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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

Revenue decreased by 7.7% to approximately RMB783.8 million

Gross profit decreased by 5.0% to approximately RMB105.7 million

Profit for the year attributable to the owners of the Company amounted to approximately RMB58.5 million

Basic earnings per share was approximately RMB5.64 cents

Final dividend of RMB2.82 cents is recommended

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Jiahua Stores Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

		Year ended 31 December	
		2011	**2010**
	Notes	*RMB'000*	*RMB'000*
Revenue	*4*	783,773	849,265
Cost of inventories sold		(532,285)	(605,232)
		251,488	244,033
Other operating income	*5*	92,469	71,202
Distribution costs		(230,954)	(261,461)
Administrative expenses		(31,727)	(32,345)
Other operating expenses		(3,827)	(4,400)
Profit before income tax	*6*	77,449	17,029
Income tax expense	*7*	(18,962)	(5,535)
Profit for the year		58,487	11,494
Total comprehensive income for the year		58,487	11,494
Dividends	*8*	29,257	3,424
Earnings per share for profit attributable to the owners of the Company during the year	*9*		
– Basic (RMB cents)		5.64	1.11
– Diluted (RMB cents)		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		As at 31 December	
		2011	**2010**
	Notes	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		76,893	149,147
Intangible asset		–	16,516
Deposits paid and prepayments		17,712	30,796
		94,605	196,459
Current assets			
Inventories and consumables	*10*	115,606	117,845
Trade receivables	*11*	2,905	2,107
Deposits paid, prepayments and other receivables		100,124	41,745
Financial asset at fair value through profit or loss		–	10,043
Cash and bank balances		413,402	288,052
		632,037	459,792
Current liabilities			
Trade payables	*12*	212,779	196,116
Coupon liabilities, deposits received, other payables and accruals		63,277	69,849
Amount due to a director		–	738
Provision for tax		8,772	746
		284,828	267,449
Net current assets		347,209	192,343
Total assets less current liabilities		441,814	388,802
Non-current liabilities			
Deferred tax liabilities		–	2,087
Net assets		441,814	386,715
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*13*	10,125	10,125
Reserves		431,689	376,590
Total equity		441,814	386,715

NOTES TO THE FINANCIAL STATEMENTS:

1. GENERAL INFORMATION

Jiahua Stores Holdings Limited ("the Company") was incorporated in the Cayman Islands on 4 September 2006 as an exempted company with limited liability. The address of the Company's registered office and principal place of business are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 301 on 3rd Floor, Block 1, Baijiahua Building, No. 3008 Baoan Boulevard, Baoan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC") respectively. 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 management of retail stores and wholesale of consumables in the PRC.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are stated at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW AND AMENDED STANDARDS

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

In current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 24 (Revised)	Related Party Disclosures

Other than as noted below, 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.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

The following new/revised HKFRSs have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 1	First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[3]
HK(IFRIC) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[4]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entitles[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefit[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investment in Associates and Joint Ventures[4]
Amendments to HKAS 32	Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities[5]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. The directors are currently assessing the impact of other 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.

HKFRS 7 (Amendments) Disclosure – Transfer of Financial Assets

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

HKFRS 9 Financial Instruments

The standard is effective for annual periods beginning on or after 1 January 2015. Under the standard, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

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

4. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Revenue		
Sales of goods	637,764	713,981
Commissions from concessionaire sales	100,349	93,870
Rental income from sub-leasing of shop premises	45,432	38,896
Wholesale of consumables	228	2,518
	783,773	849,265

Revenue, which is also the Group's turnover, represents invoiced value of goods sold, net of value added tax, after allowances for returns and discounts; and the value of services rendered. 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.

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.

5. OTHER OPERATING INCOME

	Year ended 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Interest income	6,696	3,715
Net exchange gain	127	–
Government grants	423	2,193
Gain on financial asset at fair value through profit or loss	–	43
Gain on disposal of subsidiaries	14,350	–
Income from the management of the stores	1,520	–
Administration and management fee income from suppliers	46,782	41,711
Others	22,571	23,540
	92,469	71,202

