佳華百貨控股有限公司

Jiahua Stores Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(stock code: 00602)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**430,472**	408,641
Cost of inventories sold		**(300,267)**	(284,655)
		130,205	123,986
Other operating income	*4*	**46,884**	42,223
Selling and distribution costs		**(119,035)**	(113,636)
Administrative expenses		**(22,525)**	(20,615)
Other operating expenses		**(1,301)**	–
Operating profit		**34,228**	31,958
Finance costs	*5*	**(2,410)**	–
Profit before income tax	*6*	**31,818**	31,958
Income tax expense	*7*	**(8,085)**	(7,960)
Profit for the period		**23,733**	23,998
Total comprehensive income for the period		**23,733**	23,998
Dividend	*8*	**–**	–
Earnings per share for profit attributable to the owners of the Company during the period			
– Basic (RMB cents)	*9*	**2.29**	2.31
– Diluted (RMB cents)	*9*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2013 RMB'000 (Unaudited)	At 31 December 2012 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**83,588**	90,277
Investment properties		**222,000**	222,000
Prepaid land lease		**20,839**	21,035
Deposits paid and prepayments		**11,481**	13,792
		337,908	347,104
Current assets			
Inventories and consumables		**116,790**	108,619
Trade receivables	*11*	**1,424**	1,813
Deposits paid, prepayments and other receivables		**36,226**	52,967
Pledged bank deposits		**104,044**	104,826
Cash and bank balances		**252,753**	316,426
		511,237	584,651
Current liabilities			
Trade payables	*12*	**201,432**	225,908
Coupon liabilities, deposits received, other payables and accruals		**55,979**	59,007
Promissory note payable	*13*	**–**	48,730
Bank borrowing, secured	*14*	**100,000**	100,000
Amount due to a director		**59**	59
Provision for tax		**4,493**	5,344
		361,963	439,048
Net current assets		**149,274**	145,603
Total assets less current liabilities		**487,182**	492,707
Non-current liabilities			
Deferred tax liabilities		**7,862**	7,862
Net assets		**479,320**	484,845
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*15*	**10,125**	10,125
Reserves		**469,195**	474,720
Total equity		**479,320**	484,845

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 2013 (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 2012 (the "2012 Annual Financial Statements").

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2013

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 2013:

HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of other Comprehensive Income

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 this results announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

For the new/amended HKFRSs that have been issued but are not yet effective and have not been early adopted by the Group, the directors of the Company (the "Directors") 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 pronouncements. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

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 is only one business component/reportable segment in the internal reporting to the executive directors, which is operation and management of retail stores.

4. REVENUE AND OTHER OPERATING INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue – Turnover		
Sales of goods	**351,181**	336,477
Commission from concessionaire sales	**59,382**	51,751
Rental income from sub-leasing of shop premises	**19,909**	20,413
	430,472	408,641
Other operating income		
Interest income	**5,240**	4,407
Government grants	**–**	15
Administration and management fee income from suppliers	**27,246**	23,404
Others	**14,398**	14,397
	46,884	42,223

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on loans and borrowings wholly repayable within 1 year	**748**	–
Imputed interest expense on promissory note payable	**1,662**	–
	2,410	–

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Depreciation of property, plant and equipment	**19,322**	20,222
Loss on disposal of property, plant and equipment	**194**	117
Operating lease rentals in respect of land and buildings	**28,963**	28,051
Obsolete inventories written-off	**712**	191
Staff costs, including directors' emoluments		
– salaries and other benefits	**40,717**	37,800
– contributions to pension scheme	**4,742**	3,371

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Enterprise income tax – current year	**8,085**	7,960

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 2012: 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 2012: Nil).

The 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 2012: 25%).

8. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the period (six months ended 30 June 2012: 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 RMB23,733,000 (six months ended 30 June 2012: approximately RMB23,998,000) and on the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2012: approximately 1,037,500,002) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2012 and 2013 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 RMB12,934,000 (six months ended 30 June 2012: approximately RMB2,800,000) which mainly related to the acquisition of leasehold improvements, plant and machinery and furniture, fixtures and equipment.

11. TRADE RECEIVABLES

All of the Group's sales are on cash basis except for certain bulk sale of merchandise to corporate customers which are credit sales. The credit terms offered to these customers are generally for a period of one to three months.

