佳華百貨控股有限公司
JIAHUA STORES HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 602)

Interim Report 2007

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CORPORATE INFORMATION

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602

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CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Jiahua Stores Holdings Limited ((the "Company"), together with its subsidiaries, (collectively the "Group")) , I am pleased to present the unaudited condensed interim report of the Group for the six months ended 30 June 2007 (the "Period").

The Group's successful listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 May 2007 has demonstrated its leapfrogging to a new development milestone. It enabled the Group to use the proceeds from listing to facilitate and implement the development plans, thus enhancing our core competitiveness, raising the recognition, as well as strengthening and extending our leading position in the industry.

Financial Review

In 2007, the favourable momentum continues in the retail industry of China with the increasing income per capita and purchasing power. According to the National Bureau of Statistics, for the first half of this year, the aggregate GDP amounted to approximately RMB10,676 billion, representing a growth of approximately 11.5% as compared to the corresponding period last year; The total retail sales of consumer goods amounted to approximately RMB4,204 billion, representing an increase of approximately 15.4% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB3,549 billion, up approximately 15.2% as compared to the corresponding period last year. According to the Statistics Bureau of Guangdong Province, for the first half of this year, the aggregate output in Guangdong province reached approximately RMB1,354 billion, representing a growth of approximately 14.3% as compared to the corresponding period last year, while the total retail sales of consumer goods amounted to approximately RMB514 billion, representing an increase of approximately 16.1% as compared to the corresponding period last year; The total sales in wholesale and retail sectors was approximately RMB133 billion, representing a growth of approximately 10.8% as compared to the corresponding period last year. As reported by the Statistics Bureau of Shenzhen, for the first half of this year, the aggregate output in Shenzhen amounted to approximately RMB297 billion, up approximately 13.2% as compared to the corresponding period last year; The total retail sales of consumer goods was approximately RMB91 billion, representing a growth of approximately 13.3% as compared to the corresponding period last year. By capturing market opportunities and leveraging on our core advantages, the Group has performed remarkably.


I am pleased to report that, for the six months ended 30 June 2007, the Group has obtained satisfactory results in terms of both turnover and earnings. During the Period, the Group has recorded a turnover of approximately RMB397 million, representing an increase of approximately 32% as compared to the corresponding period last year. The operating profit was approximately RMB21 million, representing an increase of approximately 1.9% as compared to the corresponding period last year; while the profit after tax amounted to approximately RMB18 million, representing a growth of approximately 4.7% as compared to the corresponding period last year. The earnings per share was RMB2.26 cents, slightly down approximately 3.4% as compared to the corresponding period last year. Cash and cash equivalents as at the balance sheet date was approximately RMB318 million. The Group has maintained a healthy capital structure which helps to establish a solid foundation for future development.

Dividends

The Board believes that, backed with the sound financial status and cash flow, the Group will be capable to finance the investments for its on-going development. The Group will strive to offer a reasonable dividend distribution as an acknowledgment to the shareholders of the Company (the "Shareholders") for their support to the Group.

Business review

Up to the date of this report, the Group has actively expanded its retail network through various means including the establishment of new retail outlets and acquisitions, so as to expand our market share in the retail sector in the PRC. The Group has duly signed a contract for the Nanhai Project (南海項目) which is located at Nanhai, Foshan, Guangdong, the PRC. The Group aims at creating the "Nanhai Lifestyle Department Store" (南海時尚百貨商場). On the other hand, the Group has successfully entered into an asset transfer agreement with an independent third party in relations to the acquisition of the relevant assets of all four outlets of Shenzhen Dongfangcheng Department Stores ("Shenzhen Dongfangcheng") to further expand our market penetration. These four outlets are located at the prime location in Nanshan District, Longgang District and Baoan District in Shenzhen, the PRC, which are featured with dense population, convenient accessibility and prosperous business environment. The four outlets have commenced operations in August 2007. Upon completion of the establishment and acquisitions, Jiahua will have 13 sizable stores with an operation area of approximately 190,000 square metres.


Other than actively developing its business, the Group has placed its emphasis on the improvement of internal management at the same time. By continuing the application of the state-of-the-art "Management Information System" to manage the operation of its retail outlets, the headquarters and Jiahua Emporium are able to maintain real time sharing of information and documents, thereby achieving an effective and centralized decision making and control mechanism. In addition, the connection between the "Management Information System" and the bar-code system applied in all retail outlets has facilitated timely and accurate records of all sales transactions made in the retail stores, enabling the Group to effectively maintain sufficient level of inventory and make important decision in a timely manner.

Meanwhile, the Group has also endeavoured to maintain and enhance the level of corporate governance in order to make decisions which are favourable to the Shareholders of the Company as a whole and bring the best return to the Shareholders.

Future Prospect

Looking forward, both opportunities and challenges will coexist in the PRC retail industry. As a country with enormous potential and opportunities in respect of the consumer industry, the PRC market has created tremendous room for sizable expansion of both domestic and foreign companies. However, the increasing market liberation of the retail industry of the PRC has brought a huge challenge to the domestic retail section. The Group will continue to reinforce and extend its existing competitive edges by implementing a series of strategies including the establishment of new retail outlets and acquisitions, setting up procurement centre, improvement on "Management Information System" and the upgrade of brand image of the Group. We expect to compete for a larger share in the PRC retail market. The Group will invest or purchase commercial premises in appropriate timing in order to increase the practical value of the assets and plans to increase the number of stores in Guangdong Province to at lease 15 stores in the coming two years. We believe that capturing opportunities arising from the market changes is the key to fruitful returns.