6. PROFIT BEFORE INCOME TAX

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging:		
Cost of inventories sold recognised as expense	532,285	605,232
Auditors' remuneration	705	736
Amortisation of intangible asset	763	2,289
Net exchange loss	–	23
Depreciation of property, plant and equipment	47,266	48,257
Loss on disposal of property, plant and equipment	245	1,314
Operating lease rentals in respect of land and buildings	66,342	72,798
Obsolete inventories written-off	199	238
Inventories loss	186	550
Impairment losses on property, plant and equipment*	1,865	3,900
Staff costs, including directors' emoluments		
Salaries and other benefits	64,130	71,470
Contributions to pension schemes	6,269	8,310
Share-based payment expenditure	36	–
	70,435	79,780
and crediting:		
Sub-letting of properties		
– Base rents	39,901	34,258
– Contingent rents**	5,530	4,638
Gross rental income	45,431	38,896
Less: Outgoings	(9,940)	(14,498)
Net rental income	35,491	24,398

Notes:

* The Group has closed down certain loss-making stores in February 2012 and January 2010 respectively. Those property, plant and equipment of these closed stores which can not be used by other stores were fully impaired. These impairment losses have been charged to other operating expenses for the years ended 31 December 2011 and 2010 respectively.

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

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax – current year	19,062	5,834
Deferred tax	(100)	(299)
	18,962	5,535

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the year (2010: Nil).

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit in Hong Kong for the year (2010: Nil).

PRC enterprise income tax of a subsidiary of the Company, Shenzhen Baijiahua Department Stores Company Limited ("BJH Department Stores") which was established in the PRC and which is situated in the Shenzhen (i.e. a Special Economic Zone), has been provided at the preferential enterprise income tax rate of 15% (except for the branches not located in Shenzhen) on the estimated assessable profits during the year ended 31 December 2007. Pursuant to the new PRC enterprise income tax law ("EIT law") passed by the Tenth National People's Congress on 16 March 2007, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25% effective from 1 January 2008. Pursuant to the EIT law Article 57 and Guofa [2007] No.39, the new tax rates of BJH Department Stores (including the head office and the branches located in Shenzhen) whose business registration has been completed on or before 16 March 2007 and situated in the Shenzhen (i.e. a Special Economic Zone) is eligible for grandfathering treatments with a gradual increase in tax rate from 15% to 25% over a five-year period (i.e. at 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012).

Other subsidiaries of the Company established in the PRC were subject to PRC enterprise income tax at the rate of 25% for the year under the income tax rules and regulations of the PRC (2010: 25%).

Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Profit before income tax	77,449	17,029
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	19,510	4,336
Tax benefit of a PRC subsidiary	(785)	(1,074)
Tax effect of non-deductible expenses	621	4,053
Tax effect of non-taxable income	(2,592)	(4,297)
Tax effect of tax loss not recognised	996	2,541
Others	1,212	(24)
Income tax expense	18,962	5,535

8. DIVIDENDS

	Year ended 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Final dividend of RMB2.82 cents per ordinary share for the year ended 31 December 2011 (2010: RMB0.33 cent)	29,257	3,424

The final dividend proposed after the reporting date has not been recognised as a liability at the respective reporting date, but reflected as an appropriation of retained earnings for that year.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately RMB58,487,000 (2010: approximately RMB11,494,000) and the weighted average number of approximately 1,037,500,002 (2010: 1,037,500,002) ordinary shares in issue during the year.

No diluted earnings per share has been presented for the years ended 31 December 2010 and 2011 as the exercise price of the Company's outstanding options were higher than the average market price for the years.

10. INVENTORIES AND CONSUMABLES

	As at 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Merchandise for resale	107,615	107,213
Low value consumables	7,991	10,632
	115,606	117,845

11. TRADE RECEIVABLES

All of the Group's sales are on cash basis except for certain wholesale of consumables, bulk sales 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 trade receivables, based on invoice dates, is as follows:

	As at 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Within 30 days	1,434	1,867
31 – 60 days	66	52
61 – 180 days	1,283	–
181 – 365 days	–	66
Over 1 year	122	122
	2,905	2,107

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:

	As at 31 December	
	2011	**2010**
	RMB'000	*RMB'000*
Within 30 days	153,313	148,705
31–60 days	32,927	27,083
61–180 days	16,937	15,953
181–365 days	3,951	2,148
Over 1 year	5,651	2,227
	212,779	196,116

13. SHARE CAPITAL

	2011 Number of shares		**2010 Number of shares**	
	('000)	*RMB'000*	*('000)*	*RMB'000*
Authorised :				
Ordinary shares of HK$ 0.01 each				
At 1 January and 31 December	10,000,000	97,099	10,000,000	97,099
Issued and fully paid :				
Ordinary shares of HK$ 0.01 each				
At 1 January and 31 December	1,037,500	10,125	1,037,500	10,125

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Industry Overview

In 2011, with the complicated economic environment around the world, the total domestic retailing consumer sales have been growing in a slow pace. Despite of the difficulty in the stimulation of domestic demand, the GDP of the country was keeping a considerable increase of 9.2%. The retail industry has undergone a healthy development in the year with the continuous increase in the per capita income and personal spending power.

