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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 2016**

**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 2016 together with the comparative figures as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  | Notes | Six months ended 30 June       |                                |
|--|-------|--------------------------------|--------------------------------|
|  |       | 2016<br>RMB'000<br>(Unaudited) | 2015<br>RMB'000<br>(Unaudited) |
| <b>Revenue</b>   | 3     | <b>373,997</b>                 | 401,444                        |
| Cost of inventories sold   |       | <u>(248,442)</u>               | <u>(277,076)</u>               |
|  |       | <b>125,555</b>                 | 124,368                        |
| Other operating income   | 3     | <b>45,321</b>                  | 43,319                         |
| Selling and distribution costs   |       | <b>(110,791)</b>               | (106,337)                      |
| Administrative expenses  |       | <b>(26,667)</b>                | (24,170)                       |
| Other operating expenses   |       | <b>(552)</b>                   | (926)                          |
| Operating profit   | 4     | <b>32,866</b>                  | 36,254                         |
| Finance cost   | 5     | –                              | (13)                           |
| Share of loss of an associate  |       | –                              | (837)                          |
| Profit before income tax   |       | <b>32,866</b>                  | 35,404                         |
| Income tax expense   | 6     | <b>(8,070)</b>                 | (11,998)                       |
| <b>Profit/(loss) for the period attributable to:</b>   |       |                                |                                |
| – Owners of the Company  |       | <b>24,852</b>                  | 23,406                         |
| – Non-controlling interest   |       | <b>(56)</b>                    | –                              |
|  |       | <u><b>24,796</b></u>           | <u>23,406</u>                  |
| <b>Total comprehensive income attributable to:</b>   |       |                                |                                |
| – Owners of the Company  |       | <b>24,852</b>                  | 23,406                         |
| – Non-controlling interest   |       | <b>(56)</b>                    | –                              |
|  |       | <u><b>24,796</b></u>           | <u>23,406</u>                  |
| <b>Earnings per share for profit attributable to the owners of the Company during the period</b> |       |                                |                                |
| – Basic and diluted (RMB cents)  | 8     | <u><b>2.39</b></u>             | <u>2.26</u>                    |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | <i>Notes</i> | At 30 June<br>2016<br><i>RMB'000</i><br>(Unaudited) | At 31 December<br>2015<br><i>RMB'000</i><br>(Audited) |
|---|--------------|---|---|
| <b>ASSETS AND LIABILITIES</b>   |              |   |   |
| <b>Non-current assets</b>   |              |   |   |
| Property, plant and equipment   |              | 109,037   | 102,798   |
| Investment properties   |              | 260,100   | 260,100   |
| Prepaid land lease  |              | 13,053  | 13,184  |
| Intangible asset  |              | 15,000  | 15,000  |
| Deposits paid   |              | 12,569  | 10,214  |
| Interest in an associate  |              | –   | 116   |
| Available-for-sale financial assets                                   |              | 10,833  | 10,833  |
|   |              | 420,592   | 412,245   |
| <b>Current assets</b>   |              |   |   |
| Inventories and consumables   |              | 47,458  | 63,190  |
| Trade receivables   | 10           | 14,774  | 12,482  |
| Deposits paid, prepayments<br>and other receivables                   |              | 38,635  | 54,352  |
| Amount due from non-controlling<br>interest of a subsidiary           |              | 250   | 250   |
| Cash and bank balances  |              | 300,661   | 293,271   |
|   |              | 401,778   | 423,545   |
| <b>Current liabilities</b>  |              |   |   |
| Trade payables  | 11           | 167,395   | 189,006   |
| Coupon liabilities, deposits received,<br>other payables and accruals |              | 58,288  | 58,978  |
| Amount due to a director  |              | 59  | 59  |
| Provision for tax   |              | 8,105   | 10,844  |
|   |              | 233,847   | 258,887   |
| <b>Net current assets</b>   |              | 167,931   | 164,658   |
| <b>Total assets less current liabilities</b>                          |              | 588,523   | 576,903   |
| <b>Non-current liabilities</b>  |              |   |   |
| Deferred tax liabilities  |              | 13,031  | 13,031  |
| <b>Net assets</b>   |              | 575,492   | 563,872   |
| <b>EQUITY</b>   |              |   |   |
| Share capital   |              | 10,125  | 10,125  |
| Reserves  |              | 565,184   | 553,508   |
| <b>Equity attributable to the owners of<br/>the Company</b>           |              | 575,309   | 563,633   |
| Non-controlling interest  |              | 183   | 239   |
| <b>Total equity</b>   |              | 575,492   | 563,872   |

## **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 stores in the PRC.

The unaudited interim 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 2016 (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 were prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 December 2015.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group’s results and financial position. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

The preparation of Interim Condensed Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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 2015 (the “2015 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 is only one business component/reportable segment in the internal reporting to the executive directors, which is operation and management of retail stores.

