



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  
2008



佳華商場

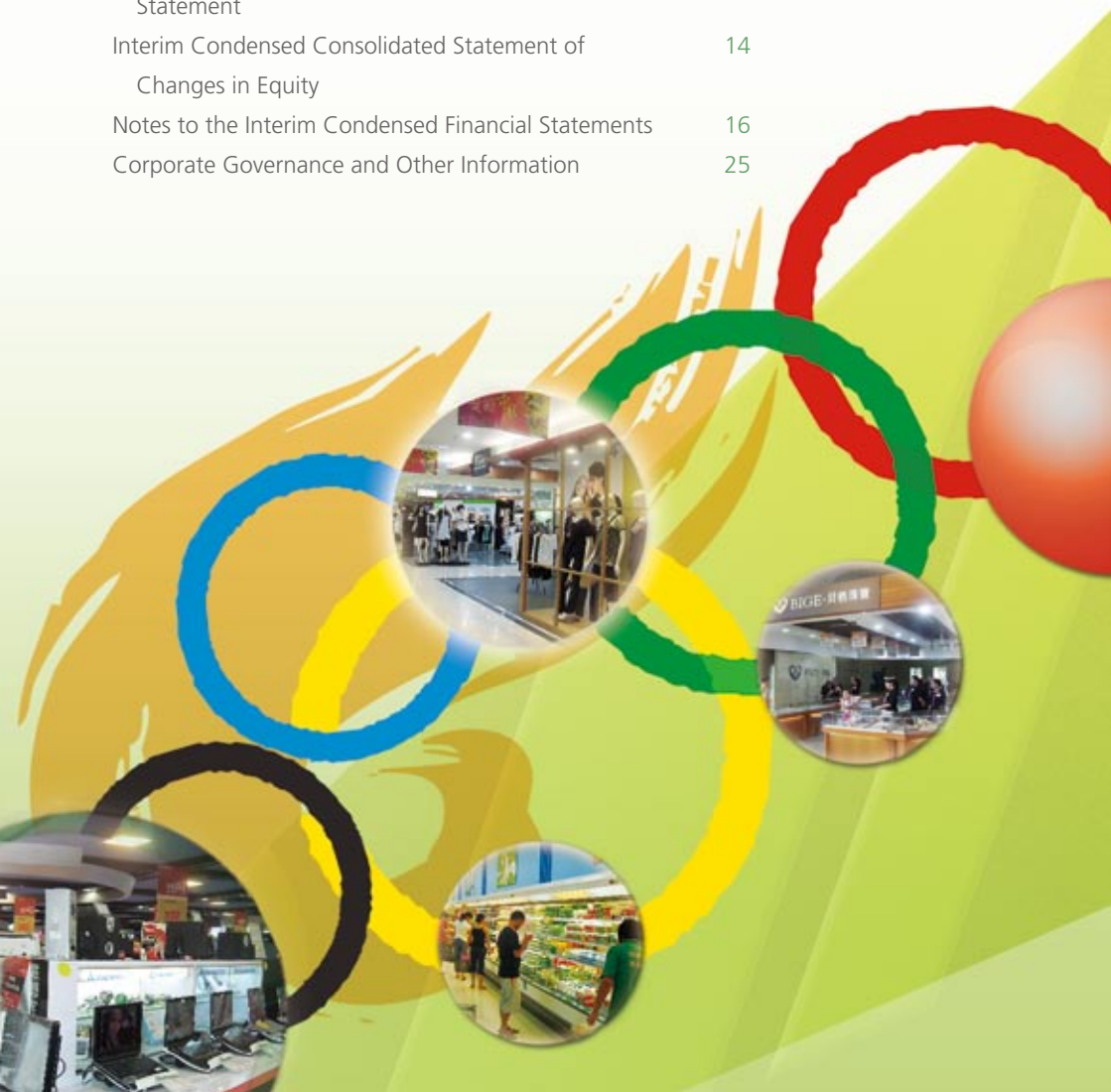
香港上市公司  
佳華百貨控股  
股票代碼: 602

飛躍進駐  
零售新環境

佳華商場  
香港上市公司  
佳華百貨控股  
股票代碼: 602

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## Corporate Information

### STOCK CODE

602

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1216, 12th Floor  
Ocean Centre, Harbour City  
5 Canton Road  
Tsimshatsui  
Kowloon  
Hong Kong