In 2011, the GDP of the PRC exceeded RMB47 trillion, reaching RMB47,156.4 billion, representing an increase of 9.2% over last year. This rate was higher than most of the major countries or region around the world. Total retail sales of consumer goods amounted to approximately RMB18,122.6 billion, representing an increase of 17.1% as compared with the corresponding period last year, reaching a historical peak.

In 2011, the realized aggregate output of the Guangdong Province exceeded RMB5,300.0 billion, representing an increase of 10.0% as compared with the corresponding period last year; the per capita income was approximately RMB50,500, with a grow of 8.0%, or an equivalent of USD7,819. According to the standard set out by the World Bank for classifying income of a country and region, Guangdong has attained the band requirement of the middle to top income group. In 2011, the realized aggregate output of the Shenzhen was approximately RMB1,150.2 billion, with an increase of 10.0%. The economic output quantum exceeded RMB1,000 billion for the first time and maintained its fourth position around the country. Total retail sales of consumer goods amounted to approximately RMB352.0 billion, representing an increase of 17.8% as compared with the corresponding period last year and keeped increasing. In 2011, the realized aggregate output of the Dongguan was approximately RMB473.5 billion, with an increase of 8.0% as compared with the corresponding period last year. Total retail sales of consumer goods amounted to approximately RMB126.6 billion, representing an increase of 15.0% as compared with the corresponding period last year. Among which, the total sales in wholesale and retail sectors was RMB115.0 billion, representing an increase of 15.2% over last year.

In 2011, the realized aggregate output of the Zhuang Autonomous Region of Guangxi amounted to RMB1,171.4 billion, representing an increase of 12.3% as compared with the corresponding period last year; total retail sales of consumer goods reached RMB386.0 billion, representing an increase of 18.0% as compared with the corresponding period last year. In 2011, the realized aggregate output of Nanning City amounted to RMB220.0 billion, representing an increase of 13.5% as compared with the corresponding period last year. The total realized retail sales of consumer goods of Nanning City amounted to RMB107.3 billion, representing an increase of 18.4% as compared with the corresponding period last year.

In 2011, the realized aggregate output of the Yunnan amounted to RMB875.0 billion, representing an increase of 13.7% as compared with the corresponding period last year; total retail sales of consumer goods reached RMB300.0 billion, representing an increase of 20.0% as compared with the corresponding period last year. This was higher than the average of the country by 2.9%. Local residents spending index up by 4.9% cumulatively, down by 0.5% over the country.

All in all, the retail industry in China was under good condition in the current economic environment.

(B) Business Review

In the year, the Group has directly operated 18 stores with a total operating gross floor area of approximately 220,000 square meters, principally located in the Guangdong (including Shenzhen, Dongguan and Foshan) and Guangxi province. During the year, the Group has completed reorganization of stores and the disposal of subsidiaries as part of our expenditure reduction measure. Up to 31 December 2011, the Group has directly operated 13 stores with a total operating gross floor area of approximately 170,000 square meters.

– *Achieve the targeted turnover with total sales reach historical high*

The profit of Group has increased gradually to the expected target in the year. The main reason was the strengthening of profit among the major stores. The profitability status of Gongming store has been maintained while substantial increase in profit of Shajing store, Songgang store, Longhua store and Shiyan store after the renovation work in the previous years. Besides, there was overall profit position in the two Guangxi stores. The level of loss making stores has been contained with the improved performance by enhancing efficiency in these stores.

– *Improve the human resources structure and upgrade staff remuneration*

During the year, we have a major reform to upgrade the staff compensation and staff welfare such that to be competitive in the market. In addition, we focus on team building, to reinforce staff structure and reporting system to strengthen manpower development. Within the post, we have provided additional on-the-job training and sufficient working guidance. The direction of work training will start from top to bottom and all staff will be able to understand the post they are working.

