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 2009

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 2009 (the "Reporting Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2009	2008
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**407,934**	488,375
Cost of inventories sold		**(289,577)**	(378,192)
		118,357	110,183
Other operating income	*5*	**30,761**	42,831
Distribution costs		**(121,809)**	(111,641)
Administrative expenses		**(15,117)**	(19,374)
Profit before income tax	*6*	**12,192**	21,999
Income tax expense	*7*	**(3,693)**	(5,457)
Profit for the period		**8,499**	16,542
Other comprehensive income for the period, net of tax		**–**	–
Total comprehensive income attributable to the Company's equity holders		**8,499**	16,542
Dividend	*8*	**–**	–
Earnings per share			
– Basic (RMB cents)	*9*	**0.82**	1.59
– Diluted (RMB cents)	*9*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**120,400**	114,136
Intangible asset		**49,591**	51,746
Deposits paid and prepayments		**37,151**	26,277
		207,142	192,159
Current assets			
Inventories and consumables		**118,927**	114,583
Trade receivables	*11*	**2,561**	5,253
Deposits paid, prepayments and other receivables		**37,836**	47,647
Cash and cash equivalents		**245,274**	281,031
		404,598	448,514
Current liabilities			
Trade payables	*12*	**137,751**	161,562
Coupon liabilities, deposits received, other payables and accruals		**57,438**	60,387
Amount due to a director		**738**	738
Taxes payables		**4,834**	3,007
		200,761	225,694
Net current assets		**203,837**	222,820
Total assets less current liabilities		**410,979**	414,979
Non-current liabilities			
Deferred tax liabilities		**6,120**	6,480
Net assets		**404,859**	408,499
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS			
Share capital	*13*	**10,125**	10,125
Reserves		**394,734**	398,374
Total equity		**404,859**	408,499

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 2009 (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 2008 (the "2008 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 2008 Annual Financial Statements.

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning 1st January, 2009.

HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7	Financial instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HK(IFRIC) – Int 9 and HKAS 39	Reassessment of Embedded Derivative
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 16	Hedges of Net Investment in a Foreign Operation
Various	Annual improvements to HKFRSs 2008

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvement to HKFRSs issued in 2009[2]
HKFRS 2 (Amendments)	Group Cash – Settled Share-Based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations – Classification of Non-current assets (or disposal groups) as held for sale[1]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]

Note

1 Effective for annual periods beginning on or after 1 July 2009

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2010

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and financial position of the Group.

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors in order to allocate resources to the segment and to assess its performance.

The identification of the Group's reportable segments under HKFRS 8 is consistent with the prior years' presentation of business segments under HKAS 14 Segment Reporting. Information reported to the executive directors for the purposes of resource allocation and assessment of performance is focused on two main operations as follows:

- Department store and supermarkets chain operation
- Wholesale of consumables and finished goods

All sales or other transaction between the business segments have been eliminated upon consolidation.

No segment is presented as the revenue, net profit and total assets of the wholesale of consumables and finished goods are below 10% of the total revenue, total net profit and total assets of the Group.

5. REVENUE AND OTHER OPERATING INCOME

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue – Turnover		
Direct sales	**352,518**	432,867
Commissions from concessionaire sales	**35,572**	36,108
Rental income from leasing of shop premises	**14,883**	12,354
Wholesale of consumables and finished goods	**4,961**	7,046
	407,934	488,375
Other operating income		
Interest income	**2,918**	3,060
Income from suppliers		
– Administration and management fee income	**18,335**	11,517
– Products entrance fee income *(Note)*	**–**	8,396
– Promotion income *(Note)*	**–**	2,854
– Sponsorship income *(Note)*	**–**	4,299
– Store display income *(Note)*	**–**	2,710
Others	**9,508**	9,995
	30,761	42,831

Note: All contracts with suppliers to receive these income have been renewed at the beginning of the period. With changes from these income to purchase discount, they have effect on the cost of inventories sold and gross profit of the period.