No separate analysis of segment information by geographical segment is presented as the Group’s revenue and non-current assets are principally attributable to a single geographical region, which is the PRC.

### 3. REVENUE AND OTHER OPERATING INCOME

|   | Six months ended 30 June              |                                       |
|---|---------------------------------------|---------------------------------------|
|   | 2016<br><i>RMB'000</i><br>(Unaudited) | 2015<br><i>RMB'000</i><br>(Unaudited) |
| <b>Revenue</b>  |                                       |                                       |
| Sales of goods  | 287,419                               | 289,724                               |
| Commission from concessionaire sales                    | 55,586                                | 59,646                                |
| Rental income from sub-leasing of shop premises         | 25,688                                | 21,519                                |
| Rental income from investment properties                | 4,336                                 | 4,045                                 |
| Wholesale of consumables                                | –                                     | 26,510                                |
| Interest income from factoring services                 | 968                                   | –                                     |
|   | <b>373,997</b>                        | <b>401,444</b>                        |
| <b>Other operating income</b>                           |                                       |                                       |
| Interest income   | 3,227                                 | 2,747                                 |
| Government grants                                       | 168                                   | 1,629                                 |
| Administration and management fee income from suppliers | 26,983                                | 24,833                                |
| Others  | 14,943                                | 14,110                                |
|   | <b>45,321</b>                         | <b>43,319</b>                         |

### 4. OPERATING PROFIT

|  | Six months ended 30 June              |                                       |
|--|---------------------------------------|---------------------------------------|
|  | 2016<br><i>RMB'000</i><br>(Unaudited) | 2015<br><i>RMB'000</i><br>(Unaudited) |
| Operating profit is arrived at after charging:           |                                       |                                       |
| Depreciation of property, plant and equipment            | 17,439                                | 15,441                                |
| Amortisation of prepaid land lease                       | 131                                   | 131                                   |
| Loss on disposal of property, plant and equipment        | 263                                   | 521                                   |
| Operating lease rentals in respect of land and buildings | 24,845                                | 24,311                                |
| Obsolete inventories written-off                         | 779                                   | 592                                   |
| Staff costs, including directors' emoluments             |                                       |                                       |
| – salaries and other benefits                            | 39,596                                | 37,275                                |
| – contributions to pension scheme                        | 4,306                                 | 4,283                                 |
|  | <b>43,901</b>                         | <b>42,772</b>                         |
| and crediting:   |                                       |                                       |
| Rental income from investment properties                 | 4,336                                 | 4,045                                 |
| Sub-letting of properties                                |                                       |                                       |
| – Base rents   | 23,490                                | 19,994                                |
| – Contingent rents*                                      | 2,198                                 | 1,525                                 |
|  | <b>25,688</b>                         | <b>21,519</b>                         |

\* 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 |                |
|------------------------------------|--------------------------|----------------|
|                                    | 2016                     | 2015           |
|                                    | <i>RMB'000</i>           | <i>RMB'000</i> |
|                                    | (Unaudited)              | (Unaudited)    |
| Interest expense on revolving loan | —                        | 13             |

## 6. INCOME TAX EXPENSE

|                            | Six months ended 30 June |                |
|----------------------------|--------------------------|----------------|
|                            | 2016                     | 2015           |
|                            | <i>RMB'000</i>           | <i>RMB'000</i> |
|                            | (Unaudited)              | (Unaudited)    |
| Current income tax         |                          |                |
| PRC enterprise income tax  | 8,070                    | 9,943          |
| PRC withholding income tax | —                        | 2,055          |
|                            | <u>8,070</u>             | <u>11,998</u>  |

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the period (six months ended 30 June 2015: 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 2015: Nil).