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 301 on 3rd Floor  
Block 1  
Baijiahua Building  
Hedong Road  
Xixiang Street  
Baoan District  
Shenzhen  
the PRC

### AUDITORS

Grant Thornton  
Certified Public Accountants  
13th Floor  
Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### LEGAL ADVISERS TO THE COMPANY

#### *As to Hong Kong law*

Woo Kwan Lee & Lo  
26th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

#### *As to Cayman Islands law*

Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

#### *As to PRC law*

Zhong Lun Law Firm  
18th Floor  
Shenzhen Development Bank Tower  
5047 Shennan Road East  
Shenzhen, 518001  
the PRC

### COMPLIANCE ADVISER

Taifook Capital Limited  
25th Floor, New World Tower  
16-18 Queen's Road Central  
Hong Kong

### FINANCIAL PUBLIC RELATIONS CONSULTANT

Porda International (Finance) PR Co., Ltd  
Units 2009 – 2018, 20th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street  
George Town, Grand Cayman  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricolor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### WEBSITE

[www.szbjh.com](http://www.szbjh.com)




## Chairman's Statement

Dear Shareholders,

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 development plans, thus enhancing our core competitiveness, raising recognition, as well as strengthening and extending our leading position in the industry.

### INDUSTRY OVERVIEW

In 2008, the favourable momentum continues in the retail industry of China with income per capita and purchasing power constantly increasing. According to the National Bureau of Statistics, for the first half of this year, the aggregate GDP amounted to approximately RMB13,061.9 billion, representing a growth of approximately 10.4% as compared to the corresponding period last year; the total retail sales of consumer goods amounted to approximately RMB5,104.3 billion, representing an increase of approximately 21.4% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB4,306.8 billion, up approximately 21.3% 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 RMB1,601.8 billion, representing a growth of approximately 10.7% as compared to the corresponding period last year, while the total retail sales of consumer goods amounted to approximately RMB670.9 billion, representing an increase of approximately 9.4% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB151.2 billion, representing a growth of approximately 8.8% 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 of Shenzhen amounted to approximately RMB353.2 billion, up approximately 10.5% as compared to the corresponding period last year; the total retail sales of consumer goods was approximately RMB108.0 billion, representing a growth of approximately 18.2% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB94.9 billion, up approximately 17.9% as compared to the corresponding period last year. By capturing market opportunities and leveraging on our core advantages, the Group has performed satisfactory results.



I am pleased to report that, for the six months ended 30 June 2008, the Group has obtained satisfactory results in terms of both revenue and operating profit. During the Period, the Group recorded revenue of approximately RMB488.4 million, representing an increase of approximately 23.0% as compared to the corresponding period last year. Operating profit was approximately RMB22.0 million, representing an increase of approximately 3.4% as compared to the corresponding period last year; while profit after tax amounted to approximately RMB16.5 million, representing a decline of approximately 10.2% as compared to the corresponding period last year. Earnings per share was RMB1.59 cents, a decrease of approximately 29.6% as compared to the corresponding period last year. The decrease in profit after tax and earnings per share was due to the receipt of exceptional bank interest income arising from the proceeds of initial public offering of our holding company in last year, and partially due to the increase in exchange loss in current year. Cash and cash equivalents as at the balance sheet date was approximately RMB282.1 million. The Group has increased its total outlets from 8 as at 30 June 2007 to 13 as at 30 June 2008, and maintained a healthy capital structure which builds a solid foundation for future development.

## **DIVIDENDS**

The Board believes that, backed with its sound financial status and cash flow, the Group will be able 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.

## **FUTURE PROSPECT**

Looking ahead, the Group will continue to strengthen and enhance its existing competitive edges through establishing new stores and acquiring retail outlets to capture a larger market share. The Group will continue to increase the total number of outlets through leasing and acquisition in the South China region as well as to actively expand its business in other regions throughout the country over the coming two years. The Group will also continue to upgrade its management information system to improve management efficiency and quality, and to strengthen our brand image to increase the recognition of our brand.

