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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 2010

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 2010 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Revenue	4	416,939	407,934
Cost of inventories sold		(305,843)	(289,577)
		111,096	118,357
Other operating income	4	39,373	30,761
Distribution costs		(125,661)	(121,809)
Administrative expenses		(18,529)	(15,117)
Profit before income tax	5	6,279	12,192
Income tax expense	6	(2,977)	(3,693)
Profit for the period		3,302	8,499
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income attributable to the owners of the Company		3,302	8,499
Dividend	7	—	—
Earnings per share			
– Basic (RMB cents)	8	0.32	0.82
– Diluted (RMB cents)	8	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2010	At 31 December 2009
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		154,021	138,611
Intangible asset		17,660	18,805
Deposits paid and prepayments		36,064	34,133
		<u>207,745</u>	<u>191,549</u>
Current assets			
Inventories and consumables		110,834	130,167
Trade receivables	10	1,033	3,716
Deposits paid, prepayments and other receivables		41,823	46,024
Cash and bank balances		248,963	270,614
		<u>402,653</u>	<u>450,521</u>
Current liabilities			
Trade payables	11	151,706	176,122
Coupon liabilities, deposits received, other payables and accruals		71,716	83,531
Amount due to a director		738	738
Provision for tax		5,478	4,072
		<u>229,638</u>	<u>264,463</u>
Net current assets		<u>173,015</u>	<u>186,058</u>
Total assets less current liabilities		<u>380,760</u>	<u>377,607</u>
Non-current liabilities			
Deferred tax liabilities		2,237	2,386
Net assets		<u>378,523</u>	<u>375,221</u>
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	12	10,125	10,125
Reserves		368,398	365,096
Total equity		<u>378,523</u>	<u>375,221</u>

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 2010 (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 2009 (the “2009 Annual Financial Statements”).

2. SIGNIFICANT ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs” which term collectively includes individual HKFRSs, HKASs and Interpretations) that are effective for accounting periods beginning on or after 1 January 2010. The Group has applied for the first time the following new and revised HKFRSs which are relevant to and effective for Group’s financial statements for the annual financial period beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements

Other than as noted below, the adoption of these new and revised HKFRSs did not change the Group’s accounting policies as followed in the preparation of the 2009 Annual Financial Statements.

HKFRS 3 (Revised) – Business Combinations

The revised standard (HKFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in HKFRS 3R that had an impact on the Group’s acquisitions in 2010 are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the income statement. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless HKFRS 3R provides an exception and provides specific measurement rules.
- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

HKFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

HKAS 27 (Revised) – Consolidated and Separate Financial Statements

The adoption of HKFRS 3R required that the revised HKAS 27 (HKAS 27R) is adopted at the same time. HKAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called ‘minority’) interests and the loss of control of a subsidiary. Similar to HKFRS 3R, HKAS 27R has been applied since 1 January 2010. The adoption of HKAS 27R did not have an impact in the Interim Condensed 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	
	2010	2009
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue – Turnover		
Sales of goods	356,297	352,518
Commissions from concessionaire sales	40,378	35,572
Rental income from sub-leasing of shop premises	19,241	14,883
Wholesale of consumables and finished goods	1,023	4,961
	416,939	407,934
Other operating income		
Interest income	1,828	2,918
Government grants	774	–
Administration and management fee income from suppliers	25,198	18,335
Others	11,573	9,508
	39,373	30,761

5. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Exchange loss	–	13
Depreciation of property, plant and equipment	19,398	15,978
Loss on disposal of property, plant and equipment	1,062	663
Operating lease rentals in respect of land and buildings	33,125	32,470
Obsolete inventories written-off	1,016	847
Staff costs, including directors' emoluments		
– salaries and other benefits	35,285	35,416
– contributions to pension scheme	3,294	2,883
	<u>35,285</u>	<u>35,416</u>
	<u>3,294</u>	<u>2,883</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – current year		
PRC enterprise income tax	3,127	4,053
Deferred tax	(150)	(360)
	<u>3,127</u>	<u>4,053</u>
	<u>(150)</u>	<u>(360)</u>
	<u>2,977</u>	<u>3,693</u>

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 2009: 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 2009: 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 2009: 25%).

7. DIVIDEND

The Board of Directors did not recommend the payment of an interim dividend for the period (six months ended 30 June 2009: 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 RMB3,302,000 (six months ended 30 June 2009: approximately RMB8,499,000) and on the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2009: approximately 1,037,500,000) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2009 and 2010 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 RMB36,150,000 (six months ended 30 June 2009: approximately RMB23,235,000) which mainly related to the acquisition of leasehold improvements, plant and machinery and motor vehicles.