Adhering to its corporate mission of "Earnest, Pragmatism, Faithfulness, Comprehensiveness", the Group will put continuous efforts to move forward and to set up an optimized retail network so as to provide quality service and bring a remarkable return to the Shareholders.

Appreciation

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the Shareholders, suppliers, customers and business partners for their long-term support, and thank all staff for their dedication and contribution to the Group.

On behalf of the Board

Zhuang Lu Kun
Chairman

Guangdong, the PRC, 11 September 2007


MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

- **Healthy growth of operating results**

For the six months ended 30 June 2007, the Group recorded sales of approximately RMB397 million, representing a year-on-year increase of 32%. Gross profit amounted to approximately RMB85 million, representing a year-on-year growth of 32%; while the operating profits was RMB21 million, representing a 1.9% year-on-year increase. Profit attributable to Shareholders was approximately RMB18 million, representing a year-on-year rise of 4.7%. There was a stable growth of consolidated results over the corresponding period last year.

- **Expanding retail network, strengthening the edge on regional scale**

For the six months ended 30 June 2007, the Group has 8 outlets which are under its direct operation. With an operating area of around 145,000 sq.m., these outlets are mainly situated at Shenzhen and Dongguan of Guangdong, in the Pearl River Delta regions with robust economic activities. A new store, located at Foshan, Guangdong ("Foshan Outlet"), will commence operation by the end of this year. On 23 July 2007, one of the subsidiary of the Group has entered into an asset transfer agreement with an independent third party in respect of its four outlets. Upon commencement of operations of these four outlets in August 2007 and the opening of Foshan Outlet by the end of the year, there will be altogether 13 outlets with operating area of approximately 190,000 sq.m., realizing the advantage of regional scale.

- **Improving internal operational management, enhancing competitiveness**

The Group has been awarded the ISO9001 certification for its management system in 2004. On this basis, the Group has implemented a series of measures to realign, complement, standardize and improve its management system, thus forming its own operating edges amongst the intensified market competition.

Precise market positioning and the alignment of its operation model of "supermarket + department store" have enabled the Group to achieve effective operation and enhance the competitiveness eventually.

The Group has set up an advanced Management Information System to fully utilize information resources and monitor operations of all outlets. Featured with all major capabilities including financial management, sales management, procurement management, inventory management and human resources management, the system can generate various information analysis required for the management of purchase and sales of the Group in a timely manner, providing a scientific basis for decision making.

The formation of human resources strategies and staff incentive system has facilitated the performance appraisal in different departments of the Group, thus increased working efficiency and reduced operating costs.

- **Optimizing supply chain management platform, exploring valuable information resources**

Satisfactory responses have been received from vendors since the implementation of the Group's self-developed supply chain management system. It can not only reduce the management costs of both the vendors and the Group, but also increase the working efficiency and quality. By providing instant operating information, the supply chain system enables numerous functions such as online ordering, online reconciliation, online settlement and history record tracking, thereby accelerating the lead time and turnover of the outlets. Currently, there are more than 90% vendors using this online system, reflecting wide recognitions from them.

- **Seeking new revenue sources and cutting expenses, thus increasing operating efficiency**

Albeit the continued robust economy development of the PRC which is attributable to the rise of purchasing power and also various operating costs including prices of materials, and rental and labour costs, the Group adheres to its strategy of maintaining operating efficiency through various cost control measures by raising turnovers, and increasing commission on general merchandises; By fully maximizing the utilization rate of stores, enhancing turnover per square meter and revenue per employee, formulating position-and performance-based remuneration system, controlling operating expenses according to project-based benchmark, streamlining working procedures, the Group has maintained its operating cost at a reasonable and appropriate level.

OUTLOOK AND PROSPECT

Looking ahead, in view of the opportunities arising from the rapid development of the PRC's economy and the strong demand for fast moving consumer goods, the Directors are optimistic about the prospect of the Group's business.

The strategic development of the Group in the future is to become the major retail chain enterprise in the PRC. The Group will further strengthen its core competitiveness by improving operating performance and enlarging revenue scale through mergers and acquisitions. The Group will also continue to explore new opportunities for asset building as well as enhancing Shareholders' value and profitability.

FINANCIAL REVIEW

During the Period, the Group's turnover reached approximately RMB397 million, net profit after tax attributable to equity holders of the Company was approximately RMB18 million. Gross margin and net margin of the Group were about approximately 22% and 5% respectively. During the Period, the distribution costs and administrative expenses were approximately RMB89 million and RMB21 million respectively, accounting for approximately 22% and 5% of the turnover respectively.

As at 30 June 2007, the Group's non-current assets amounted to approximately RMB70 million (31 December 2006: approximately RMB62 million). Non-current assets mainly include property, plant and equipment of approximately of approximately RMB62 million (31 December 2006: approximately RMB53 million) and deposit paid and prepayments of approximately RMB8 million (31 December 2006: approximately RMB9 million).

As at 30 June 2007, the Group had current assets amounted to approximately RMB431 million (31 December 2006: approximately RMB214 million). Current assets mainly comprised of cash and bank balance of approximately RMB318 million (31 December 2006: approximately RMB59 million), inventories and consumables of approximately RMB76 million (31 December 2006: approximately RMB76 million), deposit paid, prepayments and other receivables of approximately RMB36 million (31 December 2006: approximately RMB37 million), amount due from related parties of approximately RMB0.14 million (31 December 2006: approximately RMB41 million) and trade receivables of approximately RMB1.40 million (31 December 2006: approximately RMB0.38 million).

