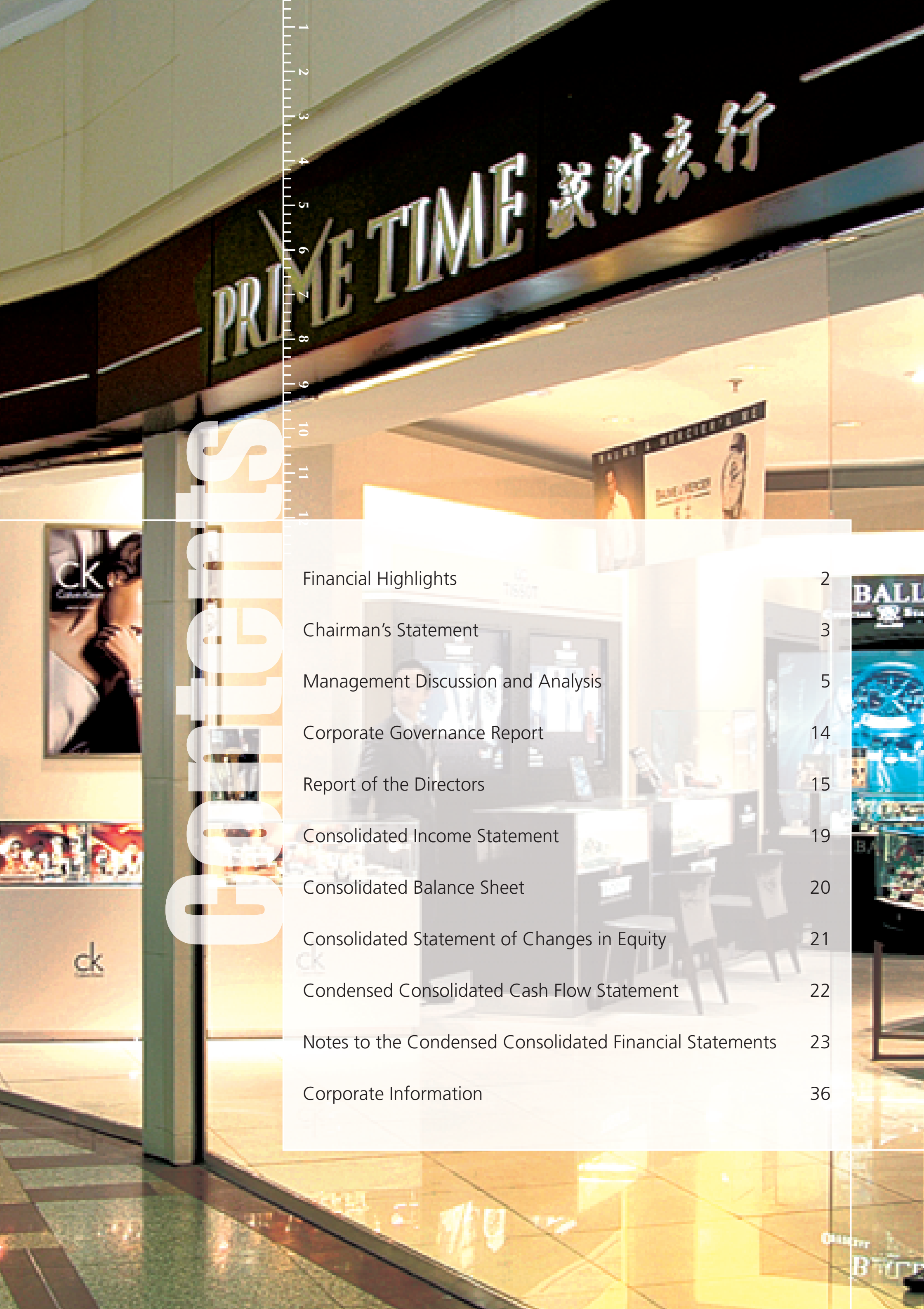
Xinyu Hengdeli Holdings Limited
新宇亨得利控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 3389)

INTERIM REPORT 2007



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Financial Highlights

Results	Six months ended 30 June 2005 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	**2007 RMB'000 (Unaudited)**
Sales	656,504	907,668	**1,921,606**
Profit for the period	49,579	70,147	**155,898**
Attributable to equity shareholders	46,066	64,951	**145,386**

Chairman's Statement

Dear Shareholders,

Riding on the good development situation in China's economy in the first half of the year 2007, the Group leveraged the opportunities in retail market of middle-to-high-end watches and boosted the expansion strategies of retail and distribution, so that all operations achieved outstanding performance with results exceeded planned target.

For the six months ended 30 June 2007 (the "period under review"), the Group recorded sales of RMB1,921,606,000, representing a growth of 111.7% from the corresponding period of last year. Profit for the period grew by 122.2% as compared to the corresponding period of last year, to RMB155,898,000. The number of retail stores also grew from 87 last year to 133.

During the period under review, the Group collaborated with the Swatch Group Limited and signed a memorandum of cooperation to establish jointly-invested retail company in Mainland China, which further deepened the cooperation on the basis of capital investment and fully utilized resources from both parties and established a holistic operation relationship in China's retail market.