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 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Audited)
Within 30 days	252	1,898
31-60 days	454	913
61-180 days	123	761
181-365 days	87	144
Over 1 year	117	-
	<u>1,033</u>	<u>3,716</u>

11. TRADE PAYABLES

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

	At 30 June 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Audited)
Within 30 days	116,051	139,159
31-60 days	22,375	27,105
61-180 days	11,689	9,632
181-365 days	1,591	226
	<u>151,706</u>	<u>176,122</u>

12. SHARE CAPITAL

	At 30 June 2010		At 31 December 2009	
	<i>Number of shares ('000)</i>	<i>RMB'000 (Unaudited)</i>	<i>Number of shares ('000)</i>	<i>RMB'000 (Audited)</i>
Authorised :				
Ordinary shares of HK\$ 0.01 each				
At the beginning and end of the period/year	<u>10,000,000</u>	<u>97,099</u>	<u>10,000,000</u>	<u>97,099</u>
Issued and fully paid :				
Ordinary shares of HK\$ 0.01 each				
At the beginning of the period/year	<u>1,037,500</u>	<u>10,125</u>	<u>1,037,500</u>	<u>10,125</u>
Exercise of share option (Note i)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At the end of the period/year	<u>1,037,500</u>	<u>10,125</u>	<u>1,037,500</u>	<u>10,125</u>

Note:

- i) Two share option holders exercised their share options for one ordinary share of HK\$0.01 each during the period at the exercise price of HK\$0.46 per share.

Details of movement in share capital for the year ended 31 December 2009 were set out in the 2009 Annual Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2010, the retail industry of China was facing substantial challenge. With the continuous implementation of various internal economy stimulation measures by the Central government, there was a change in the economic development progress and structural adjustments. The overall economic environment has been advancing, and achieving what was target by the Macro economic policy. According to the National Bureau of Statistics of China, for the first half of this year, the aggregate GDP amounted to approximately RMB17,284.0 billion, representing a growth of approximately 11.1% as compared to the corresponding period last year; the total retail sales of consumer goods amounted to approximately RMB7,266.9 billion, representing an increase of approximately 18.2% as compared to the corresponding period last year. Among which, the total sales in commodity retail sectors was approximately RMB6,448.8 billion, up approximately 18.4% 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 RMB1,966.8 billion, representing a growth of approximately 11.2% as compared to the corresponding period last year, while the total retail sales of consumer goods amounted to approximately RMB823.2 billion, representing an increase of approximately 17.1% as compared to the corresponding period last year. Among which, the total sales in retail sectors was approximately RMB671.9 billion, representing a growth of approximately 17.7% 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 RMB421.5 billion, up approximately 11.6% as compared to the corresponding period last year; the total retail sales of consumer goods was approximately RMB140.3 billion, representing a growth of approximately 16.1% as compared to the corresponding period last year. Among which, the total sales in wholesale and retail sectors was approximately RMB126.1 billion, up approximately 16.9% 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.

BUSINESS REVIEW

For the six months ended 30 June 2010, the Group recorded revenue of approximately RMB416.9 million, representing a year-on-year increase of approximately 2.2%. Gross profit amounted to approximately RMB51.5 million, representing a year-on-year decrease of approximately 4.9%; while operating profit was approximately RMB6.3 million, representing a year-on-year decrease of approximately 48.5%. Profit attributable to shareholders was approximately RMB3.3 million, representing a year-on-year decrease of 61.1%. There was a decline of consolidated results over the corresponding period last year.

Recapping on the first half of 2010, our Group has the following major achievements in our operation.

Actively implement cost control to minimize our operating expenditure

After a careful review on the sales floor area usage, we have reassigned the operation area in our shopping arcade. The excessive sales area has been returned to our landlords in some of our stores. For those stores which have incurred operation losses but have future business running potential, we have tried to liaise with our landlords for better leasing terms such as rent reduction or extended rent-free period to reduce our rental expenditure. For the stores which have suffered excessive losses in the past, we are undergoing or have come to conclusion with the respective landlords to early terminate the leases so as to avoid nibbling the earnings of the other profitable stores. Under these measures, the overall operating expenditure could be alleviated.

Adjust the operation mode to increase the income sources

Our stores are located in various parts of the Guangdong and Guangxi province of the PRC. Due to the difference in buying habits and walks of life, we have decentralized the decision making power on the operation level to the store manager for stores outside Shenzhen. These include aspects such as promotional sales, customer bulk purchases, outdoor bargain sales, business invitation and purchasing, and the treatment to defaulting suppliers etc. Besides, attributing to the difference in margin contribution, we have started to increase the sales floor area for concessionaire sales, by replacing the self operating section. At the same time, we have also contracted with large retailing brand operator (like Gome Electrical Appliances store in Foshan stores) to expand the sales network and stabilize the income sources.

Adopt “direct sourcing from producer for supermarket” to lower the buying costs for agricultural products

This scheme encompasses the agricultural products in the supermarket section, including mainly fruit and vegetables etc, to be directly sourced from the original producers. The products will be delivered to our procurement center and distributed to our stores. By this, we can effectively control the quantity on hand, therefore, avoid paying purchasing premium as a result of seasonality or sudden events, and eliminate the profit of the wholesalers. The purchasing cost could then be lowered, and the selling price will be more competitive. In the first half of 2010, we have engaged the major type of fruit, and looking forward, all types of fruit and vegetable by the end of the year.

