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 2008

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") 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 2008 (the "Reporting Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED BALANCE SHEET

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

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. 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[1]
HKAS 1 and HKAS 32 (Amendment)	Puttable financial instruments and obligations arising on liquidation[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 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

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue – Turnover		
Direct sales	**432,867**	346,843
Commissions from concessionaire sales	**36,108**	40,188
Rental income from leasing of shop premises	**12,354**	10,132
Wholesale of consumables	**7,046**	–
	488,375	397,163
Other operating income		
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
	42,831	46,004

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(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	2007
	RMB'000	*RMB'000*
	(Unaudited)	(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

The Board of Directors did not recommend the payment of an interim dividend for the period (six months ended 30 June 2007: 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 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:

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

12. TRADE PAYABLES

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

	At 30 June 2008 RMB'000 (Unaudited)	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
181–365 days	**5,354**	3,241
Over 1 year	**3,589**	1,084
	132,885	146,299

13. SHARE CAPITAL

	Six months ended 30 June 2008		Year ended 31 December 2007	
	Number of shares ('000)	**RMB'000**	Number of shares ('000)	RMB'000
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
At 30 June 2008/31 December 2007	**10,000,000**	**97,099**	10,000,000	97,099
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
At 30 June 2008/31 December 2007	**1,037,500**	**10,125**	1,037,500	10,125

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 of 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 remarkably.

Business Review

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. 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.

Outlook and Prospects

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.

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 of 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.

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 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 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 RMB39.1 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 2008, 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 2008, options to subscribe for an aggregate of 19,210,000 Shares (31 December 2007: 19,210,000 shares), representing approximately 1.85% (31 December 2007: 1.85%) of the issued share capital of the Company have been granted by the Company at a consideration of 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") 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 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.

For and 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 announcement, 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