Subsidiaries of the Company established in the PRC (except for Guangxi which corporate income tax rate was 15% pursuant to the privilege under the China's Western Development Program (西部大開發)) 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 (2015: 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

- (a) The Board of Directors does not recommend the payment of an interim dividend for the period (six months ended 30 June 2015: Nil).
- (b) Dividend attributable to the previous financial year, approved and paid during the period:

|  | <b>For the six months ended</b> |              |
|--|---------------------------------|--------------|
|  | <b>30 June 2016</b>             | 30 June 2015 |
|  | <b>RMB'000</b>                  | RMB'000      |
|  | <b>(Unaudited)</b>              | (Unaudited)  |
| Final dividend in respect of the previous year, approved and paid during the period, of RMB1.27 cents (six months ended 30 June 2015: RMB2.04 cents) per share | <b>13,176</b>                   | 21,165       |

## 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 RMB24,852,000 (six months ended 30 June 2015: approximately RMB23,406,000) and the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2015: 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 RMB23,999,000 (six months ended 30 June 2015: approximately RMB23,202,000) 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:

|                | <b>At 30 June<br/>2016<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>RMB'000<br>(Audited) |
|----------------|--|--|
| Within 30 days | 1,451  | 2,812  |
| 31 – 60 days   | 791  | 79   |
| 61 – 180 days  | 12,452   | 9,562  |
| 181 – 365 days | 66   | 26   |
| Over 1 year    | 14   | 3  |
|                | <u>14,774</u>  | <u>12,482</u>                                  |

## 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:

|                | <b>At 30 June<br/>2016<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>RMB'000<br>(Audited) |
|----------------|--|--|
| Within 30 days | 42,942   | 107,973  |
| 31 – 60 days   | 89,422   | 51,370   |
| 61 – 180 days  | 23,113   | 19,995   |
| 181 – 365 days | 7,290  | 1,512  |
| Over 1 year    | 4,628  | 8,156  |
|                | <u>167,395</u>   | <u>189,006</u>                                 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

In 2016, domestic retailing industry followed the complicated and ever-changing situation from last year, with retail operator suffered from different level of adverse impact. From the international point of view, the recovery of global economy was hindered by various factors, including high unemployment rate in developed countries, the Euro zone crisis, the instability condition in African countries and the earthquake in Japan etc. According to information from an international organisation, the global inflation rate will strengthen further. Nevertheless, this will not weaken the global economy and the recovery pace will keep going. China, as one of the emerging economic entity which led the global economy, has substantial growing trend.

In view of the domestic condition of the PRC, both the consumer price index and real estate price index subsisted in a high level. The great pressure to manage inflation and the lack of consumer confidence etc will affect the stable growth of economy. But the Chinese government has put forward corresponding monetary policy and control regulation in real estate market, the domestic economic condition still unchanged and growing at a better pace. The total value of social consumable goods achieved a growth rate of 16.3% and the macro economic environment is still healthy.

According to the statistics released by the National Bureau of Statistics of China, GDP on the Mainland amounted to RMB34,100 billion in the first half of 2016, representing a 6.7% increase over the same period last year.

In the first half of the year, total retail sales of social consumer goods was RMB15,600 billion, representing a year-on-year (YOY) growth of 10.3%. Among them, retail sales of consumer goods of the “over-the-threshold” enterprises grew by 7.5% on a YOY basis to approximately RMB7,100 billion. Based on the geographical locations of the operating units, retail sales of urban consumer goods rose by 10.2% to approximately RMB13,400 billion YOY, whereas retail sales of rural consumer goods increased by 11.0% to approximately RMB2,100 billion YOY. By consumption pattern, food and beverage revenue went up 11.2% to approximately RMB1,700 billion YOY, whereas retail sales of commodities went up 10.2% to approximately RMB13,900 billion YOY. In terms of retail sales of commodities, retail sales of commodities among “over-the-threshold” enterprises amounted to approximately RMB6,700 billion, representing an increase of 7.6%. In the first half, total domestic online retail sales amounted to RMB2,200 billion, representing a YOY growth of 28.2%. Among them, the commodity goods online retail sales grew by 26.6% on a YOY basis to approximately RMB1,800 billion, accounting for 11.6% of the total retail sales of social consumer goods.



Overall, China has been running stably by putting forward structural adjustment and changes in development mode, and has obtained advancement in protection and improvement in people's livelihood. The target of "growth with stability" has been achieved. By various means, including change of mode, adjust the structure, expand internal demand, stable the price, improve people's livelihood, and promote harmony etc, the next half year will be a promising period.