The Group will continue to expand its business when opportunities arise.

Adhering to its corporate mission of "Earnest, Pragmatism, Faithfulness, Comprehensiveness", the Group will continue its efforts to move forward and to set up an optimized retail network so as to provide quality service and generate remarkable returns for 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.

**Zhuang Lu Kun**

*Chairman*

Shenzhen, the PRC  
17 September 2008





## Management Discussion and Analysis

### BUSINESS REVIEW

- **Healthy growth of operating results**

For the six months ended 30 June 2008, the Group recorded sales of approximately RMB488.4 million, representing a year-on-year increase of approximately 23.0%. Gross profit amounted to approximately RMB110.2 million, representing a year-on-year growth of approximately 28.1%; while operating profit was RMB22.0 million, representing a year-on-year increase of approximately 3.4%. Profit attributable to Shareholders was approximately RMB16.5 million, a year-on-year decline of 10.2%. There was a stable growth of consolidated results over the corresponding period last year.


- **Expanding retail network, Strengthening its edge on regional scale**

For the six months ended 30 June 2008, the Group has 13 outlets under its direct operation with an operating area of approximately 190,000 sq.m.. These outlets are mainly situated at regions with robust economy such as Shenzhen, Dongguan of Guangdong and the Pearl River Delta region. The three new shopping malls, namely the Dashi Outlet, the Ronggui Outlet, and the Dashatian Outlet located at Panyu District, Guangzhou City of the Guangdong Province, Shunde District, Foshan City of the Guangdong Province and Liangqing district, Nanning City of Guangxi Province respectively, contracted by the Group are ready to commence business. Currently, the Group has 13 outlets, and together with the Dashi Outlet, the Ronggui Outlet and the Dashatian Outlet in the pipeline, the total number of outlets is expected to reach 16 by the end of the year, with an operating area of approximately 220,000 sq.m. The Group has been increasing its efforts on business expansion, and intends to achieve its plans on opening new stores through leasing, consolidation, acquisition and equity participation in cities with a relatively more robust economy and higher purchasing power, so as to further strengthen its edges on regional scale.

- **Improving internal operation 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 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 its competitiveness.



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 management 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.

- **Optimization of supply chain management platform, Exploring valuable information resources**

Satisfactory responses have been received from vendors on the Group's self-developed supply chain management system since its implementation. Not only does it reduce management costs for both the vendors and the Group, its also increases the working efficiency and quality. By providing real-time business information, the supply chain system provides numerous operating functions such as online ordering, online reconciliation, online settlement and historical data enquiry, thereby speeding up the lead time and stock turnover of the outlets. Currently, more than 90% of our vendors are using this online system, reflecting wide recognitions from them.

- **Strengthening cost control, Improving operational efficiency**

As the robust development of the PRC economy continues, various operating costs including rental and labor costs also increased with surging prices. The Group adheres to its strategy of maintaining operating efficiency through various cost control measures by raising sales, and increasing gross profit; by 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 benchmarks, streamlining procedures. All in all, 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 economy and the strong demand for fast moving consumer goods, the Directors are optimistic towards the prospects of the Group's business.

The strategic development of the Group ahead is to become a 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.





## 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 2008.

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 2008, the Group had approximately 3,524 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 RMB39.1 million. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualification, experience and performance.

The Group also provides other staff benefit such as mandatory provident fund and share option schemes (details of which were set out in the section head “Corporate Governance and Other Information”).


## **CONTINGENT LIABILITIES**

As at 30 June 2008, the Group has no significant contingent liabilities.

## **Financial Review**

During the Reporting Period, the Group’s revenue reached approximately RMB488.4 million, net profit after tax attributable to equity holders of the Company was approximately RMB16.5 million. Gross margin and net margin of the Group were about 22.6% and 3.4% respectively. During the Reporting Period, the distribution costs and administrative expenses were approximately RMB111.6 million and RMB19.4 million respectively, accounting for approximately 22.9% and 4.0% of the turnover respectively.