As at 30 June 2007, the Group had current liabilities amounted to approximately RMB160 million (31 December 2006: approximately RMB194 million). Current liabilities mainly comprised of trade payables of approximately RMB120 million (31 December 2006: approximately RMB156 million). Coupon liabilities, deposit received, other payables and accruals of approximately RMB39 million (31 December 2006: approximately RMB33 million) and tax payables of approximately RMB0.97 million (31 December 2006: approximately RMB4.50 million).

SUBSEQUENT EVENTS

Assets acquisition agreement

Pursuant to an agreement of transfer dated 23 July 2007 entered into between a subsidiary of the Group and an independent third party, the relevant assets of all four stores of Shenzhen Dongfangcheng would be transferred to the Group at a consideration of approximately RMB28 million. As at the date of this report, the Group has paid approximately RMB25.2 million.

Saved as disclosed above, the Group did not have any other significant subsequent events taken place subsequent to 30 June 2007.

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF JIAHUA STORES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 26 which comprise the condensed consolidated balance sheet of Jiahua Stores Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton
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11 September 2007

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June **2007** ***RMB'000*** **(Unaudited)**	 2006 *RMB'000* (Unaudited)
Revenue	5	**397,163**	300,819
Cost of inventories sold		**(311,180)**	(235,890)
		85,983	64,929
Other operating income	5	**46,004**	25,927
Distribution costs		**(89,264)**	(61,325)
Administrative expenses		**(21,447)**	(8,664)
Operating profit	6	**21,276**	20,867
Income tax expense	7	**(2,860)**	(3,291)
Profit attributable to the Company's equity holders		**18,416**	17,576
Dividend	8	**–**	–
Earnings per share			
— Basic (RMB cents)	9	**2.26**	2.34
— Diluted (RMB cents)	9	**2.26**	N/A

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	At 30 June 2007 RMB'000 (Unaudited)	At 31 December 2006 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	61,970	52,919
Deposit paid and prepayments		8,044	9,098
		70,014	62,017
Current assets			
Inventories and consumables		75,820	75,639
Trade receivables	11	1,401	381
Deposit paid, prepayments and other receivables		35,831	37,306
Amounts due from related parties	15(d)	140	41,115
Cash and cash equivalents		318,259	59,366
		431,451	213,807
Current liabilities			
Trade payables	12	119,538	156,407
Coupon liabilities, deposit received, other payables and accruals		39,243	33,439
Taxes payables		976	4,503
		159,757	194,349
Net current assets		271,694	19,458
Total assets less current liabilities		341,708	81,475
Non-current liabilities			
Amounts due to related parties	15(e)	–	33,660
Net assets		341,708	47,815
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS			
Share capital	13	10,125	–
Reserves		331,583	47,815
Total equity		341,708	47,815

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash (outflow)/inflow from operating activities	**(1,223)**	2,902
Net cash outflow from investing activities	**(2,201)**	(37,340)
Net cash inflow from financing activities	**261,232**	30,307
Increase/(Decrease) in cash and cash equivalents	**257,808**	(4,131)
Cash and cash equivalents at 1 January	**59,366**	46,576
Exchange difference	**1,085**	–
Cash and cash equivalents at 30 June	**318,259**	42,445
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**318,259**	42,445

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital *RMB'000*	Statutory reserve *RMB'000* *(note (a))*	Statutory welfare reserve *RMB'000* *(note (b))*	Merger reserve *RMB'000*	Distribution to the then ultimate holding company *RMB'000*	Retained profits *RMB'000*	Dividend proposed *RMB'000*	Total *RMB'000*
Unaudited for the six months ended 30 June 2006								
At 1 January 2006	–	5,000	–	–	(10,568)	16,617	80,000	91,049
Profit for the period (Total recognised income and expenses for the period)	–	–	–	–	–	17,576	–	17,576
Arising from Reorganisation	–	–	–	(20,306)	–	–	–	(20,306)
Transfer	–	4,383	2,286	–	–	(6,669)	–	–
Transfer on distribution to the then ultimate holding company before the Reorganisation	–	–	–	–	10,568	–	–	10,568
Dividend relating to 2005	–	–	–	–	–	–	(80,000)	(80,000)
At 30 June 2006	–	9,383	2,286	(20,306)	–	27,524	–	18,887

Notes:

(a) According to the relevant laws in the People's Republic of China ("PRC"), companies established in the PRC are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the entity's registered capital. The transfer of this reserve must be made before the distribution of dividend to the companies' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the entity.

(b) According to the relevant PRC laws, companies established in the PRC are required to transfer a certain percentage, as approved by the board of directors, of its net profit after tax, as determined under the PRC accounting regulation, to a statutory welfare fund. This fund can only be used to provide staff facilities and other collective benefits to its employees. The statutory welfare fund is non-distributable other than upon the liquidation of the entity.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2007

	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Statutory welfare reserve *RMB'000*	Merger reserve *RMB'000*	Share option reserve *RMB'000*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Dividend proposed *RMB'000*	Total *RMB'000*
Unaudited for the six months ended 30 June 2007										
At 1 January 2007	–	390	9,383	2,286	(20,306)	–	–	34,062	22,000	47,815
Profit for the period	–	–	–	–	–	–	–	18,416	–	18,416
Currency translation difference – net income directly recognised in equity	–	–	–	–	–	–	1,085	–	–	1,085
Total recognised income and expenses for the period	–	–	–	–	–	–	1,085	18,416	–	19,501
Arising from Reorganisation	–	–	–	–	32,679	–	–	–	–	32,679
Issue of shares *(note 13)*	10,125	281,585	–	–	–	–	–	–	–	291,710
Share issue expenses	–	(29,497)	–	–	–	–	–	–	–	(29,497)
Dividend paid for 2006	–	–	–	–	–	–	–	–	(22,000)	(22,000)
Share-based compensation	–	–	–	–	–	1,500	–	–	–	1,500
At 30 June 2007	10,125	252,478	9,383	2,286	12,373	1,500	1,085	52,478	–	341,708

