of Hengdeli, said, “Adhering to the principle of “Be strong and be big, stable yet progressive” in 2011, the Group adopted a cautious and aggressive approach to develop retail as its core business, supplemented by other businesses such as customer services, auxiliary business and brand distribution business. The Group expanded its retail network in line with market trends and focused on strengthening the management of existing retail outlets, enhancing the quality of retail outlets, adjusting the brand portfolio, optimizing inventory composition and effectively controlling costs to achieve a steady business growth.”

During the year under review, the Group focused on middle-to-high-end brands in Mainland China and Taiwan and on high-end brands in Hong Kong and Macau, with a highly synergistic and complementary integrated retail network. As at 31 December 2011, the Group operated a total of 405 retail outlets in Mainland China, Hong Kong, Macau and Taiwan, representing an increase of 55 outlets from the previous year. Retail sales climbed 34.7% year-on-year to RMB8,589,323,000, accounting for 75.5% of the Group's total. The average same store sales rose 28.4% from 2010.

As at 31 December, 2011, the Group operated a total of 332 retail outlets in Mainland China, selling both top grade internationally renowned brand watches and middle-to-high-end internationally renowned brand watches through "Elegant" and "Prime Time". During the year under review, the Group acquired a number of retail outlets of 南昌華瑞鐘錶有限公司. Such outlets were mainly located in Nanchang, Jiangxi and the surrounding areas, selling watch brands including Hamilton, Longines, Rado, Tissot and Tudor. Such acquisitions expanded and strengthened the Group's retail network in Central and Southern China, thus further consolidated the Group's market share in second and third tier cities. The Group believes that Prime Time shops and With Time shops will remain the Group's leading retail brands in Mainland China in the foreseeable future.

In Hong Kong and Macau, due to the growing Chinese economy, continued inflow of customers from Mainland China, the relatively developed market, the Group's extensive clientele in Hong Kong, the interaction between retail outlets in Mainland China and Hong Kong and comprehensive after-sales services, the Group achieved robust growth in its retail business in Hong Kong during the year under review. As at 31 December 2011, the Group operated a total of 18 retail outlets in Hong Kong, of which 6 were Elegant shops that sell multiple brand products and 12 were single-brand boutiques or image shops. These stores were mainly located in prime districts including Tsim Sha Tsui, Central and Causeway Bay. During the year under review, the Group opened two new Elegant comprehensive shops in Hong Kong, one at International Finance Center in Central and the other at Times Square in Causeway Bay. During the Year, the Cartier image boutique in the International Finance Center in Central also commenced operation, which met the huge demand for high-end watches.

The Group adopted the same sales strategy for its retail business in Taiwan as that in Mainland China, which focused on middle-to-high-end watches. As at 31 December 2011, the Group operated a total of 54 retail outlets in Taiwan. They were mainly located in major areas including Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi. A steady increase in sales was recorded during the year.

During the Year under review, the cooperation between the Group's customer services and maintenance and brand suppliers further developed. With effort from both parties, the Group set up a Green Channel for brands from the Swatch Group such as Tissot and Hamilton, providing customers with the most convenient, fastest and most comprehensive assistance. The Group also entered into service dealership agreements with several brands including brands from Swiss Fortune Concept and Deluxe. At the same time, the manufacturing of extension products, which are closely related to watches, was also under vertical development. In addition to the existing business with various brands, the Group also further partnered with brands including Hamilton. Apart from the core product types such as standard packaging and display windows, the Group also diversified its display products and brand sales ancillary products.

During the year under review, the Group entered into a strategic partnership agreement with SAP. Under the assistance of SAP, the Group will improve its existing supply chain, financial, operating and daily management information systems, striving to achieve “professional management” and “integrated operation” and laying a solid foundation for the Company’s long-term development.

Look ahead, Mr. Zhang said, “The global economy will continue to face challenges in 2012. Nevertheless, the Chinese government is expected to adjust the economic growth pattern, accelerate urbanization and maintain its aggressive fiscal policy and prudent monetary policy in 2012, giving momentum to the Chinese economy and making China one of the markets with the greatest growth potential. Therefore, the Group will continue to adhere to its strategy of maintaining a foothold in Mainland China while striving in the Greater China region such as Hong Kong. The Group will keep abreast of market trends and develop its businesses in a prudent yet proactive manner so as to enhance its leading position in the internationally renowned brand watch retail sector and coordinate the development of the retail of other middle-to-high-end consumer goods such as jewellery, maximizing returns for the shareholders, staff and the society.”

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Sales Breakdown by Business

		For the year ended 31 December				
			2011	%	2010	%
Retail Business	Mainland China	(RMB'000) (HKD'000)	5,209,797 6,271,032	45.8%	3,769,908 4,356,129	45.9%
	Hong Kong	(RMB'000) (HKD'000)	3,157,265 3,800,400	27.8%	2,412,052 2,787,126	29.4%
	Taiwan	(RMB'000) (HKD'000)	222,261 267,535	1.9%	192,698 222,663	2.3%
Wholesale Business		(RMB'000) (HKD'000)	2,550,534 3,070,078	22.4%	1,661,119 1,919,423	20.2%
Customer Service and Others		(RMB'000) (HKD'000)	235,423 283,379	2.1%	179,866 207,835	2.2%
Total		(RMB'000) (HKD'000)	11,375,280 13,692,425	100%	8,215,643 9,493,175	100%

Sales Network Distribution

For the year ended 31 December					
	Mainland China	Hong Kong	Taiwan	Macau	Total
Elegant Shop	14	6	1	-	21
Prime Time/Hengdeli	207	-	38	-	245
With Time	63	-	2	-	65
Brand Boutiques	48	12	13	1	74
Total	332	18	54	1	405

Average Exchange Rate	RMB	:	HKD
January to December 2011	1		1.2037
January to December 2010	1		1.1555

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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 31 December 2011, Hengdeli had an extensive sales network of 405 retail outlets in Mainland China, Hong Kong, Taiwan and Macau, through which it distributes over 50 renowned international watch brands. Across its entire wholesale business, Hengdeli serves approximately 400 wholesale customers in nearly 100 cities globally.

As an integral part of the retail business, the Group runs a top-rate customer service, which provides professional after-sale services to customers in Mainland China, Hong Kong and Taiwan. The Group's ancillary 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 RICHMONT 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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