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Exchange loss	**13**	5,964
Depreciation of property, plant and equipment	**15,978**	12,588
Loss on disposal of property, plant and equipment	**663**	2,526
Operating lease rentals in respect of land and buildings	**32,470**	27,204
Obsolete inventories written-off	**847**	51
Staff costs, including directors' emoluments		
– salaries and other benefits	**35,416**	36,578
– contributions to pension scheme	**2,883**	2,489
and crediting:		
Gain on disposal of property, plant and equipment	**–**	7

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – current year		
PRC enterprise income tax	**4,053**	5,817
Deferred tax	**(360)**	(360)
	3,693	5,457

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the period (six months ended 30 June 2008: Nil).

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 2008: Nil).

PRC enterprise income tax of a subsidiary of the Company, Shenzhen Baijiahua Department Stores Company Limited ("BJH Department Stores") which was established in the PRC and which is situated in the Shenzhen (i.e. a Special Economic Zone), has been provided at the preferential enterprise income tax rate of 15% (except the branches not located in Shenzhen) on the estimated assessable profits during the year ended 31 December 2007. Pursuant to the new PRC enterprise income tax law ("EIT law") passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rate for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Pursuant to the EIT law Article 57 and Guofa [2007] No. 39, the new tax rates of BJH Department Stores (including the head office and the branches located in Shenzhen) whose business registration has been completed on or before 16 March 2007 and situated in Shenzhen (i.e. a Special Economic Zone) is eligible for grandfathering treatments with a gradual increase in tax rate from 15% to 25% over five-year period (i.e. at 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012).

Other subsidiaries of the Company established in the PRC were 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 2008: 25%).

8. DIVIDEND

The Board of Directors did not recommend the payment of an interim dividend for the period (six months ended 30 June 2008: 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 RMB8,499,000 (six months ended 30 June 2008: RMB16,542,000) and on the weighted average number of approximately 1,037,500,000 (six months ended 30 June 2008: approximately 1,037,500,000) ordinary shares in issue during the period.

Diluted earnings per share for the period ended 30 June 2009 was not presented because the impact of the exercise of the share options was anti-dilutive.

10. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately RMB23,235,000 (six months ended 30 June 2008: RMB25,781,000) 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 2009 *RMB'000* **(Unaudited)**	At 31 December 2008 *RMB'000* (Audited)
Within 30 days	**1,825**	3,397
31–60 days	**404**	342
61–180 days	**146**	720
181–365 days	**37**	707
Over 1 year	**149**	87
	2,561	5,253

12. TRADE PAYABLES

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

	At 30 June 2009 *RMB'000* **(Unaudited)**	At 31 December 2008 *RMB'000* (Audited)
Within 30 days	**84,681**	116,730
31–60 days	**41,118**	35,695
61–180 days	**10,258**	8,385
181–365 days	**951**	752
Over 1 year	**743**	–
	137,751	161,562

13. SHARE CAPITAL

	At 30 June 2009		At 31 December 2008	
	Number of shares ('000)	***RMB'000***	*Number of shares ('000)*	*RMB'000*
Authorised :				
Ordinary shares of HK$ 0.01 each				
At the beginning and end of the period/year	**10,000,000**	**97,099**	10,000,000	97,099
Issued and fully paid :				
Ordinary shares of HK$ 0.01 each				
At the beginning and end of the period/year	**1,037,500**	**10,125**	1,037,500	10,125

Details of movement in share capital for the year ended 31 December 2008 were set out in the 2008 Annual Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry Overview

In the first half of 2009, the retail industry of China was facing substantial challenge. With the implementation of various internal economy stimulation measures by the Central government, the economic condition in China maintains its stable growth despite the negative impact brought about by the decrease in export trade. According to the National Bureau of Statistics of China, for the first half of this year, the aggregate GDP amounted to approximately RMB13,986.2 billion, representing a growth of approximately 7.1% as compared to the corresponding period last year; the total retail sales of consumer goods amounted to approximately RMB5,871.1 billion, representing an increase of approximately 15.0% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB4,940.6 billion, up approximately 14.7% 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 RMB1,653.8 billion, representing a growth of approximately 7.1% as compared to the corresponding period last year, while the total retail sales of consumer goods amounted to approximately RMB705.7 billion, representing an increase of approximately 15.0% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB167.7 billion, representing a growth of approximately 15.0% 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 RMB363.1 billion, up approximately 8.5% as compared to the corresponding period last year; the total retail sales of consumer goods was approximately RMB121.8 billion, representing a growth of approximately 12.8% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB38.9 billion, up approximately 11.0% as compared to the corresponding period last year. By capturing market opportunities and leveraging on our core advantages, the Group has maintained its market share in the retail industry and started to expand its sales in the wholesale industry.

