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 2011

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 known as the "Group") for the six months ended 30 June 2011 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	*4*	**402,406**	416,939
Cost of inventories sold		**(278,365)**	(305,843)
		124,041	111,096
Other operating income	*4*	**63,769**	39,373
Distribution costs		**(120,426)**	(125,661)
Administrative expenses		**(18,033)**	(18,529)
Profit before income tax	*5*	**49,351**	6,279
Income tax expense	*6*	**(4,910)**	(2,977)
Profit for the period		**44,441**	3,302
Total comprehensive income for the period		**44,441**	3,302
Dividend	*7*	**–**	–
Earnings per share for profit attributable to the owners of the Company during the period			
– Basic (RMB cents)	*8*	**4.28**	0.32
– Diluted (RMB cents)	*8*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2011** *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**115,184**	149,147
Intangible asset		**–**	16,516
Deposits paid and prepayments		**64,148**	30,796
		179,332	196,459
Current assets			
Inventories and consumables		**104,008**	117,845
Trade receivables	*10*	**780**	2,107
Deposits paid, prepayments and other receivables		**51,150**	41,745
Financial asset at fair value through profit or loss		**–**	10,043
Cash and bank balances		**310,817**	288,052
		466,755	459,792
Current liabilities			
Trade payables	*11*	**146,243**	196,116
Coupon liabilities, deposits received, other payables and accruals		**67,721**	69,849
Amount due to a director		**738**	738
Provision for tax		**3,617**	746
		218,319	267,449
Net current assets		**248,436**	192,343
Total assets less current liabilities		**427,768**	388,802
Non-current liabilities			
Deferred tax liabilities		**–**	2,087
Net assets		**427,768**	386,715
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*12*	**10,125**	10,125
Reserves		**417,643**	376,590
Total equity		**427,768**	386,715

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Jiahua Stores Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The unaudited condensed consolidated financial statements ("Interim Condensed Financial Statements") of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 30 June 2011 (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 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited financial information of the Company for the year ended 31 December 2010 (the "2010 Annual Financial Statements").

2. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32	Classification of Right Issues
HKAS 24 (Revised)	Related party disclosures
HK(IFRIC) – Interpretation 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing financial liabilities with equity instruments

The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets [1]
HKFRS 9	Financial Instruments [2]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [3]
HKAS 27 (as revised in 2011)	Separate Financial Statements [3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2012

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. SEGMENT INFORMATION

On adoption of HKFRS 8 "Operating Segments", the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There are two business components/reportable segments in the internal reporting to the executive directors, which are operation and management of retail stores and wholesale of consumables and finished goods. No operating segment analysis is presented as less than 10% of the Group's revenue, operating result and asset is attributable to the wholesales of consumables and finished goods.

4. REVENUE AND OTHER OPERATING INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue – Turnover		
Sales of goods	**329,578**	356,297
Commission from concessionaire sales	**52,206**	40,378
Rental income from sub-leasing of shop premises	**20,394**	19,241
Wholesale of consumables and finished goods	**228**	1,023
	402,406	416,939
Other operating income		
Interest income	**2,806**	1,828
Government grants	**192**	774
Administration and management fee income from suppliers	**25,171**	25,198
Gain on disposal of subsidiaries	**22,775**	–
Others	**12,825**	11,573
	63,769	39,373

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Depreciation of property, plant and equipment	**24,908**	19,398
Loss on disposal of property, plant and equipment	**286**	1,062
Operating lease rentals in respect of land and buildings	**34,130**	33,125
Obsolete inventories written-off	**352**	1,016
Staff costs, including directors' emoluments		
– salaries and other benefits	**33,006**	35,285
– contributions to pension scheme	**3,012**	3,294
and crediting:		
Gain on disposal of subsidiaries	**22,775**	–

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Enterprise income tax – current year	**5,010**	3,127
Deferred tax	**(100)**	(150)
	4,910	2,977

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 2010: 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 2010: 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 2010: 25%).

7. DIVIDEND

The Board of Directors did not recommend the payment of an interim dividend for the period (six months ended 30 June 2010: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the period of approximately RMB44,441,000 (six months ended 30 June 2010: approximately RMB3,302,000) and on the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2010: approximately 1,037,500,002) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2010 and 2011 was not presented because the impact of the exercise of the share options was anti-dilutive.

9. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately RMB6,128,000 (six months ended 30 June 2010: approximately RMB36,150,000) which mainly related to the acquisition of leasehold improvements, plant and machinery and furniture, fixtures and equipment.

