



## Hengdeli recorded satisfactory results in 2009

Number of retail shops increases to 270

Profit for the year rises 6.5% to RMB458,211,000, excluding the effects of convertible bonds and profit/loss from currency exchange

*Enhancing their retail network  
Strengthening a diversified brand portfolio*

Financial Highlights	(For the year ended 31 December)		
	2009 (RMB'000)	2008 (RMB'000)	Change (%)
Sales	5,899,422	5,516,496	+6.9%
Gross profit	1,409,125	1,319,100	+6.8%
Gross profit margin (%)	23.9%	23.9%	-
Profit for the year	386,093	488,165	-20.9%
Profit after taxation (excluding the effect of convertible bonds and profit/loss from currency exchange)	458,211	430,393	+6.5%

[30 March 2010, Hong Kong] Hengdeli Holdings Limited ("Hengdeli" or the "Company" and its subsidiaries, the "Group"; stock code: 3389), a leading enterprise engaged in the global retail and distribution sales of renowned international watch brands, announced its annual results for the year ended 31 December 2010 (the "year under review").

Despite uncertainties surrounding the current business environment, the Group achieved satisfactory operating results in 2009. During the year under review, the Group recorded total revenue of RMB5,899,422,000, a year on year increase of 6.9%, while the revenues from retail sales increased 18.5%, reaching RMB4,435,663,000. A breakdown of retail revenues saw the Mainland China and Hong Kong markets contributing RMB 2,730,187,000 and RMB1,705,476,000, a growth of 17.5% and 20.3% respectively compared to last year. Excluding the effects of convertible bonds and profit/loss from currency exchange, the actual profit for the year reached RMB458,211,000, a year on year growth of 6.5%. The Group's net profits for the year amounted to RMB386,093,000, a year on year decrease of 20.9%. This was primarily attributable to the effects of fair market valuation on convertible bonds and the profit/loss from currency exchange. The Board has recommended a final dividend payment of RMB0.027 per share for the financial year ended 31 December 2009.

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Chairman of Hengdeli, Mr. Zhang Yuping said - "2009 was a year full of challenges and opportunities. The global high-end consumables retail sector suffered a relatively severe downturn against a backdrop of the global financial crisis and weakened macro economy in the first half of 2009. During the second half of the year a global recovery eventually took hold and China's economy picked up momentum, fuelled by a series of government stimulus packages. In an uncertain business environment, the Group took a series of proactive strategic adjustments and consolidation initiatives focusing on the retail watch sector across the Greater China region, including mainland China and Hong Kong. The result was faster growth in each business segment."

During the reviewed year, because of the Group's integrated retail network in China and Hong Kong, as well as a rational allocation of retail outlets spread out in second- and third-tier cities plus developed coastal first-tier cities, the Group was able to weather the impact brought about by the severe global financial crisis. In addition, by undertaking pro-active negotiations and maintaining close communications with upstream brand suppliers conditions, the Group successfully adjusted its brand portfolio to actual market conditions and optimised its overall inventory structure. At the same time, Hengdeli enhanced its operational management structure and improved service quality, ensuring steady business growth during the year under review.

The Group's retail business saw further improvement. As of 31 December 2009, Hengdeli increased its retail outlets in mainland China, Hong Kong and Taiwan by 60 to a total of 270, achieving total retail sales of RMB 4,435,663,000 million, an increase of 18.5% of year on year, accounting for 75.2% of the Group's total sales.

The Group currently operates a total of 224 retail outlets in China. During the Year under review, we adjusted and expanded our mainland retail network in response to market changes. Moreover, the Group put forth tremendous efforts to improve the re-positioning and sale of its middle-to high-end brands with new outlets opening in Urumqi, Kunming, Xiamen, Henan, Wenzhou and Hefei. Meanwhile, retail network consolidation and expansion across second- and third-tier cities with the aim of extending the coverage of its middle-to high-end product line continues apace. Hengdeli manages a comprehensive distribution network of retail watch outlets serving most of the provinces and cities in mainland China. There is also a multi-point footprint in major urban areas such as: Shanghai, Beijing, Northeast China, Zhejiang, Jiangsu, Henan and Shanxi, further consolidating its market share.

