



新宇亨得利控股有限公司

XINYU HENGDELI HOLDINGS LIMITED

To: Business Editor
[For Immediate Release]

Xinyu Hengdeli Announces 2006 Interim Results Remarkable Profit Growth Following Expansion of Sales Network

Financial Highlights (For the six months ended 30 June)			
	2006	2005	Change
	(RMB'000)	(RMB'000)	(%)
Sales	907,668	656,504	38.3%
Gross Profit	224,366	165,030	36.0%
Profit for the period	70,147	49,579	41.5%

[22 August 2006, Hong Kong.] **Xinyu Hengdeli Holdings Limited** (“Xinyu Hengdeli” or the “Group”; stock code: **3389**), a leading enterprise engaged in the retail and wholesale of prestige watches in the PRC, today announced its interim results for the six months ended 30 June 2006 (the “Period”).

The Group’s seasoned management team was able to exploit robust economic growth and huge consumer demand in the PRC during the period, helping **Xinyu Hengdeli** achieve a strong earnings performance. Its business plans for the period were all achieved in advance of schedule, leading to encouraging results. For the six months ended 30 June 2006, the Group’s sales, gross profit and profit for the period was approximately RMB907,668,000, RMB224,366,000 and RMB70,147,000 respectively, representing increases of 38.3%, 36.0% and 41.5% over the same period in 2005.

During the period, the Group made adjustments improving the efficiency of its wholesaling business, enlarged the scale of its high-margin retail business segment, and introduced improved controls over its management costs. The Group continued to keep its retail network aligned with market trends by upgrading the status of its retail shops. It also successfully use a number of different strategies to expand its domestic and overseas sales networks, including engaging in mergers and acquisitions, establishing watch boutiques in cooperation with brand suppliers, and opening extra retail shops through direct investment. As a result, the Group’s gross profit continued increasing to reach approximately RMB224,366,000.

During the period, the Group signed a provisional acquisition agreement with **Elegant International Holdings Limited** (“Elegant International”) of Hong Kong, acquired its 100% interest, and entered into a formal acquisition agreement in July. Elegant International mainly engages in the trading and retailing of international watch brands. It has four retail outlets located in Tsimshatsui, Causeway Bay, and Central. The management of Elegant International has extensive experience in the luxury watch retail sector.

During the period, the Group added two companies in Hefei and Zhengzhou, through the acquisition of a 70% shareholding in Henan Fuhao Watch Ltd. and the setting up of Anhui Sanxin Watch & Clock Ltd. jointly with a respected retailer in Hefei. These two projects gave the Group a 90% and 85% share respectively in the high-end watch retail markets of Hefei and Zhengzhou, and increased the overall number of its retail shops by 10.

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The Group strengthened its co-operation with a number of international brand suppliers during the period, and launched a further five high-end watch shops that included Rolex, Tutor, Omega, and Cartier brands. These shops are all located in upmarket business and commercial areas of Beijing, Nanjing, and Taiyuan. Together with the Group's other franchised shops and comprehensive shops, they have created a high-end sales platform for the luxury watch market that spans a number of major cities in the PRC.

The Group has continued to invest heavily in developing and fine-tuning its retail business. As at 30 June 2006, it had an extensive sales network of 87 retail outlets spanning major PRC cities, and selling around 14 top brands under exclusive distribution licenses. The number of retail shops established as at 30 June 2006 exceeded the Group's original target for this date.

The Group has made strong efforts to expand its sales network, at the same time strengthening its internal controls and standardizing its image. At present, the Group's sales business is basically divided into high- and middle-end comprehensive shops, brand franchised shops, and lifestyle stores. The Group plans to gradually promote its high- and middle-end comprehensive shops under the single brand name "PRIME TIME".

In relation to its agency business, **Xinyu Hengdeli** has continued to maintain solid relationships with its brand suppliers, which include the Swatch Group, the Richemont Group, the LVMH Group, the Desco Group and the Rolex Group. As at 30 June 2006, the Group held agency contracts for 19 watch brands, including 16 on an exclusive basis, covering Audemars Piguet, Jaeger-LeCoultre, Carl F. Bucherer, TAG Heuer, Zenith, Baume & Mercier, Maurice Lacroix and Christian Dior. During the period, the Group marked a brand-new epoch of co-operation with Audemars Piguet by entering into a three-year renewable long-term exclusive agency contract with this watchmaker.