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Jiahua Stores Holdings Limited (the "Company") was incorporated in the Cayman Islands on 4 September 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation (the "Reorganisation") as detailed in subsection headed "Corporate Reorganisation" in Appendix V of the prospectus dated 8 May 2007 (the "Prospectus"), the Company became the holding company of the subsidiaries now comprising the group (the "Group"). The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 May 2007.

The unaudited condensed consolidated financial statements ("Interim Condensed Financial Statements") for the six months ended 30 June 2007 (the "period") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Condensed Financial Statements should be read in conjunction with the audited financial information of the Company for the year ended 31 December 2006 as set out in the Accountants' Report in Appendix I of the Prospectus (the "2006 Annual Financial Statements").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Interim Condensed Financial Statements have been prepared under the historical cost convention. The accounting policies and methods of computation used in the preparation of the Interim Condensed Financial Statements are consistent with those used in the 2006 Annual Financial Statements.

During the period, share options were granted to the employees and consultants of the Group. The Group adopted the following accounting policy on such share-based compensation.

The Group operates equity-settled share-based compensation plans for remuneration of its employees and consultants. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting condition (for example, profitability and sales growth targets). For other goods or services received by the Group in exchange for the grant of any share-based compensation, they are directly measured at the fair value of the goods or services received.

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still no exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

From 1 January 2007, the Group has adopted all of the new and amended HKFRS issued by the HKICPA which are first effective on 1 January 2007 and relevant to the Group.

The adoption of these new and amended HKFRS did not result in significant changes to the Group's accounting policies but gave rise to additional disclosures.

The Group has not early adopted the following HKFRS that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRS will not result in material financial impact on the financial statements of the Group.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008

4. SEGMENT INFORMATION

Operation and management of retail stores is the only business segment of the Group throughout the period. All assets and operations of the Group for the period are located in the PRC. Accordingly, no separate business and geographic segment information is presented.

5. REVENUE AND OTHER OPERATING INCOME

The Group is principally engaged in operation and management of retail stores. Revenue, which is also the Group's turnover, represents invoiced value of goods sold, net of value added tax, after allowances for returns and discounts; and the value of services rendered. Revenue and other operating income recognised during the period are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue – Turnover		
Direct sales	**346,843**	260,815
Commissions from concessionaire sales	**40,188**	32,864
Rental income from leasing of shop premises	**10,132**	7,140
	397,163	300,819
Other operating income		
Imputed interest income	**800**	3,000
Interest income	**12,965**	81
Income from suppliers		
– Administration and management fee income	**9,618**	7,115
– Products entrance fee income	**4,827**	2,810
– Promotion income	**3,960**	1,757
– Sponsorship income	**3,488**	2,640
– Store display income	**3,160**	2,620
Other	**7,186**	5,904
	46,004	25,927

6. OPERATING PROFIT

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating profit is arrived at after charging:		
Exchange loss	**1,695**	–
Depreciation of property, plant and equipment	**7,183**	6,398
Loss on disposal of property, plant and equipment	**–**	46
Operating lease rentals in respect of land and buildings	**21,421**	12,388
Obsolete inventories written-off	**31**	87
Staff costs, including directors' emoluments, contributions to pension scheme and employee share-based payment expenditure	**31,238**	21,650
Contributions to pension scheme	**1,565**	1,409
Employee share-based payment expenditure	**1,500**	–
Listing expenses included in administrative expenses	**3,037**	–
and crediting:		
Gain on disposal of property, plant and equipment	**14**	–

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC enterprise income tax	**2,860**	3,291

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit in Hong Kong for the period (six months ended 30 June 2006: Nil).

PRC enterprise income tax for the period has been provided at the rate of 15% (six months ended 30 June 2006: 15%) on the estimated assessable profits of a subsidiary of the Company established in the PRC and situated in the Shenzhen Special Economic Zone. The preferential enterprise income tax rate of 15% was in accordance with a notice of reference Guo Fa (1984) 161 issued by the State Council in 1984.

Another subsidiary of the Company established in the PRC and situated in Dougguan is subject to enterprise income tax rate of 33% for the period under the income tax rules and regulations of the PRC (six months ended 30 June 2006: Nil).

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. The impact of such change of PRC enterprise income tax rate on the Group will depend on detailed pronouncements that are subsequently issued. Since implementation measure on transitional policy of preferential tax rate granted according to current tax law and administrative regulations was not yet announced, the Group cannot reasonably estimate the financial impact of the new tax law to the Group at this stage.

No deferred tax has been provided as there are no material temporary differences arising during the period (six months ended 30 June 2006: Nil).

8. DIVIDEND

(a) Dividend attributable to the period

The board of directors did not recommend the payment of an interim dividend for the period (six months ended 30 June 2006: Nil).

