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 2015

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 2015 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**401,444**	407,285
Cost of inventories sold		**(277,076)**	(281,276)
		124,368	126,009
Other operating income	*3*	**43,319**	43,601
Selling and distribution costs		**(106,337)**	(108,587)
Administrative expenses		**(24,170)**	(24,380)
Other operating expenses		**(926)**	(10,016)
Share of results of associates		**(837)**	(530)
Operating profit	*4*	**35,417**	26,097
Finance cost	*5*	**(13)**	(607)
Profit before income tax		**35,404**	25,490
Income tax expense	*6*	**(11,998)**	(5,561)
Profit for the period		**23,406**	19,929
Total comprehensive income for the period		**23,406**	19,929
Dividend	*7*	**–**	–
Earnings per share for profit attributable to the owners of the Company during the period			
– Basic (RMB cents)	*8*	**2.26**	1.92
– Diluted (RMB cents)	*8*	**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2015** *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**86,585**	79,464
Investment properties		**257,000**	257,000
Prepaid land lease		**13,314**	13,445
Deposits paid		**8,800**	8,374
Interests in associates		**11,554**	1,591
		377,253	359,874
Current assets			
Inventories and consumables		**74,075**	83,274
Trade receivables	*10*	**13,979**	4,924
Deposits paid, prepayments and other receivables		**57,751**	60,821
Pledged bank deposits		**–**	100,000
Cash and bank balances		**292,233**	321,703
		438,038	570,722
Current liabilities			
Trade payables	*11*	**185,919**	210,375
Coupon liabilities, deposits received, other payables and accruals		**64,921**	58,827
Bank borrowing, secured		**–**	100,000
Amount due to a director		**59**	59
Provision for tax		**10,697**	9,881
		261,596	379,142
Net current assets		**176,442**	191,580
Total assets less current liabilities		**553,695**	551,454
Non-current liabilities			
Deferred tax liabilities		**12,256**	12,256
Net assets		**541,439**	539,198
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital		**10,125**	10,125
Reserves		**531,314**	529,073
Total equity		**541,439**	539,198

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND 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 principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are operation and management of retail shares in the PRC.

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 2015 (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 2014 (the "2014 Annual Financial Statements").

2. 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. 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.

3. REVENUE AND OTHER OPERATING INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**289,724**	322,000
Commission from concessionaire sales	**59,646**	58,270
Rental income from sub-leasing of shop premises	**21,519**	20,238
Rental income from investment properties	**4,045**	2,369
Wholesale of consumables	**26,510**	4,408
	401,444	407,285
Other operating income		
Interest income	**2,747**	4,168
Government grants	**1,629**	44
Administration and management fee income from suppliers	**24,833**	25,328
Others	**14,110**	14,061
	43,319	43,601

4. OPERATING PROFIT

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating profit is arrived at after charging:		
Depreciation of property, plant and equipment	**15,441**	19,370
Loss on disposal of property, plant and equipment	**521**	277
Operating lease rentals in respect of land and buildings	**24,311**	25,439
Obsolete inventories written-off	**592**	705
Staff costs, including directors' emoluments		
– salaries and other benefits	**37,275**	38,728
– contributions to pension scheme	**4,283**	4,592
and crediting:		
Rental income from investment properties		
Sub-letting of properties		
– Base rents	**19,994**	18,068
– Contingent rents*	**1,525**	2,170
	21,519	20,238

* Contingent rents are calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements.

5. FINANCE COST

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on revolving loan	**13**	607

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax – current year	**9,943**	5,561
PRC withholding income tax	**2,055**	–
	11,998	5,561

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 2014: 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 2014: 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 (2014: 25%).

Pursuant to the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law of the PRC issued on 6 December 2007, a 10% withholding income tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends declared or proposed out from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax.

7. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the period (six months ended 30 June 2014: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the period of approximately RMB23,406,000 (six months ended 30 June 2014: approximately RMB19,929,000) and the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2014: approximately 1,037,500,002) ordinary shares in issue during the period.

Diluted earnings per share were same as the basic earnings per share as the exercise price of the Company's outstanding options were higher than the average market price for the periods and there were no other potential dilutive ordinary shares in existence during the periods.

9. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately RMB23,202,000 (six months ended 30 June 2014: approximately RMB10,165,000) which mainly related to the acquisition of leasehold improvements, plant and machinery and furniture, fixtures and equipment and motor vehicles and tools.

10. 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 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**13,556**	4,633
31 – 60 days	**156**	186
61 – 180 days	**221**	104
181 – 365 days	**46**	–
Over 1 year	**–**	1
	13,979	4,924

11. 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 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**68,055**	117,663
31 – 60 days	**37,105**	60,868
61 – 180 days	**75,758**	19,957
181 – 365 days	**527**	3,704
Over 1 year	**4,474**	8,183
	185,919	210,375

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first half of the year, China economy was facing downward moving trend, with the minor improving performance of the weak domestic economic indicators and the overall poor economic condition. The government strived to maintain the economic operation in an acceptable level by putting forward a series of control policies to keep economic growth and eliminate possible risk. These included accelerating drainage project, railway engineering, environment conservation and social security housing etc. The real estate industry was apparently recovering but may not be sustainable. The new projects of "One Belt And One Road" strategy and expansion of free trade zones will enhance the level of openness to the outside world. With the rapid growth of innovation concept and internet usage, there were upsurge of entities with innovative power as its core competency.