As at 30 June 2008, the Group’s non-current assets amounted to approximately RMB167.9 million (31 December 2007: approximately RMB151.6 million). Non-current assets mainly include property, plant and equipment of approximately RMB98.9 million (31 December 2007: RMB85.7 million), intangible assets of approximately RMB54.0 million (31 December 2007: RMB56.5 million) and deposit paid and prepayments of approximately RMB15.0 million (31 December 2007: approximately RMB9.4 million).



As at 30 June 2008, the Group had current assets amounting to approximately RMB439.0 million (31 December 2007: approximately RMB461.6 million). Current assets mainly comprised cash and bank balance of approximately RMB282.1 million (31 December 2007: approximately RMB300.3 million), inventories and consumables of approximately RMB101.4 million (31 December 2007: approximately RMB104.5 million), deposit paid, prepayments and other receivables of approximately RMB52.3 million (31 December 2007: approximately RMB55.1 million), amount due from related parties of Nil (31 December 2007: approximately RMB0.2 million) and trade receivables of approximately RMB3.2 million (31 December 2007: approximately RMB1.5 million).

As at 30 June 2008, the Group had current liabilities amounting to approximately RMB201.4 million (31 December 2007: approximately RMB200.1 million). Current liabilities mainly comprised trade payables of approximately RMB132.9 million (31 December 2007: approximately RMB146.3 million). Coupon liabilities, deposit received, other payables and accruals of approximately RMB49.1 million (31 December 2007: approximately RMB48.2 million), amount due to a director of approximately RMB0.7 million (31 December 2007: approximately RMB0.7 million), dividend payable of approximately RMB16.1 million (31 December 2007: Nil) and tax payables of approximately RMB2.6 million (31 December 2007: approximately RMB4.9 million).

### **SUBSEQUENT EVENTS**

As at 5 August 2008, additional options to subscribe for an aggregate of 9,680,000 shares representing approximately 0.93% of the issued share capital of the Company have been granted by the Company at a consideration of HK\$1 per grantee. Each of the grantees will be entitled to exercise the options granted under the scheme during the option period from 9 August 2008 to 8 August 2013.

As at 29 August 2008, a new subsidiary of the Group has been set up in the PRC with registered capital of RMB5,000,000.

Saved as disclosed above, the Group did not have any other significant subsequent events taken place subsequent to 30 June 2008.

### **USE OF PROCEEDS**

The net proceeds raised from the initial public offering after deducting relevant share issue expenses amounted to approximately HK\$265.0 million.

Up to 31 December 2007, the Group applied approximately RMB29.0 million for the acquisition of relevant business of the four outlets from Dongfangcheng.

Up to 30 June 2008, the Group has spent approximately RMB9.8 million in capital expenditure for the opening of Yanbu store in Foshan, Guangdong.

The remaining balance of proceeds was placed in short term deposits with licensed commercial banks.

## Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	Notes	Six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
<b>Revenue</b>	5	<b>488,375</b>	397,163
Cost of inventories sold		<b>(378,192)</b>	(311,180)
		<b>110,183</b>	85,983
Other operating income	5	<b>42,831</b>	46,004
Distribution costs		<b>(111,641)</b>	(89,264)
Administrative expenses		<b>(19,374)</b>	(21,447)
<b>Profit before income tax</b>	6	<b>21,999</b>	21,276
Income tax expense	7	<b>(5,457)</b>	(2,860)
<b>Profit attributable to the Company's equity holders</b>		<b>16,542</b>	18,416
<b>Dividend</b>	8	—	—
<b>Earnings per share</b>			
— Basic (RMB cents)	9	<b>1.59</b>	2.26
— Diluted (RMB cents)	9	<b>N/A</b>	2.26