(b) Dividend attributable to the previous financial year, approved and paid during the period

Dividend was declared and payable by the subsidiary of the Group prior to the completion of the Reorganisation to its then respective equity holders as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Special dividend paid for the year ended 31 December 2006	**22,000**	–
Final dividend paid for the year ended 31 December 2005	**–**	80,000
	22,000	80,000

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the Company's equity holders for the period of approximately RMB18,416,000 (six months ended 30 June 2006: RMB17,576,000) and on the weighted average number of approximately 816,367,000 ordinary shares in issue during the period, as adjusted to reflect the shares issued for Reorganisation (note 13(iii)) and capitalisation issue (note 13(iv)) (six months ended 30 June 2006: 750,000,000).

The calculation of diluted earnings per share for the period is based on the profit attributable to the Company's equity holders for the period of approximately RMB18,416,000. The weighted average number of ordinary shares used in the calculation is 816,367,000 ordinary shares in issue as used in the basic earnings per share, plus weighted average number of 417,000 ordinary shares assumed to have been issued at no consideration on the exercise of all share options during the period. Diluted earnings per share for the six months ended 30 June 2006 was not presented as there was no potential ordinary share.

10. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately RMB16,300,000 (six months ended 30 June 2006: RMB7,300,000) which mainly related to the acquisitions of leasehold improvements, plant and machinery and motor vehicles.

11. TRADE RECEIVABLES

All of the Group's sales are on cash basis except for certain bulk sale of merchandise to corporate customers which are credit sales. The credit terms offered to these customers are generally for a period of one to three months.

The aging analysis of the trade receivables, based on invoice dates, is as follows:

	At 30 June 2007 *RMB'000* (Unaudited)	At 31 December 2006 *RMB'000* (Audited)
Within 30 days	998	292
31–60 days	257	62
61–180 days	35	27
181 days–365 days	111	–
	1,401	381

12. TRADE PAYABLES

The aging analysis of the trade payables, based on invoice dates, is as follows:

	At 30 June 2007 *RMB'000* (Unaudited)	At 31 December 2006 *RMB'000* (Audited)
Within 30 days	94,346	77,309
31–60 days	13,215	47,309
61–180 days	8,542	23,772
181 days–365 days	2,315	4,655
Over 1 year	1,120	3,362
	119,538	156,407

13. SHARE CAPITAL

	Notes	Six months ended 30 June 2007 Number of shares ('000)	RMB'000 (Unaudited)	From 4 September 2006 (date of incorporation) to 31 December 2006 Number of shares ('000)	RMB'000 (Audited)
Authorised:					
Ordinary shares of HK$0.01 each					
At the beginning of the period		**39,000**	**390**	–	–
Increase in authorised share capital	*(i)*	**9,961,000**	**96,709**	39,000	390
At 30 June 2007 and 31 December 2006		**10,000,000**	**97,099**	39,000	390
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At the beginning of the period		**1**	**–**	–	–
Issue of ordinary shares at the date of incorporation	*(i)*	**–**	**–**	–	–
Issue of ordinary shares	*(ii)*	**–**	**–**	1	–
Issue of ordinary shares on Reorganisation	*(iii)*	**99,999**	**981**	–	–
Issue of ordinary shares on capitalisation issue	*(iv)*	**650,000**	**6,342**	–	–
Issue of ordinary shares by initial public offering	*(v)*	**250,000**	**2,439**	–	–
Issue of ordinary shares upon exercise of over-allotment option	*(vi)*	**37,500**	**363**	–	–
At 30 June 2007 and 31 December 2006		**1,037,500**	**10,125**	1	–

Notes:

(i) The Company was incorporated in the Cayman Islands on 4 September 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. At the date of incorporation, the authorised share capital of the Company was HK$390,000 divided into 39,000,000 ordinary shares of HK$ 0.01 each. On the same date, 90 ordinary shares of HK$0.01 each were allotted and issued at par.

Pursuant to a written resolution dated 30 April 2007, the shareholders approved, inter alia, an increase in the authorised share capital of the Company from HK$390,000 to HK$100,000,000 by creation of 9,961,000,000 ordinary shares of par value of HK$0.01 each.

(ii) On 27 October 2006, the Company issued and allotted, for cash at par, 10 shares. On the same day, the Company further issued and allotted for cash, 900 shares at a consideration of approximately HK$390,000. A share premium of approximately RMB390,000 arose and recorded as equity of the Company.

(iii) On 30 April 2007, the Company issued and allotted 99,999,000 ordinary shares of HK$0.01 each, credited as fully paid, in consideration for the acquisition of Forever Prosperity International Company Limited upon completion of the Reorganisation.

(iv) Pursuant to a written resolution dated 30 April 2007, the shareholders approved, inter alia, conditional upon the share premium amount of the Company being credited as a result of the initial public offering, the directors of the Company to capitalise the amount of HK$6,500,000 (equivalent to approximately RMB6,342,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par 650,000,000 ordinary shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company at the close of business on 30 April 2007, pro-rata to its/their then existing shareholdings in the Company and the directors were authorised to effect the same and to allot and issue ordinary shares pursuant thereto.

(v) On 18 May 2007, the Company allotted and issued 250,000,000 ordinary shares of HK$0.01 each at a price of HK$1.04 each. A share premium of approximately HK$257,500,000 arose and was recorded as equity of the Company.

(vi) On 31 May 2007, the over-allotment option described in the Prospectus was exercised in full in respect of an aggregate of 37,500,000 ordinary shares. On 4 June 2007, the over-allotment shares of 37,500,000 were allotted and issued by the Company at HK$1.04 per ordinary share. A share premium of approximately HK$38,625,000 arose and was recorded as equity of the Company.