According to the statistics released by the National Bureau of Statistics of China, GDP on the Mainland amounted to RMB29,600 billion in the first half of 2015, representing a 7.0% increase over the same period last year.

In the first half of the year, total retail sales of social consumer goods was RMB14,200 billion, representing a year-on-year (YOY) growth of 10.4%. Among them, retail sales of consumer goods of the "over-the-threshold" enterprises grew by 7.4% on a YOY basis to approximately RMB6,600 billion. Based on the geographical locations of the operating units, retail sales of urban consumer goods rose by 10.2% to approximately RMB12,200 billion YOY, whereas retail sales of rural consumer goods increased by 11.6% to approximately RMB2,000 billion YOY. By consumption pattern, food and beverage revenue went up 11.5% to approximately RMB1,500 billion YOY, whereas retail sales of commodities went up 10.3% to approximately RMB12,700 billion YOY. In terms of retail sales of commodities, retail sales of commodities among "over-the-threshold" enterprises amounted to approximately RMB6,200 billion, representing an increase of 7.4%. In the first half, total domestic internet retail sales amounted to RMB1,600 billion, representing a YOY growth of 39.1%. Among them, the commodity goods internet retail sales grew by 38.6% on a YOY basis to approximately RMB1,400 billion, accounting for 9.7% of the total retail sales of social consumer goods.

With the moderate recovery of the world economy, China export will be expected to be increased. The effective domestic policies to stimulate economic growth will turn around the continuous downward trend of domestic demand. From the consumption angle, stable real estate market condition will benefit home furniture, appliance and building material industries.

In addition, the government has introduced six major types of public spending items, including information consumption, green consumption, accommodation, travel and leisure, education and literature, and retirement planning etc. These helps to expand consumption demand and upgrade consumption standard. The resident spending amount will grow constantly and have positive effect to the retail industry. However, with the emergency of the e-commerce and the new retail store operators, the industry competition will be intensive. They have negative impact to the traditional retail store operators and there will be a hard time for the existing store operators in future.

BUSINESS REVIEW

For the six months ended 30 June 2015, the Group recorded revenue of approximately RMB401.4 million, representing a YOY decrease of approximately 1.4%. Gross profit amounted to approximately RMB39.2 million, representing a YOY decrease of approximately 13.2%; while operating profit was approximately RMB35.4 million, representing a YOY increase of approximately 35.7%. Profit attributable to shareholders was approximately RMB23.4 million, representing a YOY increase of 17.4%. There were 11 stores during the period. As the Group has changed part of the sales floor of sales of goods to concessionaire sales, sales of goods have been slightly decreased, but commission from concessionaire sales has been increased. Rental income from the investment properties have been fully generated which provided additional income to the net profit of the period.

Recapping on the first half of 2015, our Group has the following highlights in our operation.

Streamline the sales of goods floor area to expand the concessionaire sales

During the period, the Group has adjusted the sales floor usage by reducing the sales of goods area and increasing the concessionaire sales area. On one hand, the sales mix will be upgraded and the shopping environment has been enhanced to become an elite supermarket with quality goods to give a better shopping experience to walk-in customers. Besides, resource saved by reducing own sales floor will be used to invest profitable projects. On the other hand, introducing hot concessionaire stores will increase the overall attractiveness of store and rental income. All these help encounter the aggressive challenge from e-operators.

Invest into two internet corporations to search new opportunity

An investment has been made in May 2014 into Shenzhen Egoos, which has the first domestic platform to offer online to offline (O2O) mobile data exchange with business covering air-ticket, hotel, travelling, lending, and food and beverage services. This year, the Group has invested another internet operator – the Eighty's, which was the first domestic platform offering cloud service for social networking by B2B2C model. This entity provides software management and exchange platform restoration. Although these two investee entities are still in the set up stage, the future potential is very prominent.

Commence cartoon theme restaurant to cater for the youth's interest

During the period, the Group has entered into agreement with an international brand name owner for the use of their famous cartoon figure in our restaurant in the Shenzhen region. For this, a newly incorporated subsidiary has been formed to prepare for the project. A premise has been sought in the Nanshan district of Shenzhen for the operation of the restaurant. The restaurant is expected to commence its business before the end of the year and it will be the first step of the Group to the catering industry.