During the period, the Group began upgrading its customer services by setting up comprehensive service systems for all its immediate repair and maintenance services, and establishing two sizeable repair and maintenance factories in Beijing and Shanghai respectively. Meanwhile, an interactive customer service network is being established between Hong Kong and China based on the Group's nationwide repair and maintenance services.

In June, the Group entered into subscription agreements with Temasek (a state investment fund of Singapore) and the SWATCH Group., Temasek will become the second largest shareholder of the Group with a shareholding of nearly 10% after the completion of placing, while the SWATCH Group will increase its interest in the Group to over 7%. LVMH had also begun to acquire the Group's shares and plans to further increase its stake in the Group. These developments clearly demonstrate that the Group's potential in the market for the import of high-end watches has been recognized by the international market.

Mr. Zhang Yuping, Chairman of Xinyu Hengdeli, was pleased with developments. "Supported by our shareholders and the exceptional efforts of our staff, the Group continued to record remarkable business growth for the six months ended 30 June 2006," he said. "We have outperformed our business plans on every front and achieved very encouraging results. In particular, we signed a provisional acquisition agreement with Elegant International successfully, we believing this will help the Group establish a better corporate image and further boost our international presence after completed the acquisition of Elegant International. It should also help enrich the Group's understanding of and experience in the international market, as well as strengthening our corporate profitability. We believe the acquisition will contribute to the steady growth of the Group in the long run, and will encourage synergies between our domestic and overseas retail operations in the international luxury watch markets. The Group plans to further expand internationally, building on its established foundations in the domestic market to become a leading retailer of luxury watches in the Greater China region."

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In conclusion **Mr. Zhang** said, "Looking forward, as China's high income group continues to grow, the potential for sales of imported high-end watches in the PRC will increase. The Group will retain its focus on developing the PRC market, but at the same time it will continue working to penetrate overseas retail markets including Hong Kong so as to achieve comprehensive growth across all areas of the medium- to high-end watches segment, including retail, distribution, customer services, and watch accessories. The Group will leverage its underlying strengths to actively seek a larger market share, while it also improves the quality of its services and maximizes returns to shareholders and to the community as a whole."

Background Information about Xinyu Hengdeli

Xinyu Hengdeli, listed on the Main Board of the Stock Exchange of Hong Kong, Limited in September 2005, is a leading retailer and distributor of mid- to high-end watches in the PRC. The Swatch Group (Hong Kong), a strategic shareholder of Xinyu Hengdeli and a corporate member of the Swatch Group Limited, the world's largest watch manufacturer and distributor, held its shareholding in the Group over 6%. In June 2006, the Group entered into subscription agreements with Temasek (a state investment fund of Singapore) and the SWATCH Group, by which Temasek would become the second largest shareholder of the Group with a shareholding of nearly 10%, and the SWATCH Group will hold its shareholding in the Group over 7% after completion of placing.

In June 2006, the Group signed a provisional acquisition agreement with Elegant International, and entered into a formal acquisition agreement in July., which has 4 retail outlets located in Tsimshatsui, Causeway Bay, and Central. The Group has an extensive sales network, with 87 retail outlets across major PRC cities which distribute over 50 world-renowned brands. In addition, it has approximately 300 wholesale customers from more than 40 cities across the PRC. The Group has established solid relationship with the world's leading brand-owners, including the Swatch Group, the LVMH Group (which recently announced its acquisition of shares in the group and its intention to continue purchasing the Group's shares), the Richemont Group, the Rolex Group and the Desco Group. The Group currently distributes 19 internationally renowned brands, including 16 top brands under exclusive distribution licenses. Xinyu Hengdeli also sells watches under its own brands: NIVADA, OLMA and NUMA JEANNIN.

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

Turnover Breakdown by Business

	For the six months ended 30 June			
	2006		2005	
	RMB'000	%	RMB'000	%
Wholesale Business	444,757	49.0%	341,983	52.1%
Retail Business	453,834	50.0%	306,830	46.7%
After-sales Business	9,077	1.0%	7,691	1.2%
Total	907,668	100%	656,504	100%