



**Hengdeli posts remarkable results for 1H 2011**  
**Gross profit surges 52.2% to RMB1,392,275,000 (HKD1,654,997,000)**  
**Number of retail outlets up 76 to 378**  
**Growth rate of same store sale reaches 36.9%**

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*Rapid growth in watch retail business in the Greater China region*  
*Successful expansion of jewellery business*

Financial Highlights		(For the six months ended 30 June)		
		2011	2010	Change
Sales	(RMB'000)	<b>5,407,147</b>	3,714,767	<b>+45.6%</b>
	(HKD'000)	<b>6,427,476</b>	4,238,549	
Gross profit	(RMB'000)	<b>1,392,275</b>	914,560	<b>+52.2%</b>
	(HKD'000)	<b>1,654,997</b>	1,043,513	
Gross profit margin	%	<b>25.7%</b>	24.6%	<b>+4.5%</b>
Profit for the period	(RMB'000)	<b>500,157</b>	330,956	<b>+51.1%</b>
	(HKD'000)	<b>594,537</b>	377,621	
Profit attributable to shareholders	(RMB'000)	<b>447,944</b>	306,411	<b>+46.2%</b>
	(HKD'000)	<b>532,471</b>	349,615	

(23 August 2011, 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 2011 (“period under review”).

During the period under review, the Group continued to develop its business steadily and proactively with outstanding results. The Company recorded total revenue of RMB5,407,147,000, a year on year increase of 45.6%, while revenue from retail sales increased 43.6% to RMB4,147,641,000. Retail revenues from Mainland China and Hong Kong markets increased 46.3% to RMB2,596,200,000 and 38.5% to RMB1,448,813,000 respectively compared to the same period last year. Profit for the period amounted to RMB500,157,000 a year on year increase of 51.1%. Profit attributable to shareholders amounted to RMB447,944,000, a growth of 46.2% compared to the same period last year.

During the period under review, based on its prudent and proactive business objective and a market-oriented approach, the Group continued to improve the composition and turnover of inventory while putting great efforts in developing its businesses. As a result, the Group recorded improvement in operating cash flow compared to the corresponding period last year, laying a solid foundation for the Company’s potential business development.

**Mr. Zhang Yuping, Chairman and Chief Executive Officer of Hengdeli**, said, “The global economy was fluctuating but the Chinese economy was basically under stable development. The Group insisted to be market-oriented and developed its businesses in the Greater China region covering Mainland China, Hong Kong and Taiwan in a proactive and progressive manner with satisfactory results. We are proud that our sales income for the half-year period surpassed RMB5 billion for the first time.”

During the period under review, the Group continued to adopt its aggressive yet prudent retail network development strategy. The Group insisted to consolidate businesses in the first tier cities while further develop its businesses in the second and third tier cities and even the fourth tier cities by carrying out mergers and acquisitions as well as establishing its own retail outlets to expand its market share. As at 30 June 2011, the Group operated a total of 378 retail outlets in Mainland China, Hong Kong, Macau and Taiwan, an increased of 76 outlets over the corresponding period last year, The total retail sales increased 43.6% of year on year to RMB4,147,641,000, accounting for 76.7% of the Group's total sales. The average same store sales for the first half of the year rose 36.9% over the corresponding period last year.

As at 30 June 2011, the Group operated a total of 311 retail outlets in Mainland China. During the period under review, the Group acquired a number of retail outlets including 南昌華瑞鐘錶有限公司. Such outlets were mainly located in regions including Jiangxi Nanchang 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 increasing its market share in these second and third tier cities and maintaining the Group's market share in Eastern China. During the period under review, same store retail sales in Mainland China grew significantly, with an increase of 38.4% over the corresponding period last year.

In Hong Kong market, as at 30 June 2011, the Group operated a total of 16 retail outlets in Hong Kong, of which 5 are Elegant shops that sell various brands and 11 are single-brand boutiques or image shops. These stores are mainly located in prime business districts including Tsim Sha Tsui, Central and Causeway Bay. The same store sales and gross profit margin rose significantly with increases of 34.4% and 3.9% respectively compared with the corresponding period last year, which shows great potential for growth. In the Macau market, the Omega boutique opened at the end of last year achieved remarkable sales performance during the period under review. In the Taiwan market, the Group operated a total of 50 retail outlets. The Elegant flagship shop in Taipei opened last year generated satisfactory sales compared with the corresponding period last year. Following the improved economic status of Hong Kong, Macau and Taiwan, the Group's businesses in these regions will supplement well with each other, further strengthening the Group's leading position in the Greater China region.