During the period under review, the Group signed a distribution contract with OMAS, a famous international brand which is a company under LVMH Group, to be the sole distributor in selling all products, including high-end writing instruments and leather-made products of OMAS in Mainland China, Hong Kong, Macau and Taiwan.

It shows that the Group had an even closer relationship with brand suppliers. We are working to tap markets for other luxury goods beside watches, like jewellery.

The Group strengthened its retail network. During the period under review, the Group stressed on developing retail network in China's middle and western region with focus in Wuhan, and further strengthened and consolidated its relationship with brand suppliers and retail operators. The measures taken included: further developing mono-brand boutiques; distributing various new high-end watches and jewelry brands; healthy development of distribution businesses; and the segmentation of brands which started in 2006, including Xinyu Elegant (新宇三寶), Prime Time and Temptation, has been shaped.

During the period under review, the Group continued to consolidate the establishment for customer service and invested to formally establish a customer service company. We aim at continuously working out our promise to provide quality service to customers and strengthen their confidence in the Group.

While we are tapping and developing our business, the Group continues to improve our human resources system and raise our corporate governance level, so as to safeguard the Group's organization in expanding its businesses.

China's economy is growing healthily in high speed. With international brand name watches as a basis, the Group will be developing in the future complementary distribution of luxury products. The Group will maintain and consolidate the rapid development of retail network and strengthen its collaboration with brand suppliers. We will continue to improve our customer service network system in Greater China region, smooth up the development of service and management level to international level and reciprocate our shareholders and the society with the greatest reward.

By Order of the Board
Zhang Yuping
Chairman

Hong Kong, 5 September 2007

Management Discussion and Analysis

As at 30 June 2007, the Group recorded vigorous results. Sales and profit recorded 111.7% and 122.2% growth respectively, which brought to shareholders a remarkable return.

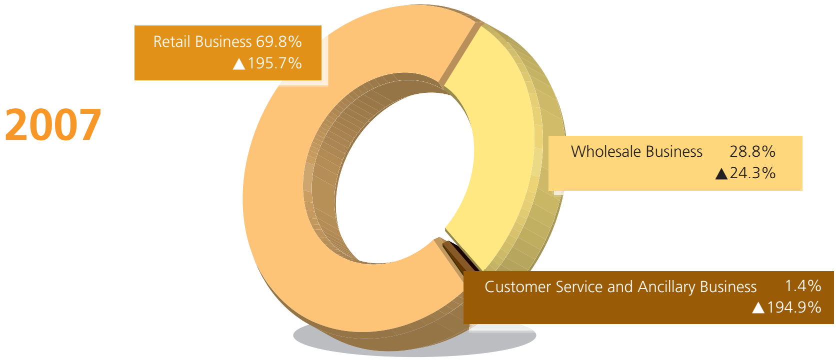
I. FINANCIAL REVIEW

Sales

For the six months ended 30 June 2007, the Group recorded sales of RMB1,921,606,000, an increase of 111.7% from the corresponding period last year, of which sales in retail business amounted to RMB1,341,816,000 and accounted for 69.8% of the retail business, an increase of 195.7% from the corresponding period last year. The increase in sales was mainly attributable to the Group's leverage of the good economic situation in China and worked enthusiastically to expand retail network both in China and in overseas countries. The Group also adhered to the market and regulated the structure of the brands for agency and distribution service and continued to improve the selling result of individual stores and strengthened operation management.

Sales breakdown of the Group (for the six months ended 30 June 2007)

	2007		2006	
	RMB'000	**%**	RMB'000	%
Retail Business	**1,341,816**	**69.8**	453,834	50
Wholesale Business	**553,026**	**28.8**	444,757	49
Customer Service and Ancillary Business	**26,764**	**1.4**	9,077	1
Total	**1,921,606**	**100.0**	907,668	100.0



Gross profit and gross profit margin

For the six months ended 30 June 2007, the Group's gross profit increased by 83.1% from last year to approximately RMB410,797,000, whereas our gross profit margin was down 3.3 percentage points over last year to approximately 21.4%. The decrease in gross profit margin was mainly due to a generally lower gross profit margin in Hong Kong's watch market than in China. The Group acquired Elegant Group in Hong Kong (香港三寶) in August 2006.

Profit for the period and profit margin

During the period under review, the Group recorded outstanding profit result. Profit increased by 122.2% to approximately RMB155,898,000 over last year; profit margin was approximately 8.1%. The main reason for the continuous increase in profit was due to the consistent increase in sales and lowering of the expense ratio level.

Distribution costs

During the period under review, the Group's distribution costs was approximately RMB119,648,000, an increase of approximately 57.4% over the corresponding period last year, representing 6.2% of the Group's sales. The percentage of the distribution costs to the Group's sales decreases 2.2% as compared to the corresponding period of last year, which is particularly the result of enhanced economies of scale.

Contingent liabilities

As at 30 June 2007, the Group did not have any material contingent liabilities.

Current assets

During the period under review, the current assets of the Group amounted to approximately RMB2,203,329,000, including inventories of approximately RMB1,396,081,000, trade and other receivables of approximately RMB493,373,000 and cash and cash equivalent of approximately RMB260,914,000.