– *Implement new online management system to increase working efficiency*

Focus on the existing sales floor information system, we have injected a new office management system to overcome the inadequacy of the existing system. It will optimize the work flow procedure and enhance the working efficiency. The new system has covered up all the stores and subsidiaries of the Group, and provide a good foundation for the three-tier management system.

– *Complete the design work of the new logo to further upgrade our brand recognition*

We have entered into agreement with the designer to open up the preliminary work of new logo design. This will enhance the brand image of our Group. Upon completion of logo registration, we will launch a series of promotion campaign. The new design will be used as the Group brand name promotion, and also assist for the future market development of the Group.

– *Accelerate the market development pace to broaden our market share*

During the year, our Shenzhen main operating subsidiary has undergone assets reorganization to dispose five of our stores to an independent third party. In the meantime, we have increased the competitive advantage and earning power of our main stores. After sufficient market research, we have concluded various rental agreements in the last quarter of the year, including expansion of our location to Baishiqiao of Yulin in Guangxi province and Xinduchang of Kunming in Yunnan province.

– *Optimize the department store management to increase the Group's overall gross profit ratio*

The Group has concentrated on the department store operating management. First, we have strengthened the business invitation competence to import a number of famous brand name to our main stores. Then, we have expanded the department store sales floor area in the main stores to give a fresh image to our customers. This helped increase the sales volume in the department store area and the brand publicity of our department store.

– *Introduce energy saving measures to reduce operation cost*

The Group has completed air-conditioning energy saving works in nine of our stores to lower the operation costs. The prime focus was to change the traditional lightning in both supermarket and department store portion of six of our stores to the energy saving bulbs and tubes. This made the sales environment more attractive. More energy saving setting will be input in our stores and more savings in our operating cost in the future.

– *Expand the direct sourcing to supermarket to lower the purchasing cost*

In 2011, we have increased the direct sourcing to supermarket to 7 more provinces and 25 more categories. The commodity storage and selling time have been extended especially for perishable vegetables. Besides, the scheme has provided a competitive price for our goods. In future, the overall purchasing costs will be further lowered and this will help the competitive advantage of our Group.

– *Improve management work of procurement centre to increase commodity turnover rate*

The running of procurement centre was going smooth with the improvement in internal management system. With the co-operation of various aspects, the procurement centre has been functioning properly with the sales needs. It started to operate on its own account and has gained minimal profit in the year.

(C) Outlook

Looking forward, China's economy will keep on the growing in a fast speed. China is still categorized as a developing country, there will be continuous economic activity such as urbanization, industrialization and marketization in the country. Property upgrade, facilities reinstallation will make the economic growth stable. It will continue to implement positive fiscal and monetary policy, accelerate the Macro-economic adjustment, introduce structural tax reduction policy, and expand resource input to the livelihood to boost economic structural change. As the GDP of both city residents and rural residents will grow steadily, the sales of consumer goods will grow as well. The government is finding ways to stimulate spending through executive policy, changing the liquidity structure in rural area, introduce modern way of liquidity and improve the spending environment.

The Directors believe that both opportunities and challenges await ahead, and the retailing industry will compete and develop in a more better and fair market environment.

For the business development aspect, the Group will keep the concept "reorganize the internal resources and develop the retailing business", to strengthen the management, reiterate the competitive strength, upgrade the brand image. The Group will base on Shenzhen, extending beyond the Guangdong province. The economic zone of China, including Guangxi, Yunnan and Hunan, will be our future development areas.

SUBSEQUENT EVENTS

– On 9 January 2012, the Group agreed to acquire a property from JH Real Estate, a connected party, for a consideration of RMB270 million. The transaction has been approved by the independent shareholders of the Company at the extraordinary general meeting held on 12 March 2012.

– The Group entered into a lease agreement with the landlord to lease a property in Yulin Guangxi which is scheduled to be delivered to the Group on 1 January 2012 and the lease term is 15 years.

– The Group entered into another lease agreement with the landlord to lease a property in Kunming Yunnan which is scheduled to be delivered to the Group on 1 August 2012 and the lease term is 12 years.

– The Group has closed down two loss-making stores in February 2012. Impairment losses of certain of the property, plant and equipment which cannot be used by other stores have been provided and charged to the other operating expenses for the year ended 31 December 2011.

DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2011 of RMB2.82 cents per ordinary share. This proposal is subject to shareholders' approval at the annual general meeting to be held on 21 May 2012, Monday. The proposed final dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the middle rate published by the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 28 March 2012.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieve a high standard of corporate governance practice, such that the interests of our shareholders, customers, employees as well as the long term development of the Company can be safeguarded. To this end, the Company has established the Board of Directors (the "Board"), audit committee ("Audit Committee"), remuneration committee ("Remuneration Committee") and nomination committee ("Nomination Committee") ensuring that we are up to the requirements as being diligent, accountable and professional.

The Company has adopted the Code of the Stock Exchange. In the opinion of the Board, the Company had complied with all the code provision of the Code set out in Appendix 14 to the Listing Rules for the year ended 31 December 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The Board of the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model 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 enquiry made with all Directors, the Company has confirmed that all Directors had been in compliance with the required standard mentioned above for the year ended 31 December 2011.

ANNUAL GENERAL MEETING

The 2011 Annual General Meeting of the Company will be held on 21 May 2012, Monday and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 May 2012 to 21 May 2012, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the attendance and voting at the annual general meeting on 21 May 2012, Monday, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 17 May 2012, Thursday.

The register of members will be closed on 25 May 2012, Friday, during which no transfer of Shares can be registered. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24 May 2012, Thursday. Dividend warrants will be dispatched on 8 June 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

An Audit Committee was established by the Company on 30 April 2007 with specific written terms of reference which set out clearly its authority and duties. The Audit Committee currently comprises three Independent Non-executive Directors of the Company, namely, Mr. Chin Kam Cheung (Chairman of the committee), Dr. Guo Zheng Lin and Mr. Ai Ji, is responsible for reviewing and providing supervision on the Group's financial reporting process and internal control systems. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the auditing, internal control and financial reporting aspects of the Company including the review of the annual results of the Company for the year ended 31 December 2011.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company on 30 April 2007 with specific written terms of reference which set out clearly its authority and duties. The Remuneration Committee currently comprises one Executive Directors, namely, Mr. Zhuang Pei Zhong, three Independent Non-executive Directors, namely, Mr. Chin Kam Cheung, Dr. Guo Zheng Lin (Chairman of the Committee) and Mr. Ai Ji, is responsible for advising the Board on the remuneration policy and framework and determining the remuneration packages of Directors and senior management with reference to the Company's objectives from time to time.

NOMINATION COMMITTEE

A Nomination Committee was established by the Company on 30 April 2007 with specific written terms of reference which set out clearly its authority and duties. The Nomination Committee currently comprises one Executive Directors, namely, Mr. Gu Wei Ming (Chairman of the Committee), three Independent Non-executive Directors, namely, Mr. Chin Kam Cheung, Dr. Guo Zheng Lin and Mr. Ai Ji, is responsible for making recommendations to the Board on appointment of Directors and management of the succession of the Board. Mr. Ai Ji will act as the Chairman of the Committee and Mr. Gu Wei Ming will continue to be member of the Committee with effect from 1 April 2012.

REVIEW OF FINANCIAL STATEMENTS

A meeting of the audit committee was held to review the Group's annual results for the year ended 31 December 2011 before they presented the same to the board of directors of the Company for approval. The audit committee has reviewed with the senior management of the Company the accounting principles and practice adopted by the Group, discussed auditing, financial reporting matters and has reviewed the annual results for the year ended 31 December 2011 before they presented the same to the board of directors of the Company for approval.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report of the Company for the year ended 31 December 2011 containing all information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange and dispatched to shareholders in due course.

ACKNOWLEDGMENT

On behalf of the Board, I would like to take this opportunity to express our gratitude to the Board, management, our staff and relevant professional parties for their contribution and dedication.

By Order of the Board
Jiahua Stores Holdings Limited
Zhuang Lu Kun
Chairman

Shenzhen, the PRC, 28 March 2012

As at the date of this announcement, (a) the executive Directors are Mr. Zhuang Lu Kun, Mr. Zhuang Pei Zhong, Mr. Gu Wei Ming and Mr. Zhuang Xiao Xiong; (b) the independent non-executive Directors are Mr. Chin Kam Cheung, Dr. Guo Zheng Lin and Mr. Ai Ji.