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 RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL RESULTS

The Board of Directors (the "Board") of Jiahua Stores Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007 (the "Reporting Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	Notes	**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

CONDENSED CONSOLIDATED BALANCE SHEET

	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		**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		**–**	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

NOTES TO THE CONDENSED FINANCIAL STATEMENT

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 not 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 People's Republic of China (the "PRC"). Accordingly, no separate business and geographic segment information is presented.

5. REVENUE AND OTHER OPERATING INCOME

	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 Dongguan was subject to PRC enterprise income tax at the 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 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 was no material temporary difference arising during the period (six months ended 30 June 2006: Nil).

8. DIVIDEND

The Board of Directors did not recommend the payment of an interim dividend for the period (Six months ended 30 June 2006: Nil).

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
181–365 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
181–365 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 the 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 was 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry Overview

The economic development of the PRC remained rapid and stable in the first half of 2007. In 2007, this favourable momentum in the retail industry of China continues, with the increasing income per capita and purchasing power. For the first half of this year, the aggregate GDP amounted to RMB10,676 billion, representing a growth of 11.5% as compared to the corresponding period last year; while the total retail sales of consumer goods amounted to RMB4,200 billion, representing an increase of 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 15.2% as compared to the corresponding period last year.

For the Guangdong Province, during the first half of this year, the aggregate output reached RMB1,354 billion, representing a growth of 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 16.1% as compared to the corresponding period last year. Of which, the total sales in wholesale and retail sectors was approximately RMB133 billion, representing a growth of 10.8% as compared to the corresponding period last year.

During the first half of this year, the aggregate output in Shenzhen amounted to RMB296 billion, up 13.2% as compared to the corresponding period last year, and the total retail sales of consumer goods was approximately RMB91 billion, representing a growth of 13.3% as compared to the corresponding period last year.

Meanwhile, the rapid growth of household income of the PRC has boosted the demands on consumer goods, and the further implementation of social security system by the PRC government, which aims at resolving the problems concerning various aspects such as education, medical and housing and has resulted to an optimistic attitude of the PRC residents to the future, has enhanced the confidence of consumers, thereby accelerating the development pace of the consumer industry and creating enormous potentials in the retails section.

Business Review

- *Healthy growth of operating results*

  For the six months ended 30 June 2007, the Group recorded sales of approximately RMB397,160,000, representing a year-on-year increase of 32%. Gross profit amounted to RMB85,980,000, representing a year-on-year growth of 32%; while the operating profits was approximately RMB21,270,000, representing a year-on-year increase of 2%. Profit attributable to shareholders was approximately RMB18,410,000, representing a year-on-year rise of 5%. There was a stable growth of consolidated results over the corresponding period last year.

- *Expanding retails network, strengthening its 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 square metres, these outlets are mainly situated at the regions with robust economic activites, namely Guangdong, Shenzhen and Dongguan in the Pearl River Delta. A new store, located at Foshan, Guangzhou, 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 深圳市東方城百貨公司 ("Shenzhen Dongfangcheng") in respect of its four outlets. Upon commencement of operations of these four outlets in August 2007 and the opening of the Foshan outlet by the end of the year, there will be 13 outlets altogether with operating area of approximately 190,000 square metres, realizing the advantage of regional scale.

- *Improving internal operational management, enhancing competitiveness*

  The Group has been awarded the ISO9000 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 operations and enhance 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 capabilities including financial management, sales management, procurement management, inventory management and human resources management, the system can timely generate various information analysis required for the management of the purchase and sale of the Group, providing a scientific basis for decision making.

The formation of human resources strategies and staff incentive system has facilitated the performance appraisal by different departments of the Group, consequently 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 which not only reduce the management costs of both the vendors and the Group, but also increases 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 turnovers of the outlets. Currently, there are more than 90% vendors using this online system, reflecting wide recognitions from the vendors.

- *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 namely prices of materials, rentals and labour costs, the Group adheres to its strategy of maintaining operating efficiency through various cost control measures such as raising turnovers, increasing commissions 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 costs at reasonable and appropriate level.

Outlook and Prospects

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 prospects of the Group's business.

This is the strategic development of the Group in the future is to become one of the major retail chain enterprises 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 Reporting Period, the Group's turnover reached RMB397.16 million, net profit after tax attributable to equity holders of the Company was approximately RMB18.41 million. Gross margin and net margin of the Group were about 22% and 5% respectively. During the Reporting Period, the distribution costs and administrative expenses were approximately RMB89.26 million and RMB21.44 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 RMB70.01 million (31 December 2006: RMB62.01 million). Non-current assets mainly include property, plant and equipment of approximately of RMB61.97 million (31 December 2006: RMB52.91 million) and deposit paid and prepayments of approximately RMB8.04 million (31 December 2006: RMB9.1 million).

As at 30 June 2007, the Group had current assets amounting to RMB431.45 million (31 December 2006: RMB213.80 million). Current assets mainly comprised cash and bank balance of approximately RMB318.26 million (31 December 2006: RMB59.37 million), inventories and consumables of approximately RMB75.82 million (31 December 2006: RMB75.64 million), deposit paid, prepayments and other receivables of approximately RMB35.83 million (31 December 2006: RMB37.30 million), amount due from related parties of approximately RMB0.14 million (31 December 2006: RMB41.11 million) and trade receivables of approximately RMB1.40 million (31 December 2006: RMB0.38 million).

As at 30 June 2007, the Group had current liabilities amounting to approximately RMB159.75 million (31 December 2006: RMB194.34 million). Current liabilities mainly comprised trade payables of approximately RMB119.54 million (31 December 2006: RMB156.40 million). Coupon liabilities, deposit received, other payables and accruals of approximately RMB39.24 million (31 December 2006: RMB33.44 million) and tax payables of approximately RMB0.97 million (31 December 2006: 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 Shenzhen Dongfangcheng, the relevant assets of all four stores of 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 million.

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

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 consolidated condensed 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 available to the Group.

During the Reporting 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 provided 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 Reporting Period, total staff costs were about 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.

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 Reporting 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 have fully 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) in due course.

By order of the Board
Jiahua Stores Holdings Limited
Zhuang Lu Kun
Chairman

Guangdong, the PRC, 11 September 2007

As at the date of this announcement, 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