Business Review

For the six months ended 30 June 2009, the Group recorded revenue of approximately RMB407.9 million, representing a year-on-year decrease of approximately 16.5%. Gross profit amounted to approximately RMB67.9 million, representing a year-on-year growth of approximately 5.0%; while operating profit was approximately RMB12.2 million, representing a year-on-year decrease of approximately 44.6%. Profit attributable to shareholders was approximately RMB8.5 million, representing a year-on-year decrease of 48.6%. There was a decline of consolidated results over the corresponding period last year.

Speeding up expansion and strengthening our economy of scale in the region

For the six months ended 30 June 2009, the Group had 17 outlets under its direct operation with an operating area of about 194,000 sq.m. These outlets are mainly located in major cities in the prosperous Pearl River Delta region of Guangdong and in Guangxi. The Group had signed contracts to open four new shopping malls, which are Sanlian store and Honghu store located in Longgang District and Luowu District respectively in Shenzhen of Guangdong Province; Leliu store located in Foshan City of Guangdong Province and Taoyuan store located in Nanning City of Guangxi Autonomous Region. Currently, the Group has 17 outlets, with the Sanlian store, Honghu store, Leliu store and Taoyuan store in the pipeline, there will be 21 outlets in total, with an operating area of about 242,000 sq.m. The Group has been increasing its efforts on business expansion, and intends to materialise its plans on opening new stores in cities with relatively more robust economy and higher purchasing power through leasing, consolidation, acquisition and equity participation, so as to further strengthen its edges on regional scale.

Improving the Group's hierarchical management and enhance competitiveness

The Group was accredited with the ISO9000 quality management system certification in 2004. On this basis, the Group has implemented a series of measures to realign, complement, standardize and improve its management system. Based on the original structure, the Group has perfected the setting and operation of a three-tier management structure covering the hierarchical management of the Group, its subsidiaries and outlets. As such, the Group has formed its own operating edges amidst 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 enhanced its competitiveness.

The Group has set up an advanced Management Information System to fully utilize information resources and monitor the 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 mechanism has facilitated the performance appraisal in different departments of the Group, thus increased working efficiency and reduced operating costs.

Optimizing supply chain management platform to mine the value of information resources

The Group's self-developed supply chain management system since positive responses has received from vendors its implementation. Not only does it reduce management costs for both the vendors and the Group, but 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 to improve 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 different methods such as raising sales, increasing gross profit and implementing cost control measures; 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 workflow. All in all, the Group has maintained its operating cost at a reasonable and appropriate level.

Setting up a procurement centre to cater the needs for expansion and operation
The Company intends to setup a procurement centre in Shiyan Street of Baoan District. The centre has an area of approximately 9,000 sq.m, and will be handed over to us at 1st August, and operation is expected to commence by the end of 2009. The delivery area covers all outlets within Guangdong province. After the procurement centre come into full operation, it will facilitate fast and effective turnover rate of merchandise in order to meet the demand for merchandise of outlets in Guangdong province, and to optimize the structure of merchandise and suppliers, and bring in more economic benefits for the Group.

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 confident towards the prospects of the Group's business. The future development strategy of the Group 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.

Financial Review
During the Reporting Period, the Group's revenue reached approximately RMB407.9 million, net profit after tax attributable to equity holders of the Company was approximately RMB8.5 million. Gross margin and net margin of the Group were about 19.0% and 2.1% respectively. During the Reporting Period, the distribution costs and administrative expenses were approximately RMB121.8 million and RMB15.1 million respectively, accounting for approximately 29.9% and 3.7% of the Group's revenue respectively.