14. OPERATING LEASE ARRANGEMENTS

(a) Group as lessee

The Group leases a number of land and buildings under operating leases. The leases run for initial periods of five to fifteen years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rentals.

(i) The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable to independent third parties are as follows:

	At 30 June 2007 ***RMB'000*** **(Unaudited)**	At 31 December 2006 *RMB'000* (Audited)
Within one year	**30,036**	27,770
In the second to fifth years	**127,640**	117,666
After five years	**236,760**	246,209
	394,436	391,645

(ii) The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable to, Mr. Zhuang Lu Kun (note*), Shenzhen Baijiahua Industrial Development Company Limited ("BJH Industrial") and Shenzhen Jiahua Real Estate Development Company Limited (note#), companies which are beneficially owned by Mr. Zhuang Lu Kun and Mrs. Zhuang Su Lan, are as follows:

	At 30 June 2007 ***RMB'000*** **(Unaudited)**	At 31 December 2006 *RMB'000* (Audited)
Within one year	**14,505**	13,981
In the second to fifth years	**60,846**	59,803
After five years	**119,554**	128,495
	194,905	202,279

* The Group had occupied an office beneficially owned by Mr. Zhuang Lu Kun, the director of the Company, without incurring any rental expenses for the period from 1 January 2006 to 30 May 2006. The Group entered into a lease agreement with Mr. Zhuang Lu Kun on 6 November 2006 for the same property for a lease period of 15 years commencing 1 June 2006, at a monthly rental of RMB16,843 with triennial increase of 5%.

\# The Group entered into a lease agreement with Shenzhen Jiahua Real Estate Development Company Limited on 6 November 2006 for a lease period of 15 year commencing 16 November 2006, at a monthly rental of RMB222,357 with triennial increase of 5%.

(b) Group as lessor

The Group sub-leases out a number of land and buildings under operating leases. One of the leases run for an initial period of ten years and are cancellable with three months' notice. The rentals on this lease are calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreement. All other leases are cancellable with one to two months' notice.

15. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances detailed elsewhere in this Interim Condensed Financial Statements, the following transactions were carried out with related parties:

(a) Transactions with BJH Industrial

	Notes	Six months ended 30 June 2007 RMB'000 (Unaudited)	 2006 RMB'000 (Unaudited)
Operating lease rentals paid in respect of land and buildings	(i)	(7,157)	(5,884)
Operating lease rentals arrangement in respect of land and buildings	(ii)	(2,883)	(2,883)
Rental income arrangement	(iii)	759	1,312
Utilities income arrangement	(iii)	763	1,463
Imputed interest income		800	3,000

(i) The amounts were determined in accordance with the terms of the underlying agreements.

(ii) BJH Industrial (as tenant) entered into lease arrangements with certain independent third parties (as landlords) to lease certain premises rented by the Group. The Group paid rental expenses of these premises as disclosed above directly to the landlords and not to BJH Industrial.

(iii) BJH Industrial (as landlord) entered into certain sub-lease arrangements with an independent third party (as tenant) to sub-lease part of the retail stores which were rented by the Group. BJH Industrial received the rental income and utilities income as disclosed above on behalf of the Group. Pursuant to a supplemental agreement dated 6 November 2006 between BJH Industrial and the Group, BJH Industrial confirmed that the Group was entitled to the rental income as landlord from the independent third party commencing 1 March 2004. The rentals were determined in accordance with the terms of underlying agreements. The arrangement had ceased and the Group became the landlord on 1 April 2007.

(b) Pursuant to a lease agreement dated 28 April 2002 between 深圳市中鵬展實業有限公司 ("Zhong Peng Zhan") (as landlord) and BJH Industrial (as tenant), BJH Industrial leases store premises for a term of 15 years commencing from 16 November 2002 and expiring on 15 November 2017 at a monthly rent of approximately RMB481,000. Pursuant to a supplemental lease agreement dated 1 March 2004 between Zhong Peng Zhan and BJH Industrial, Zhong Peng Zhan has consented that BJH Industrial can provide the store premises for occupation by the Group. Zhong Peng Zhan also consented that the Group shall pay the rental under this lease agreement directly to Zhong Peng Zhan and BJH Industrial has guaranteed the timely payment of rentals to Zhong Peng Zhan by the Group.

(c) Compensation of key management personnel

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	**698**	560
Pension costs – defined contribution retirement schemes	**9**	3
	707	563

(d) Amounts due from related parties

	At 30 June 2007	At 31 December 2006
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amount due from BJH Industrial	**140**	39,863
Amounts due from directors	**–**	862
Amounts due from ultimate shareholders	**–**	390
	140	41,115

The amounts due were unsecured, interest free and repayable on demand.

(e) Advances from ultimate shareholders

Advances from ultimate shareholders were unsecured, interest free and had no fixed terms of repayment. Such advances were capitalised on 16 April 2007 as equity of a subsidiary.

16. SUBSEQUENT EVENTS

Pursuant to an agreement of transfer dated 23 July 2007 entered between a subsidiary of the Group and an Independent third party (the "Vendor"), the relevant assets of all four stores of the Vendor would be transferred from the Vendor to the Group at a consideration of approximately RMB28,000,000. As at the date of this report, the Group has paid approximately RMB25,200,000.

Save as disclosed above, the Group did not have any significant subsequent events taken place subsequent to 30 June 2007.

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Interim Condensed Financial Statements was approved and authorised for issue by the board of directors on 11 September 2007.