10. 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 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Within 30 days	**454**	1,867
31–60 days	**204**	52
61–180 days	**–**	–
181–365 days	**–**	66
Over 1 year	**122**	122
	780	2,107

11. TRADE PAYABLES

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

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Within 30 days	**114,084**	148,705
31–60 days	**23,324**	27,083
61–180 days	**8,313**	15,953
181–365 days	**522**	2,148
Over 1 year	**–**	2,227
	146,243	196,116

12. SHARE CAPITAL

	At 30 June 2011		At 31 December 2010	
	Number of shares ('000)	***RMB'000 (Unaudited)***	*Number of shares ('000)*	*RMB'000 (Audited)*
Authorised :				
Ordinary shares of HK$ 0.01 each				
At the beginning 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 2010 were set out in the 2010 Annual Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the year 2011, China has been facing the complicated environment with changes in international situation and domestic economic activities. The government has implemented positive fiscal and monetary policies to reinforce and strengthen the macro-economic control. In this regard, the overall economic operation is smooth. But with the existence of unpredictable factors in the economic development, there are still many challenges to come.

In the first half of the year, the retail industry within the country has been affected by the increase of the consumer price index. This has indirectly restrained the growth of domestic spending. Enterprises are trying to develop core competitive advantage to boost its operating profit. Within the Guangdong province, some retail alliance was established to defend against the operating wastage by exchanging information and sharing experience. Besides, cost control measures have been formed to contain the operating expenses. Specifically, they focus on the source of supply chain. The retail operators started to build up their own procurement centre and directly sourced products from producers. This helps to optimize the operating profit.

According to the National Bureau of Statistics of China, for the first half of this year, the aggregate GDP amounted to approximately RMB20,445.9 billion, representing a growth of approximately 9.6% as compared to the corresponding period last year; the total retail sales of consumer goods amounted to approximately RMB8,583.3 billion, representing an increase of approximately 16.8% as compared to the corresponding period last year. Among which, the total sales in commodity retail sectors was approximately RMB7,625.4 billion, up approximately 16.9% 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 RMB2,342.1 billion, representing a growth of approximately 10.2% as compared to the corresponding period last year, while the total retail sales of consumer goods amounted to approximately RMB969.2 billion, representing an increase of approximately 15.9% as compared to the corresponding period last year. Among which, the total sales in retail sectors was approximately RMB866.0 billion, representing a growth of approximately 16.1% 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 RMB501.5 billion, up approximately 10.6% as compared to the corresponding period last year; the total retail sales of consumer goods was approximately RMB166.5 billion, representing a growth of approximately 17.3% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB150.8 billion, up approximately 17.8% as compared to the corresponding period last year.

By capturing market opportunities and leveraging on our core advantages, the Group will keep its base in Shenzhen and open up the nearby locations, and maintain and expand its market share in the retail industry.

BUSINESS REVIEW

For the six months ended 30 June 2011, the Group recorded revenue of approximately RMB402.4 million, representing a year-on year decrease of approximately 3.5%. Gross profit amounted to approximately RMB51.4 million, representing a year-on-year decrease of approximately 0.1%; while operating profit was approximately RMB49.3 million, representing a year-on-year increase of approximately 686.0%. Profit attributable to shareholders was approximately RMB44.4 million, representing a year-on-year increase of 1,245.9%. There was an obvious increase of consolidated results over the corresponding period last year.

Recapping on the first half of 2011, our Group has the following measures to broaden sources of income and reduce expenditure in our operation.

Re-organize and dispose of loss making stores to alleviate the overall operation burden

During the period, the Group has reorganized five of our loss making stores according to their past operating performance. Among them, four of the stores have been injected into a newly formed subsidiary, which together with an existing subsidiary (with one store) have been sold to an independent third party. This transaction has produced positive impact to the Group. Apart from ceasing the profit nibbling of the Group, the sale has generated a gain on disposal of approximately RMB22.8 million to the Group. At the same time, it has signed an agreement with the buyer to provide management service for one year. All in all, the Group has lessened its operation burden on one hand, and increased its non-operating income on the other.

Introduce business working partners to broaden the income sources

Due to the difference in spending habits and walks of life, we have decentralized the decision making power on the operation level to the store manager for stores outside Shenzhen last year. According to the local spending habits, we have adjusted the operation floor usage of the stores. For the fresh food such as meat and bread stalls, we have subcontracted to some quality operators. Besides, for the stores located in the rural area, we have successfully introduced a large household appliance operator. This measure has effectively rearranged the shopping floor area usage and increased the sale variety of our store.

Expand "direct sourcing from producer for supermarket" to control cost on supply chain

Beginning in last year, we have commenced the direct sourcing of the major type of fruit. Starting from this year, we have expanded the sourcing for more kinds of fruits and vegetable. Apart from daily fruit, we have extended to seasonal fruit this year. The producers are located across the country, from Hunan and Hubei in the nearest, as far as Xinjiang and Jiangxi. This scheme has been equipped with the full operation of the procurement centre to reduce the overall purchasing cost. We expect that the scheme will be extend to other type of products with broader scope.

Upgrade store shopping image to raise customers' willingness to spend

With the ever-increasing of spending quality of consumer in China, we have accordingly upgraded the store image with stylish renovation for our major stores, including Shajing, Longhua, Songgang, Gongming and Shiyan etc. We have completed all renovation works this year, with all of our stores resume normal operation. At the same time, we have also altered and optimized the commodity profile, the brand name profile, and the supplier profile etc. in the shopping floor so as to upgrade the product profile. The effect is much better than our expectation and boost up the turnover of some of our major stores. Our Group will continue to upgrade the store image of other stores to strengthen the customer loyalty towards and build up confidence on our stores.

