



新宇亨得利控股有限公司

XINYU HENGDELI HOLDINGS LIMITED

To: Business Editor
[For Immediate Release]

Xinyu Hengdeli Announces 2005 Annual Results Profit for the Year Rose 24.5% as Sales Network Expanded

| Financial Highlights (for the year ended 31 December) | | | |
|---|-------------------|-------------------|---------------|
| | 2005 (RMB'000) | 2004 (RMB'000) | Change (%) |
| Turnover | 1,396,531 | 1,518,582 | (8.0%) |
| Gross Profit | 364,162 | 308,134 | 18.2% |
| Profit for the Year | 131,777 | 105,883 | 24.5% |
| Basic Earnings per Share | RMB 0.15 | RMB 0.13 | 15.4% |

[12 April 2006, Hong Kong] **Xinyu Hengdeli Holdings Limited** (“Xinyu Hengdeli” or the “Group”; stock code: **3389**), a leading group engaged in the retail and wholesale of prestige watches in the PRC, today reported its annual results for the year ended 31 December 2005 (the “Period”) in its first results announcement since listed on the Main Board of the Stock Exchange of Hong Kong (“SEHK”) on 26 September 2005.

Owing to the PRC’s rapid economic growth and expanding middle and high-income groups, the mainland watch market continued to benefit from strong demand for imports of internationally renowned brands. Given this backdrop and the visionary strategies and robust corporate governance enforced by the management, **Xinyu Hengdeli** recorded remarkable earnings performance during the period under review. For the year ended 31 December 2005, the Group’s turnover was approximately RMB1,396,531,000. Meanwhile, the Group’s gross profit, profit for the year and basic earnings per share were RMB364,162,000, RMB131,777,000 and RMB0.15, representing an increase of 18.2%, 24.5% and 15.4% respectively over 2004. Hence, the Board of Directors recommends payment of a final dividend of RMB0.048 per share for the year ended 31 December 2005.

Mr. Zhang Yuping, Chairman of Xinyu Hengdeli Holdings Limited said, “During the period under review, the Group achieved very satisfactory results, since we seized hold of every market opportunity to fully capitalize on our corporate strengths. In 2005, although we were in the course of business restructuring led by the development directions of our sales network, the Group managed to record a significant profit growth. This was mainly due to the rapid expansion of our sales network as a result of our aggressive efforts in enlarging the scale of the high-margin retail business segments. Besides, we also successfully developed certain high-margin wholesale ventures through further realigning the structure of our wholesaling business, and our overall management standards were also further enhanced. These initiatives gave a boost to our gross profit and gross margin as compared with the same period last year, thereby reinforcing the Group’s leading position in the industry.”

During the period under review, the Group continued to actively increase the weighting of the retail business, grossing a retail revenue of RMB636,725,000, representing an increase of 20.1% over 2004. In 2005, the ratio of sales generated from the retail business to those from the wholesale business reached approximately 46:53, as compared with 35:64 in 2004. The Group successfully expanded its domestic and overseas sales networks via different channels, including mergers and acquisitions of other retail groups, the establishment of watch boutiques in cooperation with brand suppliers, and the opening of additional retail shops through direct investment. In addition, the Group also kept up the efforts in adjusting its network strategy in line with market trends to further upgrade the standing of its retail shops. As at 31 December 2005, the Group had 65 retail shops in the major cities in the PRC, which was above its original target.

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Apart from the above, during the period under review, the Group started to change the store fronts of its retail shops to show the new retail brand "Sheng Shi Watch Shop – Xinyu Hengdeli Holdings Limited" in order to build up its corporate image as a retail brand. On the other hand, the Group formed a strategic alliance with Shanghai San Lian Group, Shanghai Oriental Group and Shenzhen Hengjili World Brand Centre Limited to create a sales platform that spans the major mainland cities with an approximate 48% market share of the luxury watch market in the PRC.

In respect of the agency business, relying on its high quality distribution platform and management experience, **Xinyu Hengdeli** continued to win the trust of top watch brands around the world. Indeed, throughout the years, it has been maintaining solid relationships with brand suppliers, such as the Swatch Group, the Richemont Group, the LVMH Group and the Desco Group. The Group holds agency contracts for 19 watch brands, including 15 on an exclusive basis, carried by those four international top watch groups. These brands cover Audemars Piguet, Jaeger-LeCoultre, Carl F. Bucherer, TAG Heuer, Zenith, Baume & Mercier, Maurice Lacroix and Christian Dior. Newly added brands during the period under review are Dunhill, Hamilton and Certina. Moreover, the Group also maintains a good relationship with the Rolex Group. Through the joint venture company established with the Swatch Group, namely, SMH Swiss Watch, the Group is entitled to the exclusive distributorships of Omega and RADO in the PRC.

To further enhance its profitability, the Group is set to aggressively develop its proprietary brand "NIVADA", which generated sales of RMB30,000,000, representing a year-on-year increase of 45%, for the year ended 31 December 2005. In connection with the development of its proprietary brands, the Group acquired two prestigious Swiss watch brands "OLMA" and "NUMA" JEANNIN during the year under review. This has not only enhanced the Group's profit growth potential, but also laid down a solid base for its long-term development.

In conclusion, Mr. Zhang said, "Looking forward, **Xinyu Hengdeli** will continue to expand its domestic and overseas sales networks so as to satisfy the huge demand for high-end watches in the PRC. Our plan is to increase the number of our retail shops to 90 by the end of 2006. Efforts will also be maintained in adjusting our operating structure in a timely manner. Besides, we will set up our own in-house research and development department to aggressive develop our proprietary brands. We will also step up the pace of development of the ancillary systems to explore new sources of profit growth. Meanwhile, the Group will continue to optimize its corporate governance and strengthen its solid relationships with brand suppliers and other retail groups. Our ultimate aim is to further enhance our corporate competitiveness so as to deliver the best value for our shareholders and the community at large."

Background Information of Xinyu Hengdeli

Xinyu Hengdeli, listed on the Main Board of the Stock Exchange of Hong Kong Limited on 26 September 2005, is a leading retailer and distributor of high-end Swiss watches in the PRC. Its strategic shareholder, The Swatch Group (Hong Kong), subsidiary of the Swatch Group Limited - the world's biggest watch manufacturer and distributor has acquired over 6% of the shares of Xinyu Hengdeli. The Group has an extensive sales network that includes 65 retail outlets in prosperous major Chinese cities. Besides, it has approximately 300 wholesale customers from more than 40 cities in the PRC. The Group has established solid relationships with the world's top brand-owners, including Swatch Group, Richemont Group, LVMH Group, Rolex Group and Desco Group. Currently, it sells as distributor and/or authorized seller around 30 internationally renowned brands. And also owns proprietary brand NIVADA, OLMA and NUMA JEANNIN.

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Issued by Porda International (Finance) PR Company Limited for and on behalf of **Xinyu Hengdeli Holdings Limited**.
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Appendix

Turnover Breakdown by Business

| | for the year ended 31 December 2005 | | | |
|----------------------|-------------------------------------|-------------|------------------|-------------|
| | 2005 | | 2004 | |
| | RMB'000 | % | RMB'000 | % |
| Wholesale Business | 745,059 | 53% | 974,771 | 64% |
| Retail Business | 636,725 | 46% | 530,264 | 35% |
| After-sales Business | 14,747 | 1% | 13,547 | 1% |
| Total | 1,396,531 | 100% | 1,518,582 | 100% |