CORPORATE GOVERNANCE AND OTHER INFORMATION

RISK MANAGEMENT

The activities of the Group expose it to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, and liquidity risk.

(i) Foreign exchange risk

The Group has operation in the PRC so that the majority of the Group's revenues, expenses and cashflows are denominated in RMB and HK Dollars. Assets and liabilities of the Group are mostly denominated in Renminbi (RMB) or Hong Kong Dollars (HK$). Any significant exchange rate fluctuations of foreign currencies against Renminbi may have financial impact to the Group.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets, other than cash at banks. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) Credit risk

The Group has no significant concentrations of credit risk. Most of the sales transactions were settled in cash basis or by credit card payment. The carrying amount of loan and other receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Directors are of the opinion that adequate provision for uncollectible receivables has been made in this unaudited condensed consolidated financial information.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and ability to close our market positions. The Group's objective is to maintain adequate credit lines to ensure sufficient and flexible funding is available to the Group.

During the Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding in the six months ended 30 June 2007.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group had approximately 2,730 employees in the mainland China and Hong Kong. The Group continued to recruit high calibre people and provide continuing education and training for employees to help upgrading their skills and knowledge as well as developing team spirit on an on-going basis. For the Period, total staff costs were approximately RMB31 million. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualification, experience and performance.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group has no significant contingent liabilities.

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

As at 30 June 2007, the interests or short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required notification 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 any such Director and chief executives is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(A) Ordinary Shares of HK$0.10 each of the Company

		Number of shares/ Underlying Shares Held			
Name	**Capacity**	**Personal Interest**	**Family Interest**	**Total Interest**	**Percentage of Issued Shares**
Mr. Zhuang Lu Kun ("Mr. Zhuang")	Beneficial Owner	607,500,000	67,500,000 *(Notes 1)*	675,000,000	65.06%
	Beneficial Owner	1,000,000 *(Note 2)*	–	–	–
Mr. Shen Da Jin	Beneficial Owner	720,000 *(Note 3)*	–	–	–
Mr. Zhuang Pei Zhong	Beneficial Owner	600,000 *(Note 4)*	–	–	–
Mr. Gu Wei Ming	Beneficial Owner	540,000 *(Note 5)*	–	–	–

Notes:

(1) 67,500,000 Shares are be held by Mrs. Zhuang Su Lan ("Mrs. Zhuang). Since Mrs. Zhuang is the spouse of Mr. Zhuang, under the SFO, Mr. Zhuang is deemed to be interested in the said Shares held by Mrs. Zhuang.

(2) Pursuant to the Pre-IPO Share Option Scheme, Pre-IPO Share Option in relation to 1,000,000 Shares was granted to Mr. Zhuang.

(3) Pursuant to the Pre-IPO Share Option Scheme, Pre-IPO Share Option in relation to 720,000 Shares was granted to Mr. Shen Da Jin.

(4) Pursuant to the Pre-IPO Share Option Scheme, Pre-IPO Share Option in relation to 600,000 Shares was granted to Mr. Zhuang Pei Zhong.

(5) Pursuant to the Pre-IPO Share Option Scheme, Pre-IPO Share Option in relation to 540,000 Shares was granted to Mr. Gu Wei Ming.

All the interests disclosed above represent long position in the shares and underlying shares of the Company.

(B) SHARE OPTIONS

At the shareholders' meeting of the Company held on 30 April 2007, written resolution was passed by the then shareholders to approve the adoption of a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme"). The Board was authorised to grant options to selected grantees of the Group, to subscribe for the shares in the Company ("Shares"). The number of underlying shares available under the Pre-IPO Share Option Scheme shall not, in aggregate, exceed 19,210,000 Shares. All options shall be unvested options upon grant and unvested options shall vest automatically subject to selected grantees continuing to be a participant and in accordance with the provisions in the Pre-IPO Share Option Scheme. The exercise price of the options shall be equal to the Offer Price under the IPO and at a consideration of HK$1.00 given by each grantee to the Company for the granting thereof. Each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise the options granted under the scheme at any time during the five years from the expiry of 6 months from the Listing Date on 21 May 2007.

(i) Outstanding Options

Details of outstanding options for the underlying shares of the Company at the beginning and at the end of the Period which have been granted under the Pre-IPO Share Option Scheme are as follows:

Options to subscribe for Shares

Name/Category of Participants	Outstanding options at the beginning of the Period	Number of options granted during the Period	Outstanding options at the end of the Period	Date of grant	Exercise Period *(Note a)*	Exercise price per Share *HK$*
Directors						
Zhuang Lu Kun	–	1,000,000	1,000,000	21/5/2007	21/11/2007 to 20/11/2012	1.04
Shen Da Jin	–	720,000	720,000	21/5/2007	21/11/2007 to 20/11/2012	1.04
Zhuang Pei Zhong	–	600,000	600,000	21/5/2007	21/11/2007 to 20/11/2012	1.04
Gu Wei Ming	–	540,000	540,000	21/5/2007	21/11/2007 to 20/11/2012	1.04
Sub-total	–	2,860,000	2,860,000			
Employees *(Note b)*						
In aggregate	–	15,750,000	15,750,000	21/5/2007	21/11/2007 to 20/11/2012	1.04
Consultant						
In aggregate	–	600,000	600,000	21/5/2007	21/11/2007 to 20/11/2012	1.04
Total	–	19,210,000	19,210,000			

Notes:

(a) The options are not to be vested and exercisable during the five years from the expiry of 6 months from the Listing date on 21 May 2007.

(b) Employees are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance.

