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 2012

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 2012 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	*(Unaudited)*
			(Restated)
Revenue	*4*	**408,641**	402,406
Cost of inventories sold		**(284,655)**	(278,365)
		123,986	124,041
Other operating income	*4*	**42,223**	55,344
Selling and distribution costs		**(113,636)**	(120,426)
Administrative expenses		**(20,615)**	(18,033)
Profit before income tax	*6*	**31,958**	40,926
Income tax expense	*7*	**(7,960)**	(4,910)
Profit for the period	*5*	**23,998**	36,016
Total comprehensive income for the period		**23,998**	36,016
Dividend	*8*	**–**	–
Earnings per share for profit attributable to the owners of the Company during the period	*5*		
– Basic (RMB cents)	*9*	**2.31**	3.47
– Diluted (RMB cents)	*9*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**62,246**	76,893
Deposits paid and prepayments		**11,790**	17,712
Purchase deposit for property acquisition	*11*	**167,167**	–
		241,203	94,605
Current assets			
Inventories and consumables		**106,288**	115,606
Trade receivables	*12*	**4,393**	2,905
Deposits paid, prepayments and other receivables		**54,848**	100,124
Cash and bank balances		**266,397**	413,402
		431,926	632,037
Current liabilities			
Trade payables	*13*	**176,808**	212,779
Coupon liabilities, deposits received, other payables and accruals		**54,364**	63,277
Provision for tax		**4,126**	8,772
		235,298	284,828
Net current assets		**196,628**	347,209
Net assets		**437,831**	441,814
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*14*	**10,125**	10,125
Reserves		**427,706**	431,689
Total equity		**437,831**	441,814

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 2012 (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 2011 (the "2011 Annual Financial Statements").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

(a) Adoption of new/revised HKFRSs – effective 1 January 2012

In the current year, 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 2012:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets

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.

(b) New/revised HKFRSs that have been issued but are not yet effective

At the date of authorisation, 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.

Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
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]
Various	Annual Improvements to HKFRS 2009-2011 Cycle[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) requires the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluation of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains or losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

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	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Revenue – Turnover		
Sales of goods	**336,477**	329,578
Commission from concessionaire sales	**51,751**	52,206
Rental income from sub-leasing of shop premises	**20,413**	20,394
Wholesale of consumables and finished goods	**–**	228
	408,641	402,406
Other operating income		
Interest income	**4,407**	2,806
Government grants	**15**	192
Administration and management fee income from suppliers	**23,404**	25,171
Gain on disposal of subsidiaries *(Note 5)*	**–**	14,350
Others	**14,397**	12,825
	42,223	55,344

5. **RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION**

The Group has made the following adjustments to the comparative financial information:

Pursuant to the share purchase agreement dated 8 June 2011 entered between Shenzhen Baijiahua Department Stores Company Limited ("BJH Department Stores") and Shenzhen Heng Chong Xin Investment Limited ("Heng Chong Xin"), an independent third party, BJH Department Stores had agreed to sell the entire equity interests in Shenzhen Baijiahua Supermarket Limited ("BJH Supermarket") and Dongguan Jiahua Department Store Company Limited ("Dongguan Jiahua") for a consideration of RMB20.5 million and RMB5.5 million respectively.

It was noted that an error was found in the interim report for the six months ended 30 June 2011 (the "2011 Interim Report") on the calculation of the gain on disposal of subsidiaries. In the 2011 Interim Report, the Group had mistakenly omitted i) the written off of plant, property and equipment of the disposed stores of approximately RMB16,649,000, and ii) the reversal of rental expenses accruals of the disposed stores of approximately amounting RMB8,224,000 in the calculation. Adjustments have been made to rectify these errors and the comparative figures were amended accordingly.

5. RE-STATEMENT OF COMPARATIVE FINANCIAL INFORMATION *(CONTINUED)*

The effect of the above adjustments on the calculation on gain on disposal of subsidiaries and the results for the prior period is as follows:

	Unaudited Six months ended 30 June 2011 *RMB'000*
Gain on disposal of subsidiaries – as previously reported	22,775
– Written off of property, plant and equipment of disposed stores	(16,649)
– Reversal of rental expenses accrual of disposed stores	8,224
Gain on disposal of subsidiaries – as restated	14,350

	Unaudited Six months ended 30 June 2011 *RMB'000*
Profit for the period – as previously reported	44,441
– Written off of property, plant and equipment of disposed stores	(16,649)
– Reversal of rental expenses accrual of disposed stores	8,224
Profit for the period – as restated	36,016

	Unaudited Six months ended 30 June 2011
Earnings per share – as restated	
– Basic (RMB cents)	3.47
– Diluted (RMB cents)	N/A

The above errors had been rectified in the 2011 Annual Financial Statements and therefore no restatement is required for the condensed consolidated balance sheet as at 31 December 2011.