The Group is devoted to providing comprehensive and quality after-sales warranty services within the Greater China region. During the year under review, the Group became the maintenance service agent for a number of world famous brands such as Swiss Fortune Concept and Deluxe. In addition, the Group has set up a "Green Channel" for maintenance for brands from the Swatch Group such as Tissot and Hamilton.

The distribution business of the Group also grew. The Group has more than 300 wholesale customers in over 40 cities in Mainland China, which distribute and exclusively distribute world's renowned brand watches majorly including TAG Heuer, Zenith, Bulgari, Carl F. Bucherer, Maurice Lacroix, Tissot, Frederique Constant, Mido, Ck, Hamilton, Certina and Balmain.

Benefitting from the growing economy of China, the development of the Group's jewellery business is expected to continue its uptrend. As the consumption of jewellery in Mainland China still remains low, growth potential of the industry is tremendous and spending on jewellery will become popular in Mainland China. The category of jewellery in the first half of 2011 continued last year's increasing trend and achieved the highest growth among all consumer goods categories. The Group believes that the opening up of jewellery business will bring to the Group a new growth driver.

Chairman Zhang concluded, "Looking ahead, the Group has confidence in the Chinese economy. The sound and prudent monetary policy of the Chinese government and its aggressive and flexible fiscal policy together provide the economy with a positive driver, making China one of the markets with the greatest growth potential. The Group will capture market opportunities and strive to maintain and enhance its leading position in the world-famous brand watch retail industry. In addition, the Group will explore other areas in the mid-range to high-end consumer market to seek new factors of profit growth to generate satisfactory returns for our shareholders and the community."

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

		<b>For the six months ended 30 June</b>				
			<b>2011</b>	<b>%</b>	<b>2010</b>	<b>%</b>
Retail Business	Mainland China	(RMB'000) (HKD'000)	<b>2,596,200</b> <b>3,086,103</b>	<b>48.0%</b>	1,774,053 2,024,195	47.8%
	Hong Kong	(RMB'000) (HKD'000)	<b>1,448,813</b> <b>1,722,204</b>	<b>26.8%</b>	1,045,915 1,193,389	28.2%
	Taiwan	(RMB'000) (HKD'000)	<b>102,628</b> <b>121,944</b>	<b>1.9%</b>	67,851 77,418	1.8%
Wholesale Business		(RMB'000) (HKD'000)	<b>1,155,848</b> <b>1,373,957</b>	<b>21.4%</b>	751,329 857,266	20.2%
Customer Service and Others		(RMB'000) (HKD'000)	<b>103,658</b> <b>123,218</b>	<b>1.9%</b>	75,619 86,281	2.0%
<b>Total</b>		(RMB'000) (HKD'000)	<b>5,407,147</b> <b>6,427,476</b>	<b>100%</b>	3,714,767 4,238,549	100%

### **Sales Network Distribution**

	<b>As of 30 June 2011</b>				
	<b>Mainland China</b>	<b>Hong Kong</b>	<b>Taiwan</b>	<b>Macau</b>	<b>Total</b>
Elegant Shop	13	5	1	-	<b>19</b>
Prime Time/Hengdeli	205	-	37	-	<b>242</b>
With Time	46	-	-	-	<b>46</b>
Brand Boutiques	47	11	12	1	<b>71</b>
<b>Total</b>	<b>311</b>	<b>16</b>	<b>50</b>	<b>1</b>	<b>378</b>

<u>Average Exchange Rate</u>	<u>RMB</u>	:	<u>HKD</u>
January to June 2011	1		1.1887
January to June 2010	1		1.1410

### **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 mid-range to high-end renowned brand watches), With Time (for international fashion watches) and single-brand boutiques. As at 30 June 2011, Hengdeli had an extensive sales network of 378 retail outlets in Mainland China, Hong Kong, Taiwan and Macau, through which it distributes over 50 renowned international watch brands. Hengdeli also serves approximately 300 wholesale customers in over 40 cities in the PRC.

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

Hengdeli 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. The Group 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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