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

	At 30 June 2013 *RMB'000* **(Unaudited)**	At 31 December 2012 *RMB'000* (Audited)
Within 30 days	**435**	1,533
31 – 60 days	**248**	85
61 – 180 days	**618**	–
181 – 365 days	**–**	72
Over 1 year	**123**	123
	1,424	1,813

12. TRADE PAYABLES

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

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**128,595**	147,421
31 – 60 days	**64,768**	64,404
61 – 180 days	**2,284**	7,010
181 – 365 days	**1,241**	1,279
Over 1 year	**4,544**	5,794
	201,432	225,908

13. PROMISSORY NOTE PAYABLE

On 9 January 2012, the Group entered into an acquisition agreement with Shenzhen Jiahua Real Estate Development Company Limited ("JH Real Estate"), a connected party, whereby the Company agreed to acquire a property from JH Real Estate (the "Acquisition") for a consideration of RMB247,117,000, as adjusted pursuant to term and conditions of the acquisition agreement and supplementary agreement ("the Consideration"). Please refer to the Company's circular issued on 24 February 2012 for further details. The transaction had been approved by the independent shareholders of the Company at the extraordinary general meeting on 12 March 2012.

The Consideration was satisfied by cash of approximately RMB196,167,000 and one year interest-free promissory note with a principal amount of approximately RMB50,950,000 (the "PN"), as adjusted pursuant to term and conditions of the acquisition agreement and supplementary agreement. During the year ended 31 December 2012, the PN was issued to JH Real Estate by the Group following the completion of the Acquisition in August 2012. Imputed interest expenses on the PN are calculated using the effective interest method by applying the effective interest rate of 7% per annum, the imputed interest expenses of approximately RMB1,662,000 was debited to the profit or loss of the Group for the six months ended 30 June 2013.

14. BANK BORROWING, SECURED

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Bank borrowing repayable on demand	**100,000**	100,000

As at 30 June 2013, the bank borrowing is dominated in United States Dollar ("USD"), secured by the pledge bank deposits of approximately RMB104,044,000 and bear interest of floating rate at 1.25% per annum over the London Interbank Offered Rate and is repayable on demand.

15. SHARE CAPITAL

	At 30 June 2013		At 31 December 2012	
	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 2012 were set out in the 2012 Annual Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of the year, to cope with the highly complicated and ever changing environment domestically and internationally, the Chinese government was more determined than ever to stick to a core principle of maintaining economic growth and stability and remained focused on promoting economic growth of higher quality and efficiency. To this end, the Chinese government continued to put in place proactive fiscal policy and prudent monetary measures, so as to make adjustments through reforms and foster economic development through adjustments, and hence generally realize steady economic growth and stability across the country.

According to the statistics released by the National Bureau of Statistics of China, GDP on the Mainland amounted to RMB24,800 billion in the first half of 2013, representing a 7.6% increase over the figure of the same period last year. Total output value of the wholesale and retail sectors jumped by 10.2% against the figure of the same period last year to approximately RMB2,300 billion.

In the first half of the year, total retail sales of social consumer goods was RMB11,076.4 billion, representing a year-on year growth of 12.7%. In particular, retail sales of consumer goods among the "over-the-threshold" enterprises grew by 10.5% on a year-on year basis to approximately RMB5,525.1 billion. Based on the geographical locations of the operating units, retail sales of urban consumer goods rose by 12.5% to approximately RMB9,578.9 billion year-on year, whereas retail sales of rural consumer goods increased by 14.3% to approximately RMB1,497.5 billion year-on year. By consumption patterns, food and beverage revenue was up 8.7% at approximately RMB1,179.5 billion year-on-year, whereas retail sales of commodities were up 13.2% at approximately RMB9,896.9 billion year-on-year. In terms of retail sales of commodities, retail sales of commodities among "over-the-threshold" enterprises amounted to approximately RMB5,150.8 billion, representing an increase of 11.7%. Specifically, the furniture segment recorded a growth of 21.3%, albeit the rate of growth was down 3.8% when compared to that of the same period last year. The household appliances and audio equipment segment registered a growth of 15.3%, which was up 12.0% over the figure of the same period last year. Retail sales of urban consumer goods grew by 12.5% to approximately RMB9,578.9 billion year-on year, whereas retail sales of rural consumer goods increased by 14.3% to approximately RMB1,497.5 billion year-on year. By consumption patterns, food and beverage revenue from January to June jumped by 8.7% to approximately RMB1,179.5 billion year-on-year, whereas retail sales of commodities rose by 13.2% to approximately RMB9,896.9 billion year-on-year. There was a 2.4% hike in consumer prices.