## Interim Condensed Consolidated Balance Sheet

As at 30 June 2008

	Notes	At 30 June 2008 RMB'000 (Unaudited)	At 31 December 2007 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	98,885	85,764
Intangible asset		53,962	56,488
Deposits paid and prepayments		15,004	9,388
		<b>167,851</b>	151,640
<b>Current assets</b>			
Inventories and consumables		101,392	104,549
Trade receivables	11	3,201	1,478
Deposits paid, prepayments and other receivables		52,285	55,088
Amounts due from related parties	15(d)	–	140
Cash and cash equivalents		282,091	300,339
		<b>438,969</b>	461,594
<b>Current liabilities</b>			
Trade payables	12	132,885	146,299
Coupon liabilities, deposits received, other payables and accruals		49,034	48,187
Amount due to a director	15(e)	738	738
Dividend payable		16,116	–
Taxes payable		2,607	4,888
		<b>201,380</b>	200,112
<b>Net current assets</b>		<b>237,589</b>	261,482
<b>Total assets less current liabilities</b>		<b>405,440</b>	413,122
<b>Non-current liabilities</b>			
Deferred tax liabilities		6,840	7,200
<b>Net assets</b>		<b>398,600</b>	405,922
<b>EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS</b>			
Share capital	13	10,125	10,125
Reserves		388,475	395,797
<b>Total equity</b>		<b>398,600</b>	405,922

## Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	20,818	(1,223)
Net cash outflow from investing activities	(31,318)	(2,201)
Net cash (outflow)/inflow from financing activities	(6,037)	261,232
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(16,537)</b>	257,808
<b>Cash and cash equivalents at 1 January</b>	<b>300,339</b>	59,366
<b>Exchange difference</b>	<b>(1,711)</b>	1,085
<b>Cash and cash equivalents at 30 June</b>	<b>282,091</b>	318,259



## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	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	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

## Interim Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2008

	Share capital	Share premium	Statutory reserve	Statutory welfare reserve	Merger reserve	Share option reserve	Translation reserve	Retained profits	Dividend proposed	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Unaudited for the six months ended 30 June 2008</b>										
At 1 January 2008	10,125	252,478	9,383	2,286	12,373	5,360	738	91,026	22,153	405,922
Profit for the period	-	-	-	-	-	-	-	16,542	-	16,542
Currency translation difference – net income directly recognised in equity	-	-	-	-	-	-	(1,711)	-	-	(1,711)
Total recognised income and expenses for the period	-	-	-	-	-	-	(1,711)	16,542	-	14,831
Dividend paid for 2007	-	-	-	-	-	-	-	-	(22,153)	(22,153)
<b>At 30 June 2008</b>	<b>10,125</b>	<b>252,478</b>	<b>9,383</b>	<b>2,286</b>	<b>12,373</b>	<b>5,360</b>	<b>(973)</b>	<b>107,568</b>	<b>-</b>	<b>398,600</b>



## 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. 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 2008 (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 2007 (the “2007 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 2007 Annual Financial Statements.

### 3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

From 1 January 2008, the Group has adopted all of the new and amended HKFRS issued by the HKICPA which are first effective on 1 January 2008 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 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 1 and HKAS 32 (Amendment)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>3</sup>

Notes:

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

#### 4. SEGMENT INFORMATION

Operation and management of retail stores and wholesale of consumables are the business segments of the Group throughout the period. No business segment analysis is presented as less than 10% of the Group's revenue and operating profit is attributable to wholesale of consumables. No geographical segment analysis is presented as less than 10% of the Group's revenue and operating profit is attributable to markets located outside 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 ("VAT"), 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	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Revenue – Turnover</b>		
Direct sales	432,867	346,843
Commission from concessionaire sales	36,108	40,188
Rental income from leasing of shop premises	12,354	10,132
Wholesale of consumables	7,046	–
	<b>488,375</b>	<b>397,163</b>
<b>Other operating income</b>		
Imputed interest income	–	800
Interest income	3,060	12,965
Income from suppliers		
– Administration and management fee income	11,517	9,618
– Products entrance fee income	8,396	4,827
– Promotion income	2,854	3,960
– Sponsorship income	4,299	3,488
– Store display income	2,710	3,160
Other	9,995	7,186
	<b>42,831</b>	<b>46,004</b>

