

[For Immediate Release]



Hengdeli achieves satisfactory business results for 2012 Develop businesses in a cautious manner Secure shareholders' interests

Financial Highlights		For the year ended 31 December		Change (%)
		2012	2011	
Sales	RMB'000	12,120,448	11,375,280	+6.6%
	HKD'000	14,949,361	13,692,425	
Gross profit margin	%	26.0%	25.1%	+90bps
Profit for the year	RMB'000	945,518	918,276	+3.0%
	HKD'000	1,166,202	1,105,329	
Profit attributable to equity shareholders	RMB'000	855,153	814,919	+4.9%
	HKD'000	1,054,746	980,918	
Basic Earnings per share	RMB	0.195	0.185	+5.4%
	HKD	0.241	0.223	
Final dividend per ordinary share proposed		RMB0.04 per share		
Payment of bonus issue proposed		1 bonus share for every 10 shares		

[26 March 2013, 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 2012 (the "year under review").

In 2012, Hengdeli achieved satisfactory operating results. During the year under review, the Group recorded sales of RMB12,120,448,000, a year on year increase of 6.6%, while revenue from retail sales increased 4.3% to RMB8,956,445,000. Retail sales in Mainland China amounted to RMB5,627,893,000, representing a year-on-year growth of 8.0%, while the retail sales in Hong Kong amounted to RMB3,113,940,000, a year-on-year decline of 1.4% (registered a growth of 1.1% if the effect of exchange rate changes is excluded). The retail sales accounted for 73.9% of the total sales, which is in line with the direction of the Group's strategic development of focusing on retail sales. The Group's profit for the year amounted to RMB945,518,000, a year on year increase of 3.0%. The Board proposed a dividend payout of RMB0.04 per share for the financial year ended 31 December 2012 and a bonus issue of 1 bonus ordinary share for every 10 existing ordinary shares held ("Bonus Issue"), in return for shareholders' support.

Mr. Zhang Yuping, Chairman and Chief Executive Officer of Hengdeli, said, "Amid the volatile global economy with increasingly gloomy outlook, coupled with the soaring challenges the domestic economic development was exposed to and the hindrance on China's economic growth, the Group adhered to its principle of 'seeking progress amidst stability', and managed to achieve satisfactory business results by grasping every market opportunity to develop its businesses in a cautious manner."

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During the year under review, the Group adjusted its pace in retail network expansion in response to market pulse. Regionally, the Group reinforced its position in first tier cities, meanwhile, strengthening itself and expanding into second and third tier cities. As for business framework, the Group placed greater emphasis on the complementary middle-to-high-end retail network between “Prime Time” and “With Time” in Mainland China and “Elegant” in Hong Kong. It also fostered several measures to optimize its outlet management in order to advance the quality of its retail outlets and open up boutiques. As at 31 December 2012, the Group operated a total of 452 retail outlets in Mainland China, Hong Kong, Macau and Taiwan, up 24 outlets from 428 outlets at the end of first half of the year.

Most of the Group’s retail outlets in Mainland China are Prime Time shops and With Time shops, which are positioned on middle-to-high-end watches. During the year under review, the Group committed tremendous efforts to re-position such retail shops through a number of approaches, leading to the consolidation and expansion of its retail network in the second and third tier cities. A total of 46 Prime Time and With Time shops were newly established, mainly in Southwest and Central China as well as in the second and third tier cities in East and North China. These initiatives enabled the Group to consolidate and increase its market share in such regions.

As at 31 December 2012, the Group operated a total of 374 retail outlets in Mainland China. The Group recorded a slower growth pace in terms of domestic retail sales, mainly due to the slower growth momentum of the China’s economy and the relatively high base for the same period last year. However, the Group took initiatives to enhance management through continuous upgrading of the standards of outlet establishment and evaluation, timely adjustments of brand portfolio, optimization of its inventory structure and effective cost control. As a result, the Group managed to achieve a growth of 8.0% over the corresponding period last year, while sales of middle-end brands increased by 22.2%, which also highlights the Group’s overall growth.

Due to the sluggish global economy, Hong Kong saw a slower growth in the retail business, especially for the high-end consumer goods, during the year. However, sales of Elegant (Hong Kong) remained stable during the year under review, which was attributable to the Group’s extensive, solid and loyal client base in Hong Kong, the interaction between retail outlets in Mainland China and Hong Kong, as well as the comprehensive after-sales service network across the Greater China region, ensuring after-sales guarantees for Mainland tourists shopping in Hong Kong. Because of the difficult overall business environment and the change of RMB-HKD exchange rate, the Group recorded a drop of approximately 1.4% in sales in Hong Kong as at 31 December 2012 as compared to the same period last year, which was an actual increase of 1.1% if the effect of exchange rate changes is excluded.