Uncover new business opportunity by adhering to the State Policy to grasp business opportunity

The Chinese government has announced policies to boost domestic economy in previous years. Qianhai has been appointed as a strategic location in southern China. Accordingly, the Qianhai + Shekou free trade zone representing Shenzhen, together with Nansha free trade zone representing Guangzhou, will be the key in the South China zone. Qianhai district will be deemed to be the future central business district of Shenzhen. As such, the Group has set up two subsidiaries to carry out the possible future financial business upon the development of the Qianhai district.

Develop cross border commodity trading to carve out new market share

Electronic commerce has grown rapidly in these few years. Overseas purchase has become a spending habit for the new generation. Apart from more pattern, variety, and quality, lower cost is also the focus of bulk purchases. The Chinese government has put forward new measures to resolve these social needs. During the period, the Group has entered into cooperation agreement with a cross border e-commerce trial operator, built up its own virtual showroom, and contracted with logistic company. These works have prepared for the coming cross border purchases business.

OUTLOOK AND PROSPECT

In the first half of 2015, the earning power and financial position of the Group were still in good condition by putting through a series of measures including operation management, adjustment to sales floor to strengthen shopping experience, opening up new income source and cutting excessive costs etc. The operating expenses ratio has been reduced lower than the industry average. 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. The year 2015 have both opportunity and challenge existed, the Group has prepared to cope with all difficulties, to make use of our core competency in the industry.

Looking ahead, China is still under the fast pace of industrialization, urbanization, market orientation and internationalization progress. Apart from the change of spending habit, government policies have significant impact to the industry. The directors are confident towards the future. The mission of the Group is to become one of the major operator in the retail 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 RMB401.4 million, net profit after tax attributable to the owners of the Company was approximately RMB23.4 million. Gross margin and net margin of the Group were about 12.4% and 5.8% respectively. During the Period, selling and distribution costs, administrative expenses and other operating expenses were approximately RMB106.3 million, RMB24.2 million and RMB0.9 million respectively, accounting for approximately 26.5%, 6.0% and 0.2% of the Group's revenue respectively.

As at 30 June 2015, the Group's non-current assets amounted to approximately RMB377.3 million (31 December 2014: approximately RMB359.9 million). Non-current assets mainly include property, plant and equipment of approximately RMB86.6 million (31 December 2014: approximately RMB79.5 million), investment properties of approximately RMB257.0 million, (31 December 2014: approximately RMB257.0 million), prepaid land lease of approximately RMB13.3 million (31 December 2014: approximately RMB13.4 million), deposits paid and prepayments of approximately RMB8.8 million (31 December 2014: approximately RMB8.4 million), and interests in associates of approximately RMB11.6 million (31 December 2014: approximately RMB1.6 million).

As at 30 June 2015, the Group had current assets amounted to approximately RMB438.0 million (31 December 2014: approximately RMB570.7 million). Current assets mainly comprised inventories and consumables of approximately RMB74.1 million (31 December 2014: approximately RMB83.3 million), trade receivables of approximately RMB14.0 million (31 December 2014: approximately RMB4.9 million), deposits paid, prepayments and other receivables of approximately RMB57.7 million (31 December 2014: approximately RMB60.8 million), pledged bank deposits of approximately RMB Nil (31 December 2014: approximately RMB100.0 million), and cash and bank balances of approximately RMB292.2 million (31 December 2014: approximately RMB321.7 million).

As at 30 June 2015, the Group had current liabilities amounted to approximately RMB261.6 million (31 December 2014: approximately RMB379.2 million). Current liabilities mainly comprised trade payables of approximately RMB185.9 million (31 December 2014: approximately RMB210.4 million). Coupon liabilities, deposits received, other payables and accruals of approximately RMB64.9 million (31 December 2014: approximately RMB58.8 million), amount due to a director of approximately RMB0.1 million (31 December 2014: approximately RMB0.1 million), provision for tax of approximately RMB10.7 million (31 December 2014: approximately RMB9.9 million) and secured bank borrowing of approximately RMB Nil (31 December 2014: approximately RMB100.0 million).

Subsequent Events

The Group did not have any significant events taken place subsequent to 30 June 2015.

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 currency risk

The Group has operation in the PRC so that the majority of the Group's revenues, expenses and cash flows 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.

(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 – secured. 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 2015, the Group had 1,445 full-time employees (six months ended 30 June 2014: 1,674). 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 2015, 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 2014: 73,334), representing 0.01% (six months ended 30 June 2014: 0.01%) of the shares of the Company in issue.

Use of Proceeds raised from listing

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 2015, approximately HK$181,380,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$83,620,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$181,380,000 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$39,695,000 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 and subsequent announcements related to the adjustment of use of IPO proceeds.

Contingent Liabilities

As at 30 June 2015, 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, one Independent Non-executive Director of the Company had not attended the annual general meeting of the Company held on 28 May 2015.

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 2015 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 2015.

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 2015. The financial statements of the Company for the six months ended 30 June 2015 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 2015 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
Executive Director and Chief Financial Officer
Zhuang Pei Zhong

Shenzhen, the PRC, 27 August 2015

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