## 6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Profit before income tax is arrived at after charging:		
Exchange loss	5,964	1,695
Depreciation of property, plant and equipment	12,588	7,183
Loss on disposal of property, plant and equipment	2,526	–
Operating lease rentals in respect of land and buildings	27,204	21,421
Obsolete inventories written-off	51	31
Staff costs, including directors' emoluments		
– salaries and other benefits	36,578	28,173
– contributions to pension scheme	2,489	1,565
– share-based payment expenditure	–	1,500
Listing expenses included in administrative expenses	–	3,037
and crediting:		
Gain on disposal of property, plant and equipment	7	14

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Current tax – current year		
PRC enterprise income tax	5,457	2,860

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 2007: Nil).

PRC enterprise income tax for the period has been provided at the rate of 18% (six months ended 30 June 2007: 15%) on the estimated assessable profits of a subsidiary of the Company established in the PRC and situated in the Shenzhen Special Economic Zone.

Another subsidiary of the Company established in the PRC and situated in Dongguan was subject to PRC enterprise income tax at the rate of 25% for the period under the income tax rules and regulations of the PRC (six months ended 30 June 2007: 33%).

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 would be effective from 1 January 2008. The PRC enterprise income tax rate of the subsidiary situated in Dongguan would be 25% from 2008 onwards. Pursuant to the detailed pronouncements issued on 26 December 2007, the new tax rates of the subsidiary situated in the Shenzhen Special Economic Zone would be 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

## 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 2007: Nil).

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

Dividend was declared and payable by a subsidiary of the Group to its then respective equity holders as follow:

	Six months ended 30 June	
	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Special dividend paid for the year ended 31 December 2006	–	22,000
Final dividend paid for the year ended 31 December 2007 of approximately RMB2.14 cents per ordinary share	22,153	–
	<b>22,153</b>	<b>22,000</b>

## 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 RMB16,542,000 (six months ended 30 June 2007: RMB18,416,000) and on the weighted average number of approximately 1,037,500,000 (six months ended 30 June 2007: 816,367,000) ordinary shares in issue during the period.

Diluted earnings per share for the period ended 30 June 2008 was not presented because the impact of the exercise of the share options was anti-dilutive.

The calculation of the diluted earnings per share for the period ended 30 June 2007 was based on the profit attributable to the Company's equity holders for the period of approximately RMB18,416,000 and approximately 816,784,000 ordinary shares, being the 816,367,000 ordinary shares as used in the calculation of basic earnings per share plus the weighted average of 417,000 ordinary shares deemed to be issued on the deemed exercise of share options under the share option scheme.

## 10. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately RMB25,781,000 (six months ended 30 June 2007: RMB16,300,000) 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:

	<b>At 30 June 2008 RMB'000 (Unaudited)</b>	At 31 December 2007 RMB'000 (Audited)
Within 30 days	2,140	1,027
31–60 days	390	211
61–180 days	363	124
181 days–365 days	197	4
Over 1 year	111	112
	<b>3,201</b>	<b>1,478</b>

## 12. TRADE PAYABLES

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

	<b>At 30 June 2008 RMB'000 (Unaudited)</b>	At 31 December 2007 RMB'000 (Audited)
Within 30 days	85,174	120,631
31–60 days	23,435	14,058
61–180 days	15,333	7,285
181 days–365 days	5,354	3,241
Over 1 year	3,589	1,084
	<b>132,885</b>	<b>146,299</b>

### 13. SHARE CAPITAL

	Six months ended 30 June 2008		Year ended 31 December 2007	
	Number of shares ('000)	RMB'000 (Unaudited)	Number of shares ('000)	RMB'000 (Audited)
Authorised :				
Ordinary shares of HK\$ 0.01 each				
At the beginning of the period/year	10,000,000	97,099	39,000	390
Increase in authorised share capital	-	-	9,961,000	96,709
<b>At 30 June 2008/31 December 2007</b>	<b>10,000,000</b>	<b>97,099</b>	<b>10,000,000</b>	<b>97,099</b>
Issued and fully paid :				
Ordinary shares of HK\$ 0.01 each				
At the beginning of the period/year	1,037,500	10,125	1	-
Issue of ordinary shares on reorganisation	-	-	99,999	981
Issue of ordinary shares on capitalisation issue	-	-	650,000	6,342
Issue of ordinary shares by initial public offering	-	-	250,000	2,439
Issue of ordinary shares upon exercise of over-allotment option	-	-	37,500	363
<b>At 30 June 2008/31 December 2007</b>	<b>1,037,500</b>	<b>10,125</b>	<b>1,037,500</b>	<b>10,125</b>

Details of movement in share capital for the year ended 31 December 2007 were set out in the 2007 Annual Financial Statements.