II. BUSINESS REVIEW

Important Events

During the period under review, the Group signed a cooperation memorandum of understandings with a Swiss Company, the Swatch Group Limited, to establish a jointly-invested retail company in Shanghai, China with the equity ratio structure of 50:50. The company mainly operates brands specializing in high-end fashionable items and other high-end watches, jewelleries and other related accessories of the Swatch Group, like Swatch and Omega. As the Group signed the agreement, we and the Swatch Group immediately started operation, and the Shanghai Omega flagship shop and the Harbin Swatch flagship shop entered into furnishing stage.

During the period under review, the Group signed a distribution agreement with LVMH Group to be the exclusive distributor for selling all products, including high-end writing instruments and leather goods, of OMAS, a famous international brand under LVMH, in mainland China, Hong Kong, Macau and Taiwan regions.

The signing and operation of the above two cooperation memorandum of understandings and agreement has proved that, on the one hand, the Group was having an even closer relationship based on capital injection with brand suppliers so that resources from both parties could be utilized for building and improving the holistic operation mode of the Chinese high-end retail market; and on the other hand, the Group was working to expand markets in luxurious products like jewellery and leather goods beside watches.

The Group always dedicates itself to provide high quality after-sale service to its customers. During the period under review, the Group formally established a customer service company to provide customer service for regions like China and Hong Kong. It formalized and improved in a scientific way the interactive customer service network in Greater China region covering Hong Kong and China, so as to establish confidence in customers.

For the six months ended 30 June 2007, the Group has obtained the authorised repair maintenance right from 34 international brands, which proved that the Group's strong maintenance and customer service system won recognition from international brands.

Continuous Expansion of Retail Network

The Group continues to expand retail distribution network safely and enthusiastically. During the period under review, the Group established a jointly-invested retail company with a famous watch retailer in Wuhan, China. Like other retail stores, all retail stores under that company are located in Wuhan's high traffic commercial hub, giving the Group an attractive stake in the region's high-potential consumer segment. Therefore, from the collaboration, the Group owned over 70% of the middle-to-high-end watch market in Wuhan district.

This period under review is the first completed half year after the Group acquired Elegant Group in Hong Kong. During the period under review, Elegant Group achieved a steadier and quicker growth: sales amounted to RMB588,458,000, representing an increase of 25.9% over the corresponding period last year. Sales gross profit and profit after tax both achieved over 30% increase when compared with the corresponding period of last year. Our retail brands newly included high-end watches and jewellery products like Roger Dubuis, Van Cleef Arpels and Greubel Forsey. Therefore, we can see that the development of Hong Kong is complementary in its vantage ground with China's businesses. It has brought effective profit safeguard to the Group.

During the period under review, the Group established 6 new exclusive brand boutique shops, including Omega, TAG Heuer and Tissot, etc. One of the exclusive brand boutique shops for TAG Heuer was situated in Beijing international airport, and there were various exclusive brand boutique shops in places like Wuhan, Tianjin and Fuzhou. It shows that the Group had significant improvement in retail network no matter in the stores location or in the level of sophistication in business. To date, the Group owned 20 exclusive brand boutique shops. Opening up these exclusive brand boutique shops for international high-end watches can not only fulfil the enormous demand for high-end watches in Chinese market, but also strengthen the relationship with various brand suppliers, so that the Group can in turn win an even greater business opportunity.

During the period under review, the Group introduced brands of high-end watches and jewellery like Glashuttle, Jaquet Droz, IWC, Roger Dubuis, Van Cleef Arpels, Greubel Forsey which belonged to the Swatch Group and the Richemont Group etc. The Group aimed at improving the brand sales structure continuously according to the market demand and further enlarged the market share for high-end markets to bring the new profit growing point to the Group.

After a series of tapping effort and development, adjustment and consolidation, during the period under review, the number of Group's retail stores increased to 133, which was an increase of 46 compared to the corresponding period last year. The actual development of retail network was far faster than the requirement of our plan. The Group achieved sales of RMB1,341,816,000 during the first half of the year, which was an increase of 195.7% compared to the corresponding period last year. The proportion of retail to the Group's sales was 69.8%, which was an increase of 19.8 percentage point compared to the corresponding period last year.

The Comprehensive retail network of Xinyu Hengdeli in the PRC

Distributorship and Wholesale

The Group has been maintaining a good cooperation relationship with brand suppliers of internationally famous watches, including Swatch Group, LVMH Group, Richemont Group, Rolex Group and Desco Group. During the period under review, the Group continues to perform distribution for the aforesaid groups which belonged to the 19 international famous watch brands. Among them, we were the exclusive distributor for 17 brands. Besides, in the beginning of the year, the Group signed an agreement with LVMH Group to be the exclusive distributor for products of OMAS, an international famous brand under LVMH Group, in Greater China region. Those products included high-end writing instruments and leather goods. Therefore, during the period under review, the Group was the distributor for a total of 20 international brands, and 18 of them were under exclusive basis, including high-end watches, leather goods and writing instruments.