## **BUSINESS REVIEW**

For the six months ended 30 June 2016, the Group recorded revenue of approximately RMB374.0 million, representing a year-on-year (YOY) decrease of approximately 6.8%. Gross profit amounted to approximately RMB39.0 million, representing a YOY decrease of approximately 0.5%; while operating profit was approximately RMB32.9 million, representing a YOY decrease of approximately 9.3%. Profit attributable to owners of the Company was approximately RMB24.9 million, representing a YOY increase of 6.2%. There were 11 stores during the period. The Group has disposed of a subsidiary engaging in wholesale of consumables at the end of last year, the relevant sales has not been taken up in the book of this year. This led to the sharp decrease in revenue of approximately RMB27.4 million. Among them, the wholesale of consumables and other continuing operating businesses amounted to approximately RMB26.5 million and RMB0.9 million respectively. The drop in other continuing operating businesses was attributable to overall weak economic condition and fierce attack from the retail e-commerce business. Sales of goods decreased by approximately RMB2.3 million, commissions and rental income from concessionaire, in aggregate, increased by approximately RMB0.1 million, rental income from investment properties increased by approximately RMB0.3 million, and interest income from factoring services increased by approximately RMB1.0 million. During the period, the Group has adopted positive operating strategy with value-added service in retail stores. Besides, we continuously searched for other potential profit opportunities and planned for the expansion of store network.

Recapping on the first half of 2016, the Group has the following operation highlights.

### **Re-start store expansion plan by preparing a shopping mall in Bantian**

As at the reporting date, the Group has signed tenancy agreement with a connected party for the leasing of commercial properties located at Bantian of Longgang district in Shenzhen as our first shopping mall. The premise is located at the heart of city with an approximately 35,000 square metres. The project marked a new era for the Group with enhancement in commercial status and corporate image. It is expected that renovation works and business invitation of the store will be completed by early 2017. Above the store premise will be office, hotel and high class residential floors. These will provide customers with high spending consumers and luxury living standard residents to the store which will have positive impact to the store revenue.

### **Explore the youth market by opening cartoon tea shop**

The Group has opened the first tea shop with Hello Kitty figures in Haiya Mega Mall in Baoan Shenzhen in early July 2016. The shop is decorated and furnished with all cartoon figures of Hello Kitty, and sold mainly milk tea products. The shop marked the first stepping stone into the food and beverage industry by the Group and echoed our Group slogan of “changes and innovation”. Two other shops are underway and will commence business before the end of the year. Shops are located at high-end consumer spots to attract the young generation.

### **Develop online retail business in response to new mode of consumption**

The Group has incorporated a subsidiary responsible for internet development and expansion last year. During the period, the development pace of the subsidiary was fast and mature. The internet shopping platform “Baijiahua online” has started to run. The platform composed of “community supermarket” selling perishable and livelihood goods, and “cross border purchase” and “brand name hall” selling imported goods, which altogether provide a one-stop channel for quality products. It is expected that the platform will include food and beverage service, entertainment and other community livelihood services in future. This gives a full scope and innovative online shopping platform to customers.

### **Commence supply chain financing business to expand business scope**

The commercial factoring service has been introduced in year 2012 in China with rapid growth recently. The Group has grasped the location advantage of the Qianhai, a subsidiary has been set up in 2014 aiming at providing commercial factoring business for the Group’s suppliers. The result was good during the period. Looking ahead, the Group will strictly control the potential default risk and the factoring business will be further expand to cooperation with local financial institutions, which will put forward to the full scale supply chain finance.

### **Stores renovation upgrade to strengthen real time shopping experience**

The Group has undergone substantial store renovation, introduced stylish brand name, and adjusted sales floor usage to build up a fashionable shopping mall image. During the period, the Group has invested approximately RMB23.0 million to renovate Xixiang store, Songgang store, Longhua store, and Sanlian store in Shenzhen, Yanbu store in Foshan and Taoyuan and Daishatian store in Guangxi. The brand mix has been improved, with additions in auxiliary recreational and leisure facilities. With the newly created company logo of the Group in previous year, we hope to give a fresh look to customers.

## **Upgrade supermarket management control by implementing division of duties in operation and procurement**

The Group has implemented a number of policies to strengthen internal risk management. In the supermarket side, organization structure has been improved and policy has been renewed. This aimed to provide a mechanism of check and balance on one hand, and to supplement the online sales on the other. There was division of duties in operation and procurement by different departments. Operation department will focus on shop management and service, commodity management. Procurement department has independent decision power, but limited to overseeing by the operation department.