The Group's Hong Kong retail business as of 31 December 2009 saw a total of 13 outlets under its management control, Three outlets include 'Elegant Shops' that sell multiple brands while 10 constitute single-brand boutiques or image shops. These stores are mainly located in the premier business districts of Tsimshatsui and Causeway Bay while new outlet launches are planned for other major business areas. In addition, the Group actively developed its overseas business during the year under review and acquired Jing Guang Tang Watch Co. Ltd (精光堂時計股份有限公司), a renowned Taiwan watch retailer. This acquisition increased the Groups outlet total in Taiwan to 33, which effectively expanded the Group's overall market share there.

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During the year under review, the Group continued to uphold its solemn responsibility to provide premium customer services which is expressed in the company slogan - "Satisfying consumer demands is our ultimate goal". A CSMS management system to enhance customer service was also introduced to the Group to complement their existing state-of-the-art information system. CSMS effectively replaces the conventional manual handling of repair records, allowing brand suppliers to accurately track watch quality so appropriate improvements can be made. Moreover, the Group also secured exclusive watch maintenance rights in China from two world-renowned brands - *Charriol* and *Breitling*. This is a testament to Hengdeli's high-level customer services that have been widely recognised and enthusiastically supported by our brand suppliers.

The Group's distribution operations are well developed, too. Today Hengdeli has more than 300 wholesale customers in over 50 cities throughout mainland China. The Group distributes a number of global watch brands, mostly on exclusive basis. During the year under review, the Group once again joined forces with the SWATCH Group to serve as their exclusive distributor of Mido in China.

According to Mr. Zhang: "Looking ahead as the global macro-economic picture brightens, China's domestic economic situation in particular will also further improve. We believe China will remain one of the world's most prosperous markets, especially for mid-high end consumer goods. To this end, we will continue to develop our business, backed by this extended slogan - 'With internationally renowned watches as the core focus of our product line, we aim to distribute an array of middle- to high-end consumer items'. We will also aggressively yet prudently expand our retail business in line with market demand, continuing our accelerated market expansion in second- third- and even fourth-tier cities. We will also fine tune our retail network systems and continue to optimise our retail outlet positions, while continuing to expand the number of our single-brand boutiques."

"In the mean time, we will continue to build closer partnerships with brand suppliers while introducing more quality brand watches to help optimise our overall brand portfolio. We will find opportunities to start business operations for other middle- to high-end consumables, such as jewellery, which will provide more options for our customers. We will also continue to improve and strengthen our customer services system and proactively develop our watch-related ancillary businesses to keep pace with the growth of our retail business. We will fully capitalise on business opportunities and aim to achieve steady and sustainable profit growth in order to generate more satisfactory returns for our shareholders and investors. The brand heritage of 'Hengdeli' will carry on." Mr. Zhang concluded.

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## **Breakdown of Turnover by Business Sector**

	For the year ended 31 December			
	2009		2008	
	RMB'000	%	RMB'000	%
Retail Business - Mainland China	2,730,187	46.3	2,324,172	42.1
Retail Business - Hong Kong	1,705,476	28.9	1,418,195	25.7
Wholesale Business	1,329,967	22.5	1,631,916	29.6
Customer Service and Ancillary Business	133,792	2.3	142,213	2.6
<b>Total</b>	<b>5,899,422</b>	<b>100</b>	<b>5,516,496</b>	<b>100</b>

### **About Hengdeli Holdings Limited**

Hengdeli Holdings Limited is the largest retailer of renowned international watch brands in the world. The Group's strategic shareholders include the world's largest watch manufacturer and distributor – the Swatch Group and the global luxury giant – the LVMH Group.

The Group owns an extensive retail network that includes Xinyu Elegant (for luxury watches), Xinyu Prime Time (for middle- to high-end watches), TEMPTATION (for high-end fashion watches) and various other brand boutiques. As of 31 December 2009, Hengdeli had an extensive sales network of 270 retail outlets in mainland China, Hong Kong and Taiwan, through which it distributes over 50 renowned international watch brands. Across its entire wholesale business, Hengdeli serves approximately 300 wholesale customers in over 50 cities in the PRC.

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, 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 RICHEMONT Group and the ROLEX Group. Hengdeli also distributes numerous internationally renowned watch brands, mostly on exclusive basis. The Group now owns renowned Swiss watch brands Nivada, Olma and Numa Jeannin etc international luxury goods brand Omas,.

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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