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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: 00602)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**407,285**	430,472
Cost of inventories sold		**(281,276)**	(300,267)
		126,009	130,205
Other operating income	*4*	**43,601**	46,884
Selling and distribution costs		**(108,587)**	(119,035)
Administrative expenses		**(24,380)**	(22,525)
Other operating expenses		**(10,016)**	(1,301)
Share of results of associates		**(530)**	–
Operating profit		**26,097**	34,228
Finance costs	*5*	**(607)**	(2,410)
Profit before income tax	*6*	**25,490**	31,818
Income tax expense	*7*	**(5,561)**	(8,085)
Profit for the period		**19,929**	23,733
Total comprehensive income for the period		**19,929**	23,733
Dividend	*8*	**–**	–
Earnings per share for profit attributable to the owners of the Company during the period			
– Basic (RMB cents)	*9*	**1.92**	2.29
– Diluted (RMB cents)	*9*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**74,395**	94,933
Investment properties		**249,371**	232,000
Prepaid land lease		**13,631**	20,642
Deposits paid and prepayments		**10,765**	7,521
Interests in associates		**3,070**	–
		351,232	355,096
Current assets			
Inventories and consumables		**89,915**	105,552
Trade receivables	*11*	**3,757**	1,588
Deposits paid, prepayments and other receivables		**45,214**	46,046
Pledged bank deposits		**100,500**	100,000
Cash and bank balances		**282,482**	298,229
		521,868	551,415
Current liabilities			
Trade payables	*12*	**190,793**	224,001
Coupon liabilities, deposits received, other payables and accruals		**68,563**	64,095
Bank borrowing, secured	*13*	**100,000**	100,000
Amount due to a director		**59**	59
Provision for tax		**3,282**	7,028
		362,697	395,183
Net current assets		**159,171**	156,232
Total assets less current liabilities		**510,403**	511,328
Non-current liabilities			
Deferred tax liabilities		**10,363**	10,363
Net assets		**500,040**	500,965
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*14*	**10,125**	10,125
Reserves		**489,915**	490,840
Total equity		**500,040**	500,965

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 2014 (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 2013 (the "2013 Annual Financial Statements").

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2014

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 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities

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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue – Turnover		
Sales of goods	**322,000**	351,181
Commission from concessionaire sales	**58,270**	59,382
Rental income from sub-leasing of shop premises	**20,238**	19,909
Rental income from investment properties	**2,369**	–
Wholesale of consumables	**4,408**	–
	407,285	430,472
Other operating income		
Interest income	**4,168**	5,240
Government grants	**44**	–
Administration and management fee income from suppliers	**25,328**	27,246
Others	**14,061**	14,398
	43,601	46,884

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Imputed interest expense on promissory note payable	**–**	1,662
Interest expense on revolving loan	**607**	748
	607	2,410

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Depreciation of property, plant and equipment	**19,370**	19,322
Loss on disposal of property, plant and equipment	**277**	194
Operating lease rentals in respect of land and buildings	**25,439**	28,963
Obsolete inventories written-off	**705**	712
Staff costs, including directors' emoluments		
– salaries and other benefits	**38,728**	40,717
– contributions to pension scheme	**4,592**	4,742

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Enterprise income tax – current year	**5,561**	8,085

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 2013: Nil).

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits in Hong Kong for the period (six months ended 30 June 2013: Nil).

Subsidiaries of the Company established in the PRC were subject to PRC enterprise income tax at the rate of 25% for the year under the income tax rules and regulations of the PRC (2013: 25%).

8. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the period (six months ended 30 June 2013: 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 RMB19,929,000 (six months ended 30 June 2013: approximately RMB23,733,000) and on the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2013: approximately 1,037,500,002) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2013 and 2014 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 RMB10,165,000 (six months ended 30 June 2013: approximately RMB12,934,000) 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 wholesale of consumables, bulk sale of merchandise to corporate customers and rental income receivables from tenants. The credit terms offered to these customers or tenants are generally for a period of one to three months.