During the period under review, the Group achieved stable and healthy development in brands distribution business. At present, the Group had over 300 wholesale customers in over 40 cities in China. The status of the exclusive distributor for many international brands and the ownership of a giant wholesale network realised the trust and full support from brands to the Group.

The Ancillary System Continues to Add Profit to the Corporation

After the acquisition of all equity in Guangzhou Artdeco Decorating and Packaging Co. Ltd., during the period under review, Artdeco signed a cooperation agreement with several international brands like Omega, Rado, Rolex, Tudor, Longines, Tissot and launched the production of related ancillary products of watches. These have improved the shops image of the Group and also became a new profit growing point for the Group. During the period under review, sales and profit of Artdeco increased 114.7% and 1,587.6% compared to the corresponding period last year.

Effective Marketing with Brand Suppliers

During the period under review, the Group continued its marketing activities in 2006 and collaborated with the Swatch Group, Richemont Group and LVMH Group and shot a TV series called "Ultimate Luxury—新宇鐘錶瑞士行". This series introduced the culture, history and intrinsic value of over 20 high-end watches including Breguet, Audemars Piguet, Vacheron Constantin, Zenith, Blancpain, Ulysse Nardin and Omega. At the same time it showcased the support and trust from international top brand suppliers.

III. HUMAN RESOURCES AND TRAINING

During the period under review, the Group employed a total of 2,635 employers in China and Hong Kong, the number of which has incorporated 548 ancilliary industries staff.

The Group has always valued tapping and topping-up human resources. We employ scientific employment system and systematically input resources in the training of management personnel, front-line service staff and maintenance staff. The contents include management ability, selling technique, brand knowledge and service initiative, etc. The Group is dedicated in comprehensive upgrade of individual ability and service standard.

The Group offers competitive salary and various scientific incentive stimulation mechanism, and regularly reviews salary and the structure of the incentive stimulation mechanism to suit the development of the corporation. At the same time, the Group offers various benefits to the employees, including pension contribution plan, insurance plan, housing and meals, etc.

IV. FUTURE PLANS

With international famous watches as the basis, group distribution of high-end products, including watches, jewellery, leather goods and writing instruments, will be the future direction for the Group.

The Group will continue to use various ways to expand retail network both within the country and overseas. We expect to increase not less than 155 retail stores during the year; and at the same time continue to adjust and improve the retail management system.

As the Chinese government boosts the development policy of the central and western regions, the Group's results in retail development in the aforesaid regions will achieve better harvest, and will in turn consolidate the Group's retail network in high-end watches in China, thus raising the profitability of the Group.

We will continue to improve the retail system of Xinyu Elegant, Prime Time and high-end and fashionable items, enlarge market share and continue live up the goal of the Group's dedication to provide a quality and wide distribution platform for brand suppliers.

The Group will continue to enhance our relationship with brand suppliers and collaborate to work on market maintenance and product marketing.

To adhere to the principle of professional management, distribution business for brand name products shall be independent from the retail business so as to safeguard the continuous growth in results; at the same time we will continue to improve the structure of distribution and retail brands so as to better suit the speedy developing market demand.

After setting up a new customer service company, the Group will implement a more scientific operation mode to further raise our market competitiveness. On one hand, we will develop maintenance businesses in various regions and operations so as to raise our profit; on the other hand, we will continue to raise the service standard to an unexpected level to raise customers' satisfaction. The Group believes that, these business aspects will bring the Group with good profit returns.

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

For a long period of time, the Company has been committed to maintain a high standard of corporate governance practice to ensure transparency, so that the interests of our shareholders and the cooperative development among customers, employees and the Group can be safeguarded.

The Company has adopted the Code on Corporate Governance Practices (the "Code") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

In the opinion of the Board of Directors, the Company had complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") during the period under review except for a derivation from the Code provision A2.1. Given the Group's existing corporate structure, the roles of chairman and chief executive officer have not been separated. Although the functions and duties of chairman and chief executive officer have been performed by the same individual, all major decisions would only be made after consultation with the Board of Directors and (where applicable) the committees of the Board of Directors. There are three independent non-executive Directors in the Board of Directors, all of them possess adequate independence. Therefore the Board of Directors considers the Company has achieved balance of power and sufficient protection for its interests by justifiable decisions.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Listing Rules. The audit committee comprises three independent non-executive Directors and one non-executive Director, with the primary duties of reviewing the accounting principles and practices adopted by the Company as well as substantial exceptional items, internal controls and financial reporting matters, which included a review on the interim report for the year ended 30 June 2007.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Directors of the Company are not aware of any information which can show that the Company did not comply with the Code of Best Practice set out in Appendix 14 to the Listing Rules at any time during the reporting period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

For the six months ended 30 June 2007, the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the Company's own code for securities transactions by its Directors. Following specific enquiry made with all Directors, the Company has confirmed that all Directors had complied with the required rules and regulations mentioned above.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 30 June 2007, the interests and short positions of each of the Directors and chief executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were recorded in the register pursuant to Section 352 of the SFO required to be kept by the Company; or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	**Nature of Interest**	**Number of Shares**	**Approximate percentage of issued share capital of the Company**
Mr. Zhang Yuping (alia, Cheung Yu Ping) ("Mr. Zhang")	Controlled Corporation *(Note1)*	1,340,648,000(L)	53.96%
Mr. Song Jianwen	Controlled Corporation *(Note2)*	18,700,000(L)	0.75%

The letter "L" denotes the person's long positions in the Shares.