## 14. OPERATING LEASE ARRANGEMENTS

### (a) Group as lessee

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:

	<b>At 30 June 2008 RMB'000 (Unaudited)</b>	At 31 December 2007 RMB'000 (Audited)
Within one year	<b>48,339</b>	47,127
In the second to fifth years	<b>235,757</b>	184,153
After five years	<b>468,863</b>	504,116
	<b>752,959</b>	735,396

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable to, Mr. Zhuang Lu Kun, a director of the Company, and related companies, Shenzhen Baijiahua Industrial Development Company Limited ("BJH Industrial") and Shenzhen Jiahua Real Estate Development Company Limited ("JH Real Estate"), companies in which Mr. Zhuang Lu Kun and Mrs. Zhuang Su Lan have beneficial interest, are as follows:

	<b>At 30 June 2008 RMB'000 (Unaudited)</b>	At 31 December 2007 RMB'000 (Audited)
Within one year	<b>14,887</b>	14,794
In the second to fifth years	<b>61,350</b>	61,125
After five years	<b>106,714</b>	111,467
	<b>182,951</b>	187,386

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.

### (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. Contingent rents recognised in the Interim Condensed Consolidated Income Statements during the period ended 30 June 2008 are disclosed in note 5 to those financial statements. 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	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Operating lease rentals paid in respect of land and buildings	(i)	(7,157)	(7,157)
Operating lease rentals arrangement in respect of land and buildings	(ii)	(2,883)	(2,883)
Rental income arrangement	(iii)	444	759
Utilities income arrangement	(iii)	297	763
Imputed interest income		—	800

(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.

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.

(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. Except for the arrangement in respect of Gongming Store, certain sub-lease arrangements had ceased and the Group became the landlord on 1 April 2007.

(iv) The amount due was unsecured, interest free and repayable on demand. The fair value of amount due from BJH Industrial at 30 June 2007 was calculated based on cash flows discounted using a rate based on the interest rate of 7.56%, which were determined with reference to the bank borrowing rates available to BJH Industrial.

- (b) During the six months ended 30 June 2008, the Group leased properties from Mr. Zhuang Lu Kun and JH Real Estate. The incurred operating lease rental expenses were RMB101,000 (six months ended 30 June 2007: RMB101,000) and RMB1,334,000 (six months ended 30 June 2007: RMB1,334,000) respectively. The amounts were determined in accordance with the terms of the underlying agreements.

(c) **Compensation of key management personnel**

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Wages, salaries and allowances	<b>1,354</b>	698
Pension costs – defined contribution retirement scheme	<b>9</b>	9
	<b>1,363</b>	707

(d) **Amounts due from related parties**

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

(e) **Amount due to a director**

The amount was unsecured, interest free and repayable on demand.

**16. SUBSEQUENT EVENTS**

As at 5 August 2008, additional options to subscribe for an aggregate of 9,680,000 shares representing approximately 0.93% of the issued share capital of the Company have been granted by the Company at a consideration of HK\$1 per grantee. Each of the grantees will be entitled to exercise the options granted under the scheme during the option period from 9 August 2008 to 8 August 2013.

As at 29 August 2008, a new subsidiary of the Group has been set up in the PRC with registered capital of RMB5,000,000.

Saved as disclosed above, the Group did not have any other significant subsequent events taken place subsequent to 30 June 2008.