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

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**3,635**	1,389
31 – 60 days	**21**	76
61 – 180 days	**4**	–
181 – 365 days	**–**	–
Over 1 year	**97**	123
	3,757	1,588

12. TRADE PAYABLES

The credit terms granted by suppliers are generally for a period of 30 to 60 days.

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

	At 30 June 2014 *RMB'000* **(Unaudited)**	At 31 December 2013 *RMB'000* (Audited)
Within 30 days	**102,266**	118,688
31 – 60 days	**44,343**	59,387
61 – 180 days	**38,362**	33,725
181 – 365 days	**879**	6,903
Over 1 year	**4,943**	5,298
	190,793	224,001

13. BANK BORROWING, SECURED

	At 30 June 2014 *RMB'000* **(Unaudited)**	At 31 December 2013 *RMB'000* (Audited)
Current		
Bank borrowing repayable on demand	**100,000**	100,000

As at 30 June 2014, the bank borrowing is dominated in United States Dollar ("USD"), secured by the pledge bank deposits of approximately RMB100,500,000 and bear interest of floating rate at 1% per annum over the London Interbank Offered Rate and is repayable on demand.

14. SHARE CAPITAL

	At 30 June 2014		At 31 December 2013	
	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 2013 were set out in the 2013 Annual Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of the year, China GDP was running down with the economy. The government has implemented a series of measures to stimulate domestic demand and keep the growth rate. However, the market demand was weak, with the ex-factory price stay in negative ranking, and the real economy was under deflation. In social life aspects, the labour, resource, land and capital cost have all increased. The small and medium entities were facing operating difficulties. The economic condition was under great pressure. The country has put forward measures to implement a new type of urbanization to expand domestic demand, consumption and investment, and to speed up the economic growth rate.

According to the statistics released by the National Bureau of Statistics of China, GDP on the Mainland amounted to RMB269,000 billion in the first half of 2014, representing a 7.4% increase over the same period last year. Total output value of the wholesale and retail sectors increased by 9.8% against the same period last year to approximately RMB2,500 billion.

In the first half of the year, total retail sales of social consumer goods was RMB12,400 billion, representing a year-on year growth of 12.1%. In particular, retail sales of consumer goods among the "over-the-threshold" enterprises grew by 9.8% on a year-on-year basis to approximately RMB6,200 billion. Based on the geographical locations of the operating units, retail sales of urban consumer goods rose by 12.0% to approximately RMB10,700 billion year-on-year, whereas retail sales of rural consumer goods increased by 13.2% to approximately RMB1,600 billion year-on-year. By consumption patterns, food and beverage revenue went up 10.1% at approximately RMB1,200 billion year-on-year, whereas retail sales of commodities went up 12.4% at approximately RMB11,100 billion year-on-year. In terms of retail sales of commodities, retail sales of commodities among "over-the-threshold" enterprises amounted to approximately RMB5,800 billion, representing an increase of 10.2%. In the first half, total internet retail sales amounted to RMB1,100 billion, representing a year-on year growth of 48.3%. Among it, the "over-the-threshold" internet retail sales grew by 56.3% on a year-on-year basis to approximately RMB180 billion.

In 2014, China economy was still under the stage of adjustment and conversion. The domestic economy was growing slowly as there were many crisis and risk. Unfavorable factors impeding the economic growth existed. In the retailing sector, market competition was fierce. Not only the competition among the existing operators, but also the change of spending habit, the shifting of the consumption mode and the upsurge of the e-shopping have exerted pressure to the traditional retailers. The retail chain operators suffered a lot during the year.

However, with the stable growth of the country's overall economy, the resident's disposable income will grow simultaneously. In the first half of 2014, the contribution to GDP of the China by spending was larger than those by the investment portion. It is expected that spending will increase its contribution to GDP in the future. Per capita household spending was increasing, the old pattern of the economic growth by export and investment will be replaced by consumption. With the accelerating of urbanization, there will be approximately 24 million new entrants to the cities, the social protection system is now improving and the disposable income will flow to the servicing industry. Spending will boost up the retail industry, the retailing industry's future will become better.