Note 1: Mr. Zhang Yuping owned 77.7% of the issued share capital of Best Growth International Limited ("Best Growth"), which in turn owned 53.96% issued share capital of the Company.

Note 2: Mr. Song Jianwen owned the entire share capital of Artnew Developments Limited, which in turn owned 0.75% of the issued share capital of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2007, any interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO which were recorded in the register pursuant to Section 352 of the SFO required to be kept by the Company; or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2007, the interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares or underlying shares or debentures of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	**Number of Shares held**	**Approximate percentage of issued share capital of the Company**
Best Growth *(Note 1)*	1,340,648,000 (L)	53.96%
Mr. Zhang Yuping *(Note 1)*	1,340,648,000 (L)	53.96%
Dunearn Investments (Mauritius) Pte Ltd *(Note 2)*	247,000,000 (L)	9.94%
Seletar Investments Pte Ltd *(Note 2)*	247,000,000 (L)	9.94%
Temasek Capital (Private) Limited *(Note 2)*	247,000,000 (L)	9.94%
Temasek Holdings (Private) Limited *(Note 2)*	247,000,000 (L)	9.94%
The Swatch Group Limited *(Note 3)*	180,000,000 (L)	7.24%
The Swatch Group Hong Kong Limited *(Note 3)*	180,000,000 (L)	7.24%
Hayek Nicolas Georges *(Note 3)*	180,000,000 (L)	7.24%
LVMH Watches & Jewelry Hong Kong Limited *(Note 4)*	12,336,000 (L)	0.50%
TAG Heuer SA *(Note 4)*	12,336,000 (L)	0.50%
TAG Heuer International SA *(Note 4)*	12,336,000 (L)	0.50%
LVMH Asia Pacific Limited *(Note 4)*	167,664,000 (L)	6.74%
Sofidiv SAS *(Note 4)*	180,000,000 (L)	7.24%
LVMH SA *(Note 4)*	180,000,000 (L)	7.24%

The letters "L" denotes the person's long positions in the Shares.

Note 1: Best Growth is owned by the Zhang's family in the following manner:

Mr. Zhang Yuping	77.7%
Ms. Zhang Yuhong, younger sister of Mr. Zhang	14.7%
Mr. Zhang Yuwen, younger brother of Mr. Zhang	2.4%
Ms. Zhang Huiling, younger sister of Mr. Zhang	5.2%

Note 2: These 247,000,000 Shares are held in the name of and registered in the capacity of Dunearn Investments (Mauritius) Pte Ltd as a beneficial owner. The entire issued share capital of Dunearn Investments (Mauritius) Pte Ltd is owned by Seletar Investments Pte Ltd, a 100% interest of which is in turn beneficially owned by Temasek Capital (Private) Limited. Temasek Capital (Private) Limited's entire interest is beneficially owned by Temasek Holdings (Private) Limited.

Note 3: These 180,000,000 Shares are held in the name of and registered in the capacity of The Swatch Group Hong Kong Limited as a beneficial owner. The entire issued share capital of The Swatch Group Hong Kong Limited is beneficially owned by The Swatch Group Limited, a 38.02% interest of which is in turn beneficially owned by Mr. Hayek Nicolas Georges. According to the SFO, The Swatch Group Limited and Mr. Hayek Nicolas Georges are deemed to have interest in all the Shares held by The Swatch Group Hong Kong Limited.

Note 4: These 180,000,000 Shares are held in the name of and registered in the capacity of LVMH Watches & Jewelry Hong Kong Limited in its 12,336,000 shares and in the name of and capacity of LVMH Asia Pacific Limited in its 167,664,000 shares. LVMH Watches & Jewelry Hong Kong Limited's entire interest is owned by TAG Heuer SA, and TAG Heuer International SA beneficially owns 100% interest in TAG Heuer SA. Sofidiv SAS benefically owns 100% interest in TAG Heuer International SA and LVMH Asia Pacific Limited. LVMH SA owns 100% interest in Sofidiv SAS.

Save as disclosed above, the Directors or chief executives of the Company were not aware that there was any party who had an interest or short position in the Shares or underlying Shares which were recorded in the register pursuant to Section 336 of the SFO required to be kept by the Company.

DIVIDEND DISTRIBUTION

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2007.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company to grant share options to selected participants as incentives and rewards for their contributions to the Group.

During the period under review, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTING SHARES

During the period under review, the Company or any of its subsidiaries did not purchase, sale or redeem any of the listed securities of the Company.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

An interim report for the six months ended 30 June 2007 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to all the shareholders for their continuous support and to all our staff for their dedication and contribution to the Group during the reporting period.