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Profit before income tax is arrived at after charging:		
Depreciation of property, plant and equipment	**20,222**	24,908
Loss on disposal of property, plant and equipment	**117**	286
Operating lease rentals in respect of land and buildings	**28,051**	34,130
Obsolete inventories written-off	**191**	352
Staff costs, including directors' emoluments		
– salaries and other benefits	**37,800**	33,006
– contributions to pension scheme	**3,371**	3,012
and crediting:		
Gain on disposal of subsidiaries	**–**	14,350

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Enterprise income tax – current year	**7,960**	5,010
Deferred tax	**–**	(100)
	7,960	4,910

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 2011: 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 2011: Nil).

PRC enterprise income tax of a subsidiary of the Company, 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 2011: 25%).

8. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the period (six months ended 30 June 2011: Nil).

9. 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 RMB23,998,000 (six months ended 30 June 2011: approximately RMB36,016,000) and on the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2011: approximately 1,037,500,002) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2011 and 2012 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 RMB2,800,000 (six months ended 30 June 2011: approximately RMB6,128,000) which mainly related to the acquisition of leasehold improvements, plant and machinery and furniture, fixtures and equipment.

11. PURCHASE DEPOSIT FOR PROPERTY ACQUISITION

During the period, the Group has entered into an agreement to acquire a property from a related company for a consideration of RMB270 million. Up to 30 June 2012, the Group has paid RMB167 million as the purchase deposit for property acquisition.

12. 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 2012	At 31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**838**	1,434
31–60 days	**711**	66
61–180 days	**1,212**	1,283
181–365 days	**1,087**	–
Over 1 year	**545**	122
	4,393	2,905

13. TRADE PAYABLES

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

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**131,590**	153,313
31–60 days	**27,823**	32,927
61–180 days	**12,390**	16,937
181–365 days	**3,794**	3,951
Over 1 year	**1,211**	5,651
	176,808	212,779

14. SHARE CAPITAL

	At 30 June 2012		At 31 December 2011	
	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 2011 were set out in the 2011 Annual Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of the year 2012, the international economic situation has becoming more complicated. China has been suffered from both the lack of external demand and sluggish internal consumption, the GDP was recorded at 7.8% on a year-on-year basis. The main reason for the decline was attributable to the worsening global economic condition. According to the information from the National Bureau of Statistics of China, the domestic economic condition is stable with growth. There was a good harvest in agricultural products, the accelerated development in high technology, the advancement in energy saving and emission reduction, the drop in the resident consumer price index and the continuous growth in rural resident income etc. All these show the betterment of the country economy. However, on the retail sector, the market of the first tier cities has been carved up by the existing operators as a result of the high rental costs, the local economy has become saturated. The focus of competition has been moved to the third to fourth tier cities. Within the operation, the operating costs of the retail enterprises were growing, especially for the manpower and leasing. These give substantial challenge to enterprise profit. As such, the market expansion activities of the retailers has been more cautious.

According to the report of the National Bureau of Statistics of China, for the first half of this year, the aggregate GDP amounted to approximately RMB22,709.8 billion, representing a growth of approximately 7.8% as compared to the corresponding period last year; the total retail sales of consumer goods amounted to approximately RMB9,822.2 billion, representing an increase of approximately 14.4% as compared to the corresponding period last year. Among which, the total sales in consumable goods was approximately RMB4,659.2 billion, up approximately 14.9% 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 RMB2,620.0 billion, representing a growth of approximately 7.4% as compared to the corresponding period last year, while the total retail sales of consumer goods amounted to approximately RMB1,085.7 billion, representing an increase of approximately 11.6% as compared to the corresponding period last year. Among which, the total sales in commodity retail sectors was approximately RMB970.4 billion, representing a growth of approximately 11.6% 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 RMB547.4 billion, up approximately 8.0% as compared to the corresponding period last year; the total retail sales of consumer goods was approximately RMB187.8 billion, representing a growth of approximately 15.5% 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 2012, the Group recorded revenue of approximately RMB408.6 million, representing a year-on year increase of approximately 1.5%. Gross profit amounted to approximately RMB51.8 million, representing a year-on-year increase of approximately 0.7%; while operating profit was approximately RMB31.9 million, representing a year-on-year decrease of approximately 21.9%. Profit attributable to shareholders was approximately RMB24.0 million, representing a year-on-year decrease of 33.4%. Despite of the effect of the disposal of subsidiaries (including five loss-making stores,) last year, there was a rebound of the turnover of the period and the consolidated results has been kept stable.