BUSINESS REVIEW

For the six months ended 30 June 2014, the Group recorded revenue of approximately RMB407.3 million, representing a year-on year decrease of approximately 5.4%. Gross profit amounted to approximately RMB45.1 million, representing a year-on-year decrease of approximately 11.4%; while operating profit was approximately RMB26.1 million, representing a year-on-year decrease of approximately 23.8%. Profit attributable to shareholders was approximately RMB19.9 million, representing a year-on-year decrease of 16.0%. Shatoujiao store has been closed in August 2013 and there were 11 stores during the period. Sales revenue was adversely affected and the Group's comprehensive income has been decreased simultaneously. But the turnover of some of the stores has positive growth and the rental income from the investment properties have been started to receive during the period which contribute to the net profit of the period.

Recapping on the first half of 2014, our Group has the following measures to broaden sources of income and reduce expenditure in our operation.

Advancement of management system to minimize the operation risk

During the period, the Group has advanced the management structure and system focusing on the structure, rules, procedures, authorization and responsibility etc. These help to strengthen control and enhance efficiency. On the sales floor, there were new measures to improve links with suppliers by combining sales and procurement. This helps to co-ordinate the works among departments and enhance working efficiency. Besides, the Group has also emphasized risk management by improving hardware facilities and convening periodic meetings to cope with unexpected accident in the workplace.

Highlight staff training to enhance service quality

As a response to the challenge from e-shopping competitors, the Group has targeted to enhance its service quality. Apart from department store management training, servicing technique and mind set training were also carried out. On the store management area, premium service management, checking and supervision management, facilities maintenance system, and improvement in shopping environment etc were closely monitored. Among the staff, we have organized staff activities such as sight-seeing, sports day and awarding ceremony to foster interpersonal relationship.

Build up suppliers' relationship to strengthen business opportunities

The Group has arranged business talk with suppliers to gather opinion and suggestions from them such that updated information could be gathered for further improvement. Besides, the Group has participated a number of competition to raise up the popularity of the company. Accordingly, the Company has been awarded trustful enterprise, best customer satisfaction, brilliant in-house magazine, photography and cover design award during the period. Through these, positive image has been created for the Company.

Expansion of e-shopping mode to broaden sales channel

The Group has started internet sales last year. A number of logistic vendors have been joined this year. On the public relations side, more promotion activities have been launched to attract new customers. In addition, the web page functions have been enhanced to become more user-friendly. The e-shopping scope have been extended to cover various hot electronic mobile app such as weibo, QQ, weixin etc.

Extend investment horizon to enlarge operation scope

During the period, the Group has investigated a number of investment projects. By this, a new subsidiary, Baijiahua Yuansheng, has been established with a third party to operate the wholesale of office equipment and stationery of the Shenzhen Municipal government. In addition, the Group has invested funds into the shares of an associate, Shenzhen Egoos, to provide a number of sales intermediary services for online customers. Through these, the income source of the Group could be broaden.

OUTLOOK AND PROSPECT

In the first half of 2014, the earning power and financial position of the Group were still in good condition by putting through a series of measures including strengthening internal management, improvement in shopping experience, opening up new income source and cutting excessive costs etc. The operating expenses ratio has been reduced lower than the industry average. But the sales growth rate lag behind last year. It was a difficult year for the Group and we will strive our best to do every means to maintain our profitable results by expanding new income source and cutting avoidable costs.

Looking ahead, China is still under the fast pace of industrialization, urbanization, market orientation and internationalization progress. Although competition is increasing and there are more challenge for the industry, the market potential is still large. The directors are confident towards the future. The mission of the Group is to become one of the main operator in the industry. The Group will follow the trends, more innovative, and expand its income source and improve its operating performance through other means like merger and acquisition to enhance its competitive advantage, to explore new business opportunities and to uplift the value of the Company.