GENERAL INFORMATION

As at the date of this report, the Executive Directors of the Company are Mr. Zhang Yuping (Chairman), Mr. Song Jianwen and Mr. Huang Yonghua, the Non-executive Directors are Mr. Chen Sheng, Mr. Chuang Jian George, Mr. Shen Zhiyuan and Mr. Shi Zhongyang and the Independent Non-executive Directors are Mr. Cai Jianmin, Mr. Wong Kam Fai William and Mr. Liu Xue Ling.

By order of the Board
Zhang Yuping
Chairman

5 September 2007, Hong Kong

INTERIM RESULTS

The board of directors (the "Directors") of Xinyu Hengdeli Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007, along with the unaudited comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Notes	**2007 RMB'000 (unaudited)**	2006 RMB'000 (unaudited)
Sales	*3*	**1,921,606**	907,668
Cost of sales		**(1,510,809)**	(683,302)
Gross profit		**410,797**	224,366
Other revenue and net income		**5,203**	8,179
Distribution costs		**(119,648)**	(76,034)
Administrative expenses		**(76,030)**	(42,295)
Other expenses		**(84)**	(931)
Profit from operations		**220,238**	113,285
Finance costs	*4(i)*	**(11,433)**	(9,336)
Share of losses of a jointly controlled entity		**(150)**	(170)
Profit before tax		**208,655**	103,779
Income tax	*5*	**(52,757)**	(33,632)
Profit for the period		**155,898**	70,147
Attributable to:			
Equity shareholders of the Company		**145,386**	64,951
Minority interests		**10,512**	5,196
		155,898	70,147
Basic earnings per share	*6*	**RMB0.06**	RMB0.03

CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*8*	**244,463**	251,101
Intangible assets		**32,929**	32,989
Goodwill	*9*	**181,045**	181,045
Investments in a jointly controlled entity		**4,583**	4,733
Other investments		**250**	250
Deferred tax assets		**28,768**	24,948
		492,038	495,066
Current assets			
Inventories	*10*	**1,396,081**	1,262,382
Trade and other receivables	*11*	**493,373**	330,995
Pledged bank deposits		**52,961**	76,908
Cash and cash equivalents	*12*	**260,914**	298,275
		2,203,329	1,968,560
Current liabilities			
Bank loans		**499,956**	387,814
Trade and other payables	*13*	**433,853**	370,698
Current taxation		**44,449**	74,484
		978,258	832,996
Net current assets		**1,225,071**	1,135,564
Total assets less current liabilities		**1,717,109**	1,630,630
Non-current liabilities			
Bank loans		**42,070**	22,070
NET ASSETS		**1,675,039**	1,608,560
Total equity attributable to equity shareholders of the Company		**1,538,445**	1,472,086
Minority interests		**136,594**	136,474
TOTAL EQUITY		**1,675,039**	1,608,560

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	For the six months ended 30 June **2007** **RMB'000** **(unaudited)**	 2006 RMB'000 (unaudited)
Equity attributable to equity shareholders of the Company:			
Balance at 1 January		**1,472,086**	694,640
Profit for the period		**145,386**	64,951
Dividends	*7*	**(69,566)**	(49,800)
Exchange difference on translation into presentation currency		**(9,461)**	–
Balance at 30 June		**1,538,445**	709,791
Minority interests:			
Balance at 1 January		**136,474**	99,511
Capital contribution		**–**	16,500
Acquisition of subsidiaries		**–**	10,900
Share of profit for the period		**10,512**	5,196
Dividends		**(10,392)**	(5,637)
Balance at 30 June		**136,594**	126,470
Total equity:		**1,675,039**	836,261

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		For the six months ended 30 June	
	Notes	**2007 RMB'000 (unaudited)**	2006 RMB'000 (unaudited)
Cash generated from/(used in) operations		**13,352**	(1,337)
Income tax paid		**(86,457)**	(43,607)
Net cash used in operating activities		**(73,105)**	(44,944)
Net cash generated from investing activities		**20,922**	119,449
Net cash generated from/(used in) financing activities		**23,033**	(22,374)
Net (decrease)/increase in cash equivalents		**(29,150)**	52,131
Cash and cash equivalents at 1 January	*12*	**294,673**	142,502
Effect of foreign exchange rate changes		**(9,461)**	–
Cash and cash equivalents at 30 June	*12*	**256,062**	194,633

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1 Corporate reorganisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 July 2004 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation (the "Reorganisation") of the Group to rationalise the group structure in preparation of the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group. The shares of the Company were listed on the Stock Exchange on 26 September 2005.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements of the Company dated 10 April 2007.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the issuance of the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from the 2006 annual financial statements. The 2006 annual financial statements are available from the Company's registered office. The auditors have expressed an unqualified opinion in the 2006 annual financial statements dated 10 April 2007.

3 Segment information

The Group comprises two principal business segments which are retail and wholesale respectively.

	For the six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales		
Retail	**1,341,816**	453,834
Wholesales	**553,026**	444,757
Unallocated	**26,764**	9,077
Total	**1,921,606**	907,668

The principal activities of the Group are retail and wholesales of watches. Sales mainly represent income arising from the sales of watches net of value added tax.