Recapping on the first half of 2012, our Group has the following measures to broaden sources of income and reduce expenditure in our operation.

Set up three-tier structure to strengthen internal management

During the period, the Group has completed the set up of three-tier management structure (including headquarter, subsidiaries and store). The management handbook, the business operating system, and the office automation system (OA system) have been all linked. Upon running of the OA system, there will be improvements in the audit procedures, report generation, message transmission and database management etc. It will provide a solid base for the full automation of office. The three-tier structure will highlight the power and responsibility of the headquarter, the subsidiaries and store and will strengthen the work efficiency.

Enhance human resource system to reinforce manpower management

The Group has put forward a new promotion scheme (including result achievement testing and remuneration package) at the market level to avoid brain drain of existing staff and attract new employees. Besides, we have enhance the selection process, training, examination and testing of staff. For the staff benefit, the Group has raised care on staff to organize festival activities, hold staff talk and improve the incentive scheme. In fact, we have launched the first Sports Day this year to strengthen interpersonal relationship of staff and sense of belonging to the Group.

Adjust the floor plan to increase store sales turnover

With the increase of spending quality of consumer, we have upgraded the brand name composition in our main stores, including Shajing, Longhua, Songgang, Gongming and Shiyan etc. Apart from importing overseas brand name, we have reformed the fresh goods counter to bring up customer flow to the store and match up with the department store section.

Promote ways of saving to increase productivity and reduce operating cost

The Group has expanded the saving measure this year. For the staff cost, we have simplified the shift schedule to reduce 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 used. This saving measure not only enhanced the productivity but also lowered the operation cost.

Accelerate the development plan and purchase self-owned property

The Group has established the Yunnan subsidiary last year to accelerate the development pace. In addition, we have continued to explore new opportunities in the Guangxi and Hunan district. The new store in Xinduchang of Kunming is expected to be opened by the end of this year. On the other hand, the Group has completed the purchase of a commercial property in Shenzhen Baoan under a major transaction early this year. The four floors will be used as the headquarter office and investment property purpose. Apart from evading the interruption caused by fluctuation of market rent and bring about the possible capital gain, the rental income will provide an attractive income source for the Group.

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 RMB408.6 million, net profit after tax attributable to the owners of the Company was approximately RMB24.0 million. Gross margin and net margin of the Group were about 15.4% and 5.9% respectively. During the Period, the distribution costs and administrative expenses were approximately RMB113.6 million and RMB20.6 million respectively, accounting for approximately 27.8% and 5.0% of the Group's revenue respectively.

As at 30 June 2012, the Group's non-current assets amounted to approximately RMB241.2 million (31 December 2011: approximately RMB94.6 million). Non-current assets mainly include property, plant and equipment of approximately RMB62.2 million (31 December 2011: approximately RMB76.9 million), purchase deposit for property acquisition of approximately RMB167.2 million, (31 December 2011: approximately RMB Nil) and deposits paid and prepayments of approximately RMB11.8 million (31 December 2011: approximately RMB17.7 million).

As at 30 June 2012, the Group had current assets amounting to approximately RMB431.9 million (31 December 2011: approximately RMB632.0 million). Current assets mainly comprised inventories and consumables of approximately RMB106.3 million (31 December 2011: approximately RMB115.6 million), trade receivables of approximately RMB4.4 million (31 December 2011: approximately RMB2.9 million), deposits paid, prepayments and other receivables of approximately RMB54.8 million (31 December 2011: approximately RMB100.1 million), and cash and bank balances of approximately RMB266.4 million (31 December 2011: approximately RMB413.4 million).

As at 30 June 2012, the Group had current liabilities amounting to approximately RMB235.3 million (31 December 2011: approximately RMB284.8 million). Current liabilities mainly comprised trade payables of approximately RMB176.8 million (31 December 2011: approximately RMB212.8 million). Coupon liabilities, deposits received, other payables and accruals of approximately RMB54.4 million (31 December 2011: approximately RMB63.2 million), and provision for tax of approximately RMB4.1 million (31 December 2011: approximately RMB8.8 million).

Subsequent Events

The Group did not have any significant subsequent events taken place subsequent to 30 June 2012.

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 statement of financial position 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 2012.

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 2012, the Group had 1,955 full-time employees (six months ended 30 June 2011: 2,421). 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 2012, 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 23,009,998 shares (six months ended 30 June 2011: 25,749,998), representing 2.22% (six months ended 30 June 2011: 2.48%) of the shares of the Company in issue. For the six months ended 30 June 2012, share options amounting 2,740,000 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 2012, 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 2012, 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 2012.

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 2012. The financial statements of the Company for the six months ended 30 June 2012 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 2012 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, 28 August 2012

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