Financial Review

During the Period, the Group's revenue reached approximately RMB407.3 million, net profit after tax attributable to the owners of the Company was approximately RMB19.9 million. Gross margin and net margin of the Group were about 13.8% and 4.9% respectively. During the Period, the selling and distribution costs, administrative expenses and other operating expenses were approximately RMB108.6 million, RMB24.3 million and RMB10.0 million respectively, accounting for approximately 26.7%, 6.0% and 2.5% of the Group's revenue respectively.

As at 30 June 2014, the Group's non-current assets amounted to approximately RMB351.2 million (31 December 2013: approximately RMB355.1 million). Non-current assets mainly include property, plant and equipment of approximately RMB74.4 million (31 December 2013: approximately RMB94.9 million), investment properties of approximately RMB249.4 million, (31 December 2013: approximately RMB232.0 million), prepaid land lease of approximately RMB13.6 million (31 December 2013: approximately RMB20.7 million), deposits paid and prepayments of approximately RMB10.7 million (31 December 2013: approximately RMB7.5 million), and interests in associates of approximately RMB3.1 million (31 December 2013: Nil).

As at 30 June 2014, the Group had current assets amounted to approximately RMB521.9 million (31 December 2013: approximately RMB551.4 million). Current assets mainly comprised inventories and consumables of approximately RMB89.9 million (31 December 2013: approximately RMB105.6 million), trade receivables of approximately RMB3.8 million (31 December 2013: approximately RMB1.6 million), deposits paid, prepayments and other receivables of approximately RMB45.2 million (31 December 2013: approximately RMB46.0 million), pledged bank deposits of approximately RMB100.5 (31 December 2013: approximately RMB100.0 million), and cash and bank balances of approximately RMB282.5 million (31 December 2013: approximately RMB298.2 million).

As at 30 June 2014, the Group had current liabilities amounted to approximately RMB362.7 million (31 December 2013: approximately RMB395.2 million). Current liabilities mainly comprised trade payables of approximately RMB190.8 million (31 December 2013: approximately RMB224.0 million). Coupon liabilities, deposits received, other payables and accruals of approximately RMB68.5 million (31 December 2013: approximately RMB64.1 million), amount due to a director of approximately RMB0.1 million (31 December 2013: approximately RMB0.1 million), provision for tax of approximately RMB3.3 million (31 December 2013: approximately RMB7.0 million) and secured bank borrowing of approximately RMB100.0 million (31 December 2013: approximately RMB100.0 million).

Subsequent Events

The Group did not have any significant subsequent events taken place subsequent to 30 June 2014.

Risk Management

The activities of the Group expose it to a variety of financial risks, including foreign exchange risk, credit risk, interest rate 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 Renminbi (RMB). Assets and liabilities of the Group are mostly denominated in RMB and Hong Kong Dollars (HK$). Any significant exchange rate fluctuations of foreign currencies against RMB may have financial impact to the Group.

For the six months ended 30 June 2014, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

(ii) 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 trade 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.

(iii) Interest rate risk

The Group's exposure to interest rate risk mainly arises on cash and bank balances and bank borrowing. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

(iv) Liquidity risk

The Group's policy is to maintain sufficient cash and bank balances and have available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

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 2014, the Group had 1,674 full-time employees (six months ended 30 June 2013: 2,082). 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 2014, 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 73,334 shares (six months ended 30 June 2013: 6,713,332), representing 0.01% (six months ended 30 June 2013: 0.65%) of the shares of the Company in issue.

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 2014, approximately HK$151,685,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$113,315,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$151,685,000 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 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$7,351,000 for the purchase of transportation equipment;
- as to approximately HK$10,509,000 for the purchase of office equipment;
- as to approximately HK$3,000,000 for the upgrade of the MIS;
- as to approximately HK$725,000 to promote the Company's brand image; and
- as to approximately HK$10,000,000 for the refurbishments of existing retail stores.

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 2014, 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 A.6.7 of the Code requires that Independent Non-executive Directors should attend general meeting. Due to other commitments, two Independent Non-executive Directors of the Company had not attended the annual general meeting of the Company held on 28 May 2014.

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 28 May 2014 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 2014.

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 2014. The financial statements of the Company for the six months ended 30 June 2014 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 2014 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 2014

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