	For the six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment result		
Retail	**185,942**	76,761
Wholesales	**53,699**	51,874
Total	**239,641**	128,635
Unallocated operating income and expenses	**(19,403)**	(15,350)
Profit from operations	**220,238**	113,285
Finance costs	**(11,433)**	(9,336)
Share of losses of a jointly controlled entity	**(150)**	(170)
Income tax expense	**(52,757)**	(33,632)
Profit for the period	**155,898**	70,147

4 Profit before tax

Profit before tax is arrived at after charging/(crediting):

(i) Finance costs

	For the six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expense on bank loans and other borrowings	**10,858**	8,248
Other borrowing costs	**575**	1,088
Total borrowing costs	**11,433**	9,336

(ii) Other items

	For the six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories#	**1,511,699**	683,871
Interest income	**(1,716)**	(861)
Depreciation	**10,688**	5,299
Amortisation of intangible assets	**60**	60
Operating leases charges in respect of properties		
– minimum lease payments	**9,317**	8,678
– contingent rents	**39,837**	27,504

\# *Cost of inventories includes RMB950 thousands relating to provision for inventories for the six months ended 30 June 2007 (the six months ended 30 June 2006: RMB987 thousands).*

5 Income tax expense

	For the six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
Provision for Hong Kong profits tax for the period	**12,185**	–
Provision for PRC income tax for the period	**44,237**	37,023
Deferred tax		
Origination and reversal of temporary differences	**(3,665)**	(3,391)
	52,757	33,632

Pursuant to the income tax rules and regulations of the Cayman Islands, the Company is exempt from income tax in the Cayman Islands. Also, certain subsidiaries located in foreign jurisdictions are not subject to any income tax in their jurisdictions.

The provision for PRC income tax is based on a statutory rate of 33% of the assessable profits of subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC during the year, except for a subsidiary which is entitled to a preferential income tax rate of 15%.

Provision for Hong Kong profits tax during the year ended 31 December 2007 is calculated at 17.5% of the estimated assessable profits of subsidiaries in Hong Kong.

6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB145,386 thousands (2006: RMB64,951 thousands) and the weighted average of 2,484,500,000 ordinary shares (2006: 2,075,000,000 ordinary shares) in issue during the period. The weighted average number of ordinary shares in issue for the period ended 30 June 2006 and 2007 has been retrospectively adjusted for the effect of the share split on 6 February 2007.

There were no dilutive potential ordinary shares in existence for the periods presented and, therefore, diluted earnings per share are not presented.

7 Dividends

(a) No interim dividend was declared after the interim period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividend in respect of the previous financial year, approved and paid during the period	**69,566**	49,800

8 Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Motor Vehicles RMB'000	Office equipment and other fixed assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
Balance at 31 December 2006	251,947	26,398	8,721	23,654	716	311,436
Additions	861	181	218	1,846	985	4,091
Transfer from construction in progress	–	430	–	–	(430)	–
Disposals	–	–	–	(66)	–	(66)
Balance at 30 June 2007	252,808	27,009	8,939	25,434	1,271	315,461
Depreciation:						
Balance at 31 December 2006	(23,522)	(20,337)	(3,800)	(12,676)	–	(60,335)
Charge for the period	(3,600)	(4,301)	(598)	(2,189)	–	(10,688)
Disposals	–	–	–	25	–	25
Balance at 30 June 2007	(27,122)	(24,638)	(4,398)	(14,840)	–	(70,998)
Net book value:						
At 30 June 2007	225,686	2,371	4,541	10,594	1,271	244,463
At 31 December 2006	228,425	6,061	4,921	10,978	716	251,101

All of the buildings owned by the Group are located in the PRC.

As at 30 June 2007, the Group was in the process of obtaining the property ownership certificates of certain office buildings with the carrying amount of approximately RMB101,409 thousands.

As at 30 June 2007, an office building in Shanghai with the carrying amount of RMB64,928 thousands (31 December 2006: RMB66,673 thousands) was pledged to banks for certain loans.

9 Goodwill

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Goodwill arising from acquisition of a subsidiary	**181,045**	181,045

10 Inventories

As at 30 June 2007, all the Group's inventories were finished goods.

11 Trade and other receivables

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Trade receivables	**282,906**	220,152
Other receivables	**208,842**	100,856
Receivables due from related parties	**1,625**	9,987
	493,373	330,995

All of the trade and other receivables are expected to be recovered within one year.

Customers are normally granted credit terms of not more than 70 days depending on the credit worthiness of individual customers.

11 Trade and other receivables *(Continued)*

An ageing analysis of trade receivables (net of impairment losses for bad and doubtful debts) is as follows:

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Within 1 month	**171,530**	154,458
Over 1 month but less than 3 months	**80,494**	57,581
Over 3 months but less than 12 months	**30,882**	8,113
	282,906	220,152

12 Cash and cash equivalents

As at 30 June 2007, all the Group's cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement represented cash at bank and other financial institutions and cash in hand.