From the current year onwards, authorities in various places around Guangdong Province have been taking active steps to carry out and put into effect the working plans of the Provincial Party Committee and the Provincial Government. With key initiatives in place, vigorous efforts have been made to flourish economic development, adjust structures, promote reforms and enhance people's livelihood. These efforts have added fresh impetus to economic growth and stability. The economic development has followed the trend of solid rebound at the start of the year as it did in 2012, and has sustained relatively stable growth momentum from that moment on. Besides, the Mainland has extended efforts to constantly adjust and optimize her economic structure. These efforts have also fuelled economic growth in terms of both quality and efficiency.

Generally speaking, consumer prices have remained relatively flat or stable. In the first half of the year, consumer price index in Guangdong Province cumulatively rose by 2.1%, which was down 1.4% when compared to the rate of growth during the same period last year and remained flat when compared to the figure of the first quarter of the year. Buoyed by the steady economic growth, the generally rising employment rate and the relatively stable consumer prices, Guangdong Province was generally blessed with stable economic development in the first half year. Along with the steady rise in people's income, the difference between urban-rural incomes has become smaller. The government bodies at various levels have been stepping up efforts on enhancing people's income in a multi-channel manner, as marked by an increase in basic contributions under social insurances for urban and rural residents from RMB55 to RMB65 per month; an average 10.5% increase in basic contributions for corporate retirees, as well as an average 19% rise in minimum wages for corporate employees across various regions. As reflected from a bigger extent of increase in rural residents' income when compared to urban residents' income, the difference between urban-rural incomes has been scaled down.

GDP growth of over 8% for more than two decades on the Mainland is gradually moderated, as a result of the austerity measures taken by the Chinese government to curb economic overheat in a certain extent. In other words, the swift growth in the retail sector rests in large part on the speedy development of the Mainland's economy, meaning that the sector will be naturally headed for a slowdown in development during an economic slowdown cycle. Therefore, the boom cycle of the sector will eventually come to an end, whether or not the macro-economic environment is in time of picking up or downturn. The sector is expected to enter a phase which posts an approximate 10% growth or even a single-digit growth in a couple of years or for an even longer period.

BUSINESS REVIEW

For the six months ended 30 June 2013, the Group recorded revenue of approximately RMB430.4 million, representing a year-on year increase of approximately 5.3%. Gross profit amounted to approximately RMB50.9 million, representing a year-on-year decrease of approximately 1.8%; while operating profit was approximately RMB34.2 million, representing a year-on-year increase of approximately 7.1%. Profit attributable to shareholders was approximately RMB23.7 million, representing a year-on-year decrease of 1.1%. The number of stores during the period remained the same as last year, but sales revenue was increasing mildly and the Group's comprehensive income can be maintained.

Recapping on the first half of 2013, our Group has the following measures to broaden sources of income and reduce expenditure in our operation.

Implement the three-tier structure to strengthen internal management

During the period, the Group has implemented the 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.

Establish own brand name to enhance popularity

The Group has focused on the promotion of own brand name image, and has built up good reputation among the industry. During the period, the Group has published the new promotion leaflet – "dream building in Baijiahua" and created a positive image in our customers. On the action side, the Group has continuously participated public charity activities, sponsored welfare organization and launched fund raising activities etc. Besides, the Group has joined various turnover ranking nomination in the retail and brand name sector. All these help to enhance the popularity of the Company.

Adjust the store outlay to enhance the store image

The Group has started the renovation works of the flagship stores to upgrade the store image and increase earning ability. Until now, the department store section of Songgang, the supermarket section of Longhua, and the outer small shop of Gongming have been completed. The renovation design of Longhua and Shiyan are underway and there will be new face of the two stores in the second half of the year. The renovation has positive effect to the stores.

Implement cost reduction measures to alleviate the operating burden

The Group has continued 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.

OUTLOOK AND PROSPECT

In 2013, while the economic landscape around the world may be subject to ups and troughs, the economic structure on the Mainland is expected to stay in an adjustment and transformation stage. In light of myriad challenges and risks, there may be heightened uncertainties in the macro-economic environment. Moreover, the increasingly fierce competition in the market has given rise to intensified competition among industry peers. Also, the rapid development of e-commerce and the changes in consumption patterns have put increased pressure on the traditional retail sector. The continued rise in statutory minimum wages and basic premiums of social security insurances will inevitably result in constant surge in labour costs. There will also be continued rise in leasing costs, operational expenses (including energy expenses) and finance costs. Notwithstanding this, buttressed by the persistent implementation of the Mainland's policy of "stimulating domestic demand and encouraging consumption", compounded by the growing urbanization, the increase in people's income as well as the growth in consumption demand, the consumption sentiment among people is set to be boosted steadily.