Upgrade store renovation to promote the Group operational image

In the first half of 2010, we have extensively renovated our stores to perfect the business environment and store image. Accordingly, our major stores including Shajing store, Longhua store, Songgang store, Gongming store and Shiyuan store have been upgraded with stylish appearance, both in and out. This caused, partly or wholly, temporary suspension of business of these stores. On the other hand, we have also partly altered the sales floor area usage for Buji store, Fanshen store and Shatoujiao store. Within our stores, we have reassessed and optimized the commodity profile, the brand name profile, and the supplier profile etc so as to upgrade the store image. By this, we hope to promote a new shopping image of Jiahua, and to strengthen the customer loyalty towards our stores.

Commencement of operation in the new procurement center to support current operational needs and future development

The new procurement center is located at the Shiyan Street in Baoan District of Shenzhen. It has around 9,000 square meter in size and was put into operation at the beginning of this year. The delivery coverage area includes all stores located in the Guangdong province of the PRC. The procurement center is equipped with different size of storing racks and advanced automatic sorting lines which has enhanced our distribution capability. Upon the full operation of the center, we are expecting to have a higher item tracking capability, logistic analysis, stock control and warehouse management. All these will increase the operation efficiency and lower the delivery cost.

OUTLOOK AND PROSPECT

Looking ahead, in view of the opportunities arising from the recovery of the PRC economy, there will be 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 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 RMB416.9 million, net profit after tax attributable to the owners of the Company was approximately RMB3.3 million. Gross margin and net margin of the Group were about 14.4% and 0.8% respectively. During the Period, the distribution costs and administrative expenses were approximately RMB125.7 million and RMB18.5 million respectively, accounting for approximately 30.1% and 4.4% of the Group's revenue respectively.

As at 30 June 2010, the Group's non-current assets amounted to approximately RMB207.8 million (31 December 2009: approximately RMB191.5 million). Non-current assets mainly include property, plant and equipment of approximately RMB154.0 million (31 December 2009: approximately RMB138.6 million), intangible assets of approximately RMB17.7 million (31 December 2009: approximately RMB18.8 million) and deposits paid and prepayments of approximately RMB36.1 million (31 December 2009: approximately RMB34.1 million).

As at 30 June 2010, the Group had current assets amounting to approximately RMB402.6 million (31 December 2009: approximately RMB450.5 million). Current assets mainly comprised cash and bank balance of approximately RMB249.0 million (31 December 2009: approximately RMB270.6 million), inventories and consumables of approximately RMB110.8 million (31 December 2009: approximately RMB130.2 million), deposits paid, prepayments and other receivables of approximately RMB41.8 million (31 December 2009: approximately RMB46.0 million) and trade receivables of approximately RMB1.0 million (31 December 2009: approximately RMB3.7 million).

As at 30 June 2010, the Group had current liabilities amounting to approximately RMB229.6 million (31 December 2009: approximately RMB264.4 million). Current liabilities mainly comprised trade payables of approximately RMB151.7 million (31 December 2009: approximately RMB176.1 million). Coupon liabilities, deposit received, other payables and accruals of approximately RMB71.7 million (31 December 2009: approximately RMB83.5 million), amount due to a director of approximately RMB0.7 million (31 December 2009: approximately RMB0.7 million), and provision for tax of approximately RMB5.5 million (31 December 2009: approximately RMB4.1 million).

Subsequent Events

The Group did not have any significant subsequent events taken place subsequent to 30 June 2010.

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 2010.

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 2010, the Group had 3,136 full-time employees (six months ended 30 June 2009: 2,954). 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 2010, 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 25,639,998 shares (six months ended 30 June 2009: 25,960,000), representing 2.47% (six months ended 30 June 2009: 2.5%) of the shares of the Company in issue. For the six months ended 30 June 2010, 320,000 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 2010, approximately HK\$129,800,000 of the proceeds so raised was used, and the unused proceeds of approximately HK\$135,200,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK\$129,800,000 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;
- as to approximately HK\$4,350,000 for opening of two new stores in Xian sub-district Baoan;
- as to approximately HK\$10,400,000 for opening of a new store in Luohu Shenzhen;
- as to approximately HK\$15,800,000 for opening of a new store in Buji Shenzhen;
- as to approximately HK\$14,300,000 for opening of another new store in Nanning Guangxi;
- as to approximately HK\$9,200,000 for setting up of a procurement centre in Shiyan Shenzhen;

- as to approximately HK\$6,300,000 for the purchase of transportation equipment; and
- as to approximately HK\$3,400,000 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 2010, 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 2010.

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 2010. The financial statements of the Company for the six months ended 30 June 2010 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 2010 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.szbj.com) in due course.

For and on behalf of the Board
Jiahua Stores Holdings Limited
Chairman
Zhuang Lu Kun

Shenzhen, the PRC, 30 August 2010

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