**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 17 September 2008.

## Corporate Governance and Other Information

### 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 2008, 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

Name	Capacity	Number of shares/ Underlying Shares Held			Percentage of Issued Shares
		Personal Interest	Family Interest	Total Interest	
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)	—	—	—
	Beneficial Owner	600,000 (Note 4)	—	—	—
Mr. Gu Wei Ming	Beneficial Owner	540,000 (Note 5)	—	—	—





Notes:

- (1) 67,500,000 Shares are 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 lapsed during the Period	Outstanding options at the end of the Period	Date of grant	Exercise Period (Note a)	Exercise price per Share HK\$
<b>Directors</b>						
Zhuang Lu Kun	1,000,000	–	1,000,000	30/4/2007	21/11/2007 to 20/11/2012	1.04
Shen Da Jin	720,000	–	720,000	30/4/2007	21/11/2007 to 20/11/2012	1.04
Zhuang Pei Zhong	600,000	–	600,000	30/4/2007	21/11/2007 to 20/11/2012	1.04
Gu Wei Ming	540,000	–	540,000	30/4/2007	21/11/2007 to 20/11/2012	1.04
Sub-total	2,860,000	–	2,860,000			
<b>Employees (Note b)</b>						
In aggregate	15,450,000	(180,000)	15,270,000	30/4/2007	21/11/2007 to 20/11/2012	1.04
<b>Consultant</b>						
In aggregate	600,000	–	600,000	30/4/2007	21/11/2007 to 20/11/2012	1.04
Total	18,910,000	(180,000)	18,730,000			

Notes:

- 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.
- 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 or forfeited.



**(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 year 2007, 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 RMB Nil (2007: approximately RMB1.5 million) 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 year 2007 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 interim 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.

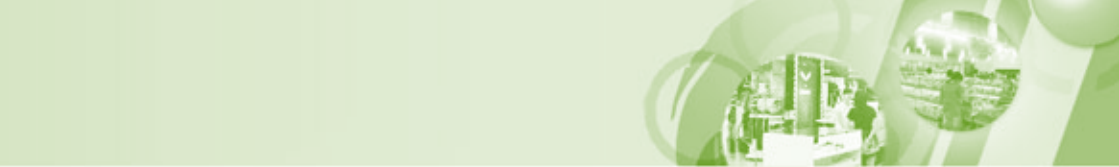
### **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 30 June 2008, 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:

<b>Name</b>	<b>Personal Interest</b>	<b>Family Interest</b>	<b>Total</b>	<b>Approximate percentage of shareholding</b>
Mr. Zhuang Xiao Xiong	75,000,000 1,000,000 (Note 1)	– –	75,000,000 –	7.23% –
Mrs. Zhuang	67,500,000	607,500,000 (Note 2) 1,000,000 (Note 3)	675,000,000 –	65.06% –
Martin Currie (Holdings) Limited (Note 4)	80,877,500	–	80,877,500	7.80%
Martin Currie Investment Management Limited	61,600,500	–	61,600,500	5.94%

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.
- (4) Martin Currie (Holdings) Ltd had interest in Martin Currie Inc and Martin Currie Investment Management Ltd which is deemed to have interest in the issued share capital of the Company.



Save as disclosed above, there was no other person known to the Directors, other than the Directors, who, as at 30 June 2008, 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 2008, options to subscribe for an aggregate of 18,730,000 Shares (31 December 2007: 18,910,000), representing approximately 1.81% (31 December 2007: 1.82%) of the issued share capital of the Company have been granted by the Company at a consideration HK\$1.00 by each grantee are still outstanding. 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") set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company had complied with the provision of the Code throughout the Reporting Period.



## **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 have fully complied with the required standards set out in the Model Code during the six months ended 30 June 2008.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee on 30 April 2007. 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 Company has established a nomination committee on 30 April 2007. 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 on 30 April 2007 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 2008. The financial statements of the Company for the six months ended 30 June 2008 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 2008 Interim Reports have been despatched to shareholders and published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.szbjh.com](http://www.szbjh.com)).

On behalf of the Board  
**Jiahua Stores Holdings Limited**

**Zhuang Lu Kun**  
*Chairman*

Shenzhen, the PRC  
17 September 2008

As at the date of this report, the Board 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