## **OUTLOOK AND PROSPECT**

In the first half of 2016, the Group has formulated a series of measure to manage the operation, to adjust the sales floor, and to enhance shopping experience. As a result, the Group's earning power, financial condition could be maintained in a healthy status.

In addition, the operating costs have been strictly controlled, the distribution ability has been strengthened, sales turnover and gross profit level have been maintained, to face the tough market condition. It is a difficult times 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 2016 has 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 development stage. The macro-economic condition has significant impact to the industry. Rapid growth in information technology has direct and critical effect 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 RMB374.0 million, net profit after tax attributable to the owners of the Company was approximately RMB24.9 million.

Gross margin and net margin of the Group were about 13.6% and 6.6% respectively. During the period, selling and distribution costs, administrative expenses and other operating expenses were approximately RMB110.8 million, RMB26.7 million and RMB0.4 million respectively, accounting for approximately 29.6%, 7.1% and 0.1% of the Group's revenue respectively.

As at 30 June 2016, the Group's non-current assets amounted to approximately RMB420.5 million (31 December 2015: approximately RMB412.2 million). Non-current assets mainly include property, plant and equipment of approximately RMB109.0 million (31 December 2015: approximately RMB102.8 million), investment properties of approximately RMB260.1 million, (31 December 2015: approximately RMB260.1 million), prepaid land lease of approximately RMB13.0 million (31 December 2015: approximately RMB13.2 million), intangible asset of approximately RMB15.0 million (31 December 2015: approximately RMB15.0 million), deposits paid and prepayments of approximately RMB12.6 million (31 December 2015: approximately RMB10.2 million), interest in an associate of approximately RMBNil (31 December 2015: approximately RMB0.1 million), and available-for-sale financial assets of approximately RMB10.8 million (31 December 2015: approximately RMB10.8 million).

As at 30 June 2016, the Group had current assets amounted to approximately RMB401.8 million (31 December 2015: approximately RMB423.5 million). Current assets mainly comprised inventories and consumables of approximately RMB47.5 million (31 December 2015: approximately RMB63.2 million), trade receivables of approximately RMB14.8 million (31 December 2015: approximately RMB12.5 million), deposits paid, prepayments and other receivables of approximately RMB38.6 million (31 December 2015: approximately RMB54.5 million), amount due from non-controlling interest of a subsidiary of approximately RMB 0.3 million (31 December 2015: approximately RMB0.3 million), and cash and bank balances of approximately RMB300.6 million (31 December 2015: approximately RMB293.0 million).

As at 30 June 2016, the Group had current liabilities amounted to approximately RMB233.8 million (31 December 2015: approximately RMB258.9 million). Current liabilities mainly comprised trade payables of approximately RMB167.4 million (31 December 2015: approximately RMB189.0 million). Coupon liabilities, deposits received, other payables and accruals of approximately RMB58.2 million (31 December 2015: approximately RMB59.0 million), amount due to a director of approximately RMB0.1 million (31 December 2015: approximately RMB0.1 million), and provision for tax of approximately RMB8.1 million (31 December 2015: approximately RMB10.8 million).

## **Subsequent Events**

The Group did not have any significant events taken place subsequent to 30 June 2016.

## **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. 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 2016, the Group had 1,341 full-time employees (six months ended 30 June 2015: 1,445). 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 2016, 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 nil (six months ended 30 June 2015: 73,334), representing nil (six months ended 30 June 2015: 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 2016, approximately HK\$188,850,000 of the proceeds so raised was used, and the unused proceeds of approximately HK\$76,150,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK\$188,850,000 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\$10,416,000 for the purchase of transportation equipment;
- as to approximately HK\$14,609,000 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\$40,000,000 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 and subsequent announcements related to the adjustment of use of IPO proceeds.

### **Contingent Liabilities**

As at 30 June 2016, the Group has no significant contingent liabilities.

### **PURCHASE, SALE 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 26 May 2016.

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 26 May 2016 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 2016.

## **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 2016. The financial statements of the Company for the six months ended 30 June 2016 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 2016 Interim Report will be despatched to shareholders and published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.szbj.com](http://www.szbj.com)) in due course.

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

Shenzhen, the PRC, 30 August 2016

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