As at 31 December 2012, the Group operated a total of 21 retail outlets in Hong Kong, mainly located in prime districts such as Tsim Sha Tsui, Central and Causeway Bay. The Group will consider more business districts in light of the market’s demands, so as to provide timely and considerate services for consumers. Benefitted from the heating-up tourism in Macau, the Omega boutique in Macau again achieved positive sales. Given the changing economic conditions and improved economic status of Macau, the Group’s businesses in Hong Kong and Macau will definitely complement well with each other, which will further consolidate the Group’s leading position in the region.

The retail business of the Group in Taiwan is currently building and stabilizing its network. The Group focuses on the sales of mid-end and high-end watches in Taiwan. As at 31 December 2012, the Group operated a total of 56 retail outlets in Taiwan, mainly located in major areas including Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi. During the year under review, the sales in Taiwan remained stable.

During the year under review, the Group's customer services and maintenance had focused on the broader and deeper collaboration with brand suppliers and the solicitation and training of maintenance technicians. Apart from Tissot and Hamilton, the Group's customer service platform had also opened up express Green Channels for several brands to provide timely maintenance services. During the year, the Group signed watch maintenance agent agreements with multiple brands such as Balmain, Franck Muller and Cerruti 1881. Currently, the Group has become the maintenance agent for 65 international brands, of which 46 brands appoint us as their exclusive maintenance agent.

With the successful go-live of SAP system, the Group has upgraded all its existing operating, financial, supply chain and daily management information systems. The effective operation of the SAP system has facilitated advancement in its management standard in respect of "professional management" and "integrated operation", and lead to a significant development on the Group's business size and management capability. In addition, the Group believes that SAP, being an internationally advanced project, will definitely contribute to the Group's long-term, stable, healthy and rapid growth and must be one of the Group's core competitive edges.

Looking ahead, **Mr. Zhang** said, "With the global economic conditions remains complex and uncertain in 2013, we are still has full confidence in both China's economy outlook and the Group's further development. The Group will be benefited from the opportunities brought by China's consistent policy of sustaining steady economic growth. Therefore, the Group will adopt the principle of 'progressing at a steady pace' for business development in accordance with its established strategic blueprint. The Group will continue to closely monitor and respond to latest market trends. The Group will cautiously expand its middle-to-high-end watch retail and related businesses, focusing on Mainland China market with Greater China markets including Hong Kong being complements. The Group will strive to achieve steady and sustainable profit growth in a pragmatic manner to generate more satisfying returns for our shareholders, investors, staff and society."

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Sales Breakdown by Business

		For the year ended 31 December				
			2012	%	2011	%
Retail Business	Mainland China	RMB'000 HKD'000	5,627,893 6,941,443	46.4%	5,209,797 6,271,032	45.8%
	Hong Kong	RMB'000 HKD'000	3,113,940 3,840,734	25.7%	3,157,265 3,800,400	27.8%
	Taiwan	RMB'000 HKD'000	214,612 264,702	1.8%	222,261 267,535	1.9%
Wholesale Business		RMB'000 HKD'000	2,924,747 3,607,383	24.1%	2,550,534 3,070,078	22.4%
Customer Service and Others		RMB'000 HKD'000	239,256 295,098	2.0%	235,423 283,379	2.1%
Total		RMB'000 HKD'000	12,120,448 14,949,361	100%	11,375,280 13,692,425	100%

Sales Network Distribution

For the year ended 31 December					
	Mainland China	Hong Kong	Taiwan	Macau	Total
Elegant Shop	17	5	1	-	23
Prime Time/Hengdeli	248	-	34	-	282
With Time	68	-	2	-	70
Brand Boutiques	41	16	19	1	77
Total	374	21	56	1	452

Average Exchange Rate	RMB	:	HKD
January to December 2012	1		1.2334
January to December 2011	1		1.2037

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.

With internationally renowned watches serving as a core focus, the retail of a portfolio comprising middle-to-high-end products, such as jewellery, remains the strategic direction of the Group.

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 middle-end renowned brand watches) and single-brand boutiques. As at 31 December 2012, Hengdeli had an extensive sales network of 452 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 Richemont Group and the Rolex Group, distributing and exclusively distributing numerous world-known watch brands.

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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