Promote ways of saving to increase productivity and reduce operation cost

The Group has commenced the saving measure last year. For the staff cost, we have coped with the upward adjustment of the minimum wage by simplifying the workforce hierarchy. This has reduced the number of staff and lower the staff cost. On the administration, the paperless office is further expanded with the installation of computer equipment resource. On the operation, energy saving management is widely adopted. Other than the energy saving on air-conditioning, we have firstly promoted the use of high energy efficiency light and bulb. This saving measure not only enhance the productivity but also lower the operation cost.

OUTLOOK AND PROSPECT

Looking ahead, China economy will be boost up by the shift of global economy focus. With the slogan of the stimulation of domestic demand, average household income has been gradually increasing. This raises the demand and quality of consumer goods. The Directors are confident towards the prospects of the Group's business. The mission of the Group is to become one of the major retail chain enterprise in the PRC. The Group will further strengthen its core competitiveness by improving operating performance and enlarging revenue scale through mergers and acquisitions. The Group will also continue to explore new opportunities for asset building to increase the value of the Company as a whole.

Financial Review

During the Period, the Group's revenue reached approximately RMB402.4 million, net profit after tax attributable to the owners of the Company was approximately RMB44.4 million. Gross margin and net margin of the Group were about 15.6% and 11.0% respectively. During the Period, the distribution costs and administrative expenses were approximately RMB120.4 million and RMB18.0 million respectively, accounting for approximately 29.9% and 4.5% of the Group's revenue respectively.

As at 30 June 2011, the Group's non-current assets amounted to approximately RMB179.3 million (31 December 2010: approximately RMB196.4 million). Non-current assets mainly include property, plant and equipment of approximately RMB115.2 million (31 December 2010: approximately RMB149.1 million), intangible assets of approximately RMBNil million (31 December 2010: approximately RMB16.5 million) and deposits paid and prepayments of approximately RMB64.1 million (31 December 2010: approximately RMB30.8 million).

As at 30 June 2011, the Group had current assets amounting to approximately RMB466.7 million (31 December 2010: approximately RMB459.8 million). Current assets mainly comprised cash and bank balance of approximately RMB310.8 million (31 December 2010: approximately RMB288.1 million), inventories and consumables of approximately RMB104.0 million (31 December 2010: approximately RMB117.9 million), deposits paid, prepayments and other receivables of approximately RMB51.1 million (31 December 2010: approximately RMB41.7 million), trade receivables of approximately RMB0.8 million (31 December 2010: approximately RMB2.1 million) and financial asset at fair value through profit or loss of approximately RMB Nil (31 December 2010: approximately RMB10.0 million).

As at 30 June 2011, the Group had current liabilities amounting to approximately RMB218.3 million (31 December 2010: approximately RMB267.4 million). Current liabilities mainly comprised trade payables of approximately RMB146.3 million (31 December 2010: approximately RMB196.1 million). Coupon liabilities, deposit received, other payables and accruals of approximately RMB67.7 million (31 December 2010: approximately RMB69.8 million), amount due to a director of approximately RMB0.7 million (31 December 2010: approximately RMB0.7 million), and provision for tax of approximately RMB3.6 million (31 December 2010: approximately RMB0.8 million).

Subsequent Events
The Group did not have any significant subsequent events taken place subsequent to 30 June 2011.

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.

The Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding during the six months ended 30 June 2011.

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 2011, the Group had 2,421 full-time employees (six months ended 30 June 2010: 3,136). 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 2011, 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 25,749,998 shares (six months ended 30 June 2010: 25,639,998), representing 2.48% (six months ended 30 June 2010: 2.47%) of the shares of the Company in issue. For the six months ended 30 June 2011, 71,110,000 share options have been issued among which 71,000,000 share options have been cancelled and forfeited 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 2011, approximately HK$130,970,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$134,030,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$130,970,000 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 a new store in Nanning Guangxi, the PRC;

- as to approximately HK$4,350,000 for opening of two new stores in Xian sub-district Baoan Shenzhen, the PRC;

- as to approximately HK$10,400,000 for opening of a new store in Luohu Shenzhen, the PRC;

- as to approximately HK$15,800,000 for opening of a new store in Buji Shenzhen, the PRC;

- as to approximately HK$14,300,000 for opening of another new store in Nanning Guangxi, the PRC;

- as to approximately HK$9,200,000 for setting up of a procurement centre in Shiyan Shenzhen, the PRC;

- as to approximately HK$6,390,000 for the purchase of transportation equipment; and

- as to approximately HK$4,480,000 for the purchase of office equipment.

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 2011, 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 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 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 2011.

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 2011. The financial statements of the Company for the six months ended 30 June 2011 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 2011 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, 25 August 2011

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