As at 30 June 2009, the Group's non-current assets amounted to approximately RMB207.1 million (31 December 2008: approximately RMB192.1 million). Non-current assets mainly include property, plant and equipment of approximately RMB120.4 million (31 December 2008: approximately RMB114.1 million), intangible assets of approximately RMB49.6 million (31 December 2008: approximately RMB51.7 million) and deposits paid and prepayments of approximately RMB37.1 million (31 December 2008: approximately RMB26.3 million).

As at 30 June 2009, the Group had current assets amounting to approximately RMB404.6 million (31 December 2008: approximately RMB448.5 million). Current assets mainly comprised cash and bank balance of approximately RMB245.3 million (31 December 2008: approximately RMB281.0 million), inventories and consumables of approximately RMB118.9 million (31 December 2008: approximately RMB114.6 million), deposits paid, prepayments and other receivables of approximately RMB37.8 million (31 December 2008: approximately RMB47.6 million) and trade receivables of approximately RMB2.6 million (31 December 2008: approximately RMB5.3 million).

As at 30 June 2009, the Group had current liabilities amounting to approximately RMB200.8 million (31 December 2008: approximately RMB225.7 million). Current liabilities mainly comprised trade payables of approximately RMB137.8 million (31 December 2008: approximately RMB161.6 million). Coupon liabilities, deposit received, other payables and accruals of approximately RMB57.5 million (31 December 2008: approximately RMB60.4 million), amount due to a director of approximately RMB0.7 million (31 December 2008: approximately RMB0.7 million), and taxes payables of approximately RMB4.8 million (31 December 2008: approximately RMB3.0 million).

Subsequent Events

Saved as disclosed above, the Group did not have any other significant subsequent events taken place subsequent to 30 June 2009.

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 2009.

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.

Employee Information, Remuneration Policies and Share Option Scheme

As at 30 June 2009, the Group had 2,954 full-time employees (six months ended 30 June 2008: 3,524). The salaries of the Group's employees were determined by the individual performance, professional qualification, industry experience of the employee and relevant market trends. The management reviews the remuneration policy of the Group on a regular basis and evaluates the working performance of the employees. The remuneration of the employees includes salaries, allowances, year-end bonus, social insurance or mandatory pension etc.

As at 30 June 2009, the number of shares in respect of which options had been granted under the share option scheme (the "Scheme") adopted by the Company and remained outstanding under the Scheme was 25,960,000 shares (six months ended 30 June 2008: 19,210,000), representing 2.5% (six months ended 30 June 2008: 1.85%) of the shares of the Company in issue. For the six months ended 30 June 2009, 2,180,000 share options had lapsed as a result of certain employees leaving employment during the period.

Use of Proceeds from the IPO

The net proceeds raised from the Company's newly issued and listed shares on the Stock Exchange in May 2007 (after deduction of related issuance expenses) amounted to approximately HK$265,000,000. As of 30 June 2009, approximately HK$70,400,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$194,600,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$70,400,000 are set out as follows:

- as to approximately HK$29,000,000 for acquisition of the business of a retail chain in Shenzhen, the PRC;
- as to approximately HK$28,300,000 for opening of new stores in Yanbu Foshan and Ronggui Foshan, the PRC;
- as to approximately HK$8,750,000 for opening of new store in Nanning Guangxi the PRC; and
- as to approximately HK$4,350,000 for opening of two new stores in Xixiang Baoan, the PRC.

The unused proceeds will be used by the Company for the purposes as set out in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 8 May 2007.

Contingent Liabilities

As at 30 June 2009, 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.

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 2009.

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 one 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 2009. The financial statements of the Company for the six months ended 30 June 2009 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 2009 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
Chairman
Zhuang Lu Kun

Shenzhen, the PRC, 15 September 2009

As at the date of this announcement, the Board comprises:

Executive Directors:
Zhuang Lu Kun, Zhuang Pei Zhong, Gu Wei Ming, Zhuang Xiao Xiong

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