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Cash and cash equivalents in the balance sheet	**260,914**	298,275
Bank overdrafts	**(4,852)**	(3,602)
Cash and cash equivalents in the consolidated cash flow statement	**256,062**	294,673

13 Trade and other payables

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Trade payables	**300,230**	262,954
Other payables and accrued expenses	**113,846**	87,581
Payables due to related parties	**19,777**	20,163
	433,853	370,698

An ageing analysis of the trade payables is as follows:

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Within 1 month	**217,667**	195,622
Over 1 month but less than 3 months	**66,049**	66,742
Over 3 months but less than 12 months	**15,011**	525
Over 1 year	**1,503**	65
	300,230	262,954

14 Commitments

(i) Operating lease commitments

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**30,584**	33,329
Between one and five years	**76,801**	74,518
More than five years	**40,337**	46,889
	147,722	154,736

The leases run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum lease payments disclosed above, the Group has a commitment to pay rent of a proportion of turnover for certain leased properties. Contingent rental s are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

(ii) Commitments of guaranteed profit

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Less than one year	**8,800**	8,800
Between one and five years	**28,800**	33,200
	37,600	42,000

Pursuant to a management agreement dated 31 December 2006 between Shanghai Xinyu and Shanghai Yi Min Department Stores Company Limited ("Yi Min"), a related party, Yi Min agreed to entrust to Shanghai Xinyu the operation and management of a shop located in Shanghai, and is entitled to receive an annual guaranteed profit of RMB6.8 million from the Group for the period from 1 January 2007 to 31 December 2011.

14 Commitments *(Continued)*

(ii) Commitments of guaranteed profit *(Continued)*

Pursuant to a management agreement dated 31 December 2005 entered into between Shanghai Xinyu and 青島亨得利有限公司 ("Qingdao Company"), whereby Qingdao Company agreed to entrust to Shanghai Xinyu the operation and management of its four retail shops for the period from 31 December 2005 to 31 December 2010, and in return, Qingdao Company is entitled to receive an annual guaranteed profits of RMB2,000 thousands from the Group.

15 Related party transactions

The group has transactions with the companies controlled by the ultimate shareholders ("Ultimate shareholders' companies"), minority shareholders of subsidiaries ("Minority shareholders") and an associate. The following is a summary of principal related party transactions carried out by the Group with the above related parties for the periods presented.

(a) Recurring

	For the six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Lease expense to:		
Minority shareholders	**2,400**	2,400
Ultimate shareholders' companies	**965**	362
Guaranteed profit to:		
Minority shareholders	**4,400**	1,750
Sales of goods to:		
Jointly controlled entity	**3,543**	3,772

15 Related party transactions*(Continued)*

(b) Amounts due from

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Trade and other receivables from:		
Jointly controlled entity	**1,625**	9,987

(c) Amounts due to

	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
Other payables due to:		
Minority shareholders	**19,777**	20,163
	19,777	20,163

16 Non-adjusting post balance sheet events

The following significant transactions took place subsequent to 30 June 2007:

(a) Convertible Bonds

On 25 July 2007, the Company entered into a subscription agreement (the "Subscription Agreement") with BNP Paribas Capital (Asia Pacific) Limited (the "Lead Manager") and Guotai Junan Securities (Hong Kong) Limited (collectively the "Managers"), in connection with the issue of the RMB 1,000,000,000 USD Settled Zero Coupon Convertible Bonds due 2012 (the "Bonds") (subject to an option granted to the Lead Manager on behalf of the Managers to subscribe up to RMB 150,000,000 aggregate principal amount of the Bonds (the "Optional Bonds")) ("the Issue"). The Bonds will be listed on the official list of the Singapore Exchange Securities Trading Limited.

16 Non-adjusting post balance sheet events *(Continued)*

(a) Convertible Bonds *(Continued)*

The initial conversion price is HK$7.06 per conversion share. Assuming full conversion of the Bonds at the initial conversion price at a fixed exchange rate of HK$1 = RMB0.96637, the Bonds will be convertible into 146,572,285 conversion shares (subject to adjustment), representing approximately 5.90% of the issued share capital of the Company as at 23 August 2007 and approximately 5.57% of the enlarged issued share capital of the Company. Assuming full conversion of the Optional Bonds, an additional 21,985,843 Shares will be issued, and the aggregate number of conversion shares to be allotted and issued upon full conversion of all the Bonds represents approximately 6.78% of the issued share capital of the Company as at 23 August 2007 and approximately 6.35% of the enlarged issued share capital of the Company.

The Company presently intends to use the net proceeds from such issue for (i) expanding its network of retail shops and outlets by at least 100 new outlets over the next three years mainly in the PRC; (ii) pursuing future strategic acquisitions, for which the Company has not yet identified any specific targets; and (iii) for working capital requirements and general corporate purposes.

The Lead Manager has exercised the Option and the completion of the issue of the Bonds has taken place on 24 August 2007. The above transaction is detailed the Company's announcements on 25 July 2007 and 22 August 2007.

(b) Share option scheme

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the resolutions of the shareholders of the Company passed on 27 August 2005. On 31 July 2007, the Company granted options to the employees of the Group for 39,380,000 shares of the Company's ordinary shares under the Share Option Scheme.

Corporate Information

Place of Listing

Main Board of The Stock Exchange of Hong Kong Limited

Stock Short Name and Code No.

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3389

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Hong Kong Share Registrar and Transfer Office

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