During the Period, there was no options being exercised, cancelled or lapsed.

(ii) Valuation of Share Options

The Company has used the Black-Scholes option pricing model (the "Model") to value the share options granted during the Period. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. During the Period, 19,210,000 share options were granted on 30 April 2007 to the selected grantees. The fair values of options determined at the date of grant using the Model was estimated to be approximately HK$0.28. Such value will be expensed through the Group's income statement over the lock-up period of the options. Share option expense of RMB1,500,000 (2006: nil) was recognised for the Period.

The following major assumptions were used to calculate the fair values of share options:

The fair values of options of approximately HK$5,360,000 granted during the Period were determined using the Model. Significant inputs into the calculation included a share price on issue date of HK$0.82 and exercise price as illustrated above. Furthermore, the calculation took into account of the expected dividend yield to be nil and a volatility rate of 41.1%, based on expected share price. Risk-free annual interest rate was determined at 4.26%.

The underlying expected volatility was determined with reference to the historical share price information of a company listed on the Main Board of the Stock Exchange which was engaged in similar business to the Group. The Directors believe that the historical volatility rate of the Company may be overstated as the transactions of the Company's shares were unstable during the Period from the date of options grant and the date of listing on 21 May 2007.

No options were forfeited, exercised and expired pursuant to the Pre-IPO Share Option Scheme during the Period.

Other than those disclosed in note 15 to the condensed financial statements (which were approved by the independent non-executive Directors and in the opinion of the Directors were carried out on normal commercial terms and in ordinary course of the Group's business), no contracts of significance in relation to the Group's business to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period. At no time during the Period was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party of any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, none of Directors, nor their associates, had any other interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required notification 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 any such Director or chief executive is taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to Section 352 of the SFO to be entered into the register maintained by the Company; or which (c) were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company or the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2007, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as was known to any Director, the following persons (other than the interests of certain Directors disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any associated Corporation" above), had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	**Personal Interest**	**Family Interest**	**Total**	**Approximate percentage of shareholding**
Mr. Zhuang Xiao Xiong	75,000,000	–	75,000,000	7.23%
	1,000,000 *(Note 1)*	–	–	–
Mrs. Zhuang	67,500,000	607,500,000 *(Note 2)*	675,000,000	65.06%
		1,000,000 *(Note 3)*	–	–

Notes:

(1) Pursuant to the Pre-IPO Share Option Scheme, Pre-IPO Share Options in relation to 1,000,000 Shares were granted to Mr. Zhuang Xiao Xiong.

(2) 607,500,000 Shares are held by Mr. Zhuang. Since Mr. Zhuang is the spouse of Mrs. Zhuang, under the SFO, Mrs. Zhuang is deemed to be interested in the said Shares held by Mr. Zhuang.

(3) Pursuant to the Pre-IPO Share Option Scheme, Pre-IPO Share Options in relation to 1,000,000 Shares were granted to Mr. Zhuang. Since Mr. Zhuang is the spouse of Mrs. Zhuang, under the SFO, Mrs. Zhuang is deemed to be interested in the said Shares which are subject to the Pre-IPO Share Options granted to Mr. Zhuang.

Save as disclosed above, there was no other person known to the Directors, other than the Directors, who, as at 30 June 2007, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIVIDEND DISTRIBUTION

The directors do not recommend payment of an interim dividend for the Period.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

SHARE OPTION SCHEME

The Company has a Pre-IPO Share Option Scheme. The purpose of the Scheme is to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Directors, employees of and consultants, professional and other advisers to the Group.

As at 30 June 2007, options to subscribe for an aggregate of 19,210,000 Shares (31 December 2006: Nil), representing approximately 1.85% (31 December 2006: Nil) of the issued share capital of the Company have been granted by the Company at a consideration HK$1 by each grantee. Each of the grantees will be entitled to exercise the options granted under the scheme at any time during the five years from the expiry of 6 months from the Listing Date on 21 May 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provision of the Code on Corporate Governance Practices (the "Code") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company had complied with the provision of the Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the accounting period covered by the interim report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Mode Code") as set out in Appendix 10 to the Listing Rules as the Company's own code for securities transactions by its Directors. Following specific detailed enquiries made with all Directors, the Company confirms that all Directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2007.

REMUNERATION COMMITTEE

The remuneration committee, which comprises the three Independent Non-executive Directors and one Executive Director, is responsible for reviewing and determining the appropriate remuneration policies of the Directors and senior management and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The nomination committee, which comprises the three Independent Non-executive Directors and two Executive Directors, is responsible for determining the criteria for identifying candidates suitably qualified, reviewing nominations for the appointment of Directors to the Board and making recommendations to the Board regarding any proposed changes.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rule 3.21 of the Listing Rules. The audit committee, which comprises the three Independent Non-executive Directors, has reviewed the accounting principles and practices adopted by the Company as well as auditing, internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 June 2007. The financial statements of the Company for the six months ended 30 June 2007 have been reviewed and approved by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

INTERIM REPORT

The 2007 Interim Report will be despatched to shareholders and published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.szbjh.com.hk) in due course.

On behalf of the Board
Jiahua Stores Holdings Limited
Zhuang Lu Kun
Chairman

Guangdong, the PRC, 11 September 2007

As at the date of this report, the Board of the Company comprises:

Executive Directors:
Zhuang Lu Kun, Shen Da Jin, Zhuang Pei Zhong, Gu Wei Ming

Independent Non-executive Directors:
Chin Kam Cheung, Guo Zheng Lin, Ai Ji