Amid a mixture of challenges and opportunities in the future of 2013, our elite team of professionals is well-prepared to meet potential difficulties and obstacles ahead. Riding on our edges and resources within the industry, we stand poised to move ahead. The Group is well-positioned to carve out an unrivalled niche among peer players at the forefront of the retail sector.

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 RMB403.4 million, net profit after tax attributable to the owners of the Company was approximately RMB23.7 million. Gross margin and net margin of the Group were about 14.5% and 5.5% respectively. During the Period, the selling and distribution costs, administrative expenses and other operating expenses were approximately RMB119.0 million, RMB22.5 million and RMB1.3 million respectively, accounting for approximately 27.7%, 5.2% and 0.3% of the Group's revenue respectively.

As at 30 June 2013, the Group's non-current assets amounted to approximately RMB337.9 million (31 December 2012: approximately RMB347.1 million). Non-current assets mainly include property, plant and equipment of approximately RMB83.6 million (31 December 2012: approximately RMB90.3 million), investment properties of approximately RMB222.0 million, (31 December 2012: approximately RMB222.0 million), prepaid land lease of approximately RMB20.8 million (31 December 2012: approximately RMB21.0 million), and deposits paid and prepayments of approximately RMB11.5 million (31 December 2012: approximately RMB13.8 million).

As at 30 June 2013, the Group had current assets amounting to approximately RMB511.2 million (31 December 2012: approximately RMB584.6 million). Current assets mainly comprised inventories and consumables of approximately RMB116.8 million (31 December 2012: approximately RMB108.6 million), trade receivables of approximately RMB1.4 million (31 December 2012: approximately RMB1.8 million), deposits paid, prepayments and other receivables of approximately RMB36.2 million (31 December 2012: approximately RMB53.0 million), pledged bank deposits of approximately RMB104.0 (31 December 2012: approximately RMB104.8 million), and cash and bank balances of approximately RMB252.8 million (31 December 2012: approximately RMB316.4 million).

As at 30 June 2013, the Group had current liabilities amounting to approximately RMB362.0 million (31 December 2012: approximately RMB439.0 million). Current liabilities mainly comprised trade payables of approximately RMB201.4 million (31 December 2012: approximately RMB225.9 million). Coupon liabilities, deposits received, other payables and accruals of approximately RMB56.0 million (31 December 2012: approximately RMB59.0 million), amount due to a director of approximately RMB0.1 million (31 December 2012: approximately RMB0.1 million), provision for tax of approximately RMB4.5 million (31 December 2012: approximately RMB5.3 million), secured bank borrowing of approximately RMB100.0 million (31 December 2012: approximately RMB100.0 million), and promissory note payable of approximately Nil (31 December 2012: approximately RMB48.7 million).

Subsequent Events

The Group did not have any significant subsequent events taken place subsequent to 30 June 2013.

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.

As at 30 June 2013, the Group's outstanding bank borrowings of approximately RMB100 million were denominated in US Dollar, of which the foreign exchange risk has been lowered with steadily appreciation of RMB against United States Dollar over the period.

For the six months ended 30 June 2013, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

(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 2013.

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 2013, the Group had 2,082 full-time employees (six months ended 30 June 2012: 1,955). 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 2013, 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 6,713,332 shares (six months ended 30 June 2012: 23,009,998), representing 0.65% (six months ended 30 June 2012: 2.22%) of the shares of the Company in issue. For the six months ended 30 June 2013, share options amounting 916,666 had lapsed as a result of certain employees leaving employment and a director leaving office 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 2013, approximately HK$133,870,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$131,130,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$133,870,000 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$7,380,000 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 2013, 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.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (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 provisions of the Code throughout the Period save as disclosed below.

Code provision E.1.2 of the Code requires that the chairman of the board should attend the annual general meeting. Mr. Zhuang Lu Kun, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 29 May 2013 due to his other business engagements.

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 2013.

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 internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 June 2013. The financial statements of the Company for the six months ended 30 June 2013 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 2013 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 2013

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, Sun Ju Yi, Ai Ji