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 2012

FINANCIAL HIGHLIGHTS

Revenue increased by 6.6% to approximately RMB835.4 million

Gross profit increased by 13.4% to approximately RMB119.9 million

Profit for the year attributable to the owners of the Company amounted to approximately RMB72.3million

Basic earnings per share was approximately RMB6.97 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 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	4	**835,354**	783,773
Cost of inventories sold		**(565,700)**	(532,285)
		269,654	251,488
Other operating income	5	**70,377**	92,469
Increase in fair value of investment properties		**31,450**	–
Selling and distribution costs		**(231,341)**	(230,954)
Administrative expenses		**(38,052)**	(31,727)
Other operating expenses		**(3,036)**	(3,827)
Finance cost	6	**(1,114)**	–
Profit before income tax	7	**97,938**	77,449
Income tax expense	8	**(25,650)**	(18,962)
Profit for the year		**72,288**	58,487
Total comprehensive income for the year		**72,288**	58,487
Dividends	9	**29,258**	29,257
Earnings per share for profit attributable to the owners of the Company during the year	10		
– Basic (RMB cents)		**6.97**	5.64
– Diluted (RMB cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**90,277**	76,893
Investment properties		**222,000**	–
Prepaid land lease		**21,035**	–
Deposits paid and prepayments		**13,792**	17,712
		347,104	94,605
Current assets			
Inventories and consumables	*11*	**108,619**	115,606
Trade receivables	*12*	**1,813**	2,905
Deposits paid, prepayments and other receivables		**52,967**	100,124
Pledged bank deposits		**104,826**	–
Cash and bank balances		**316,426**	413,402
		584,651	632,037
Current liabilities			
Trade payables	*13*	**225,908**	212,779
Coupon liabilities, deposits received, other payables and accruals		**59,007**	63,277
Promissory note payable	*14*	**48,730**	–
Bank borrowing, secured	*15*	**100,000**	–
Amount due to a director		**59**	–
Provision for tax		**5,344**	8,772
		439,048	284,828

		As at 31 December	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
Net current assets		**145,603**	347,209
Total assets less current liabilities		**492,707**	441,814
Non-current liabilities			
Deferred tax liabilities		**7,862**	–
Net assets		**484,845**	441,814
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*16*	**10,125**	10,125
Reserves		**474,720**	431,689
Total equity		**484,845**	441,814

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, the Cayman Islands and Level 4, Jiahua Ming Yuan, Xinhu Road, 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 operation and 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 investment properties and 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 2012

During the year, the Group has adopted all the amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these amended HKFRSs did not result in material changes to the Group's accounting policies.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

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

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

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

4. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**685,612**	637,764
Commissions from concessionaire sales	**109,154**	100,349
Rental income from sub-leasing of shop premises	**40,588**	45,432
Wholesale of consumables	**–**	228
	835,354	783,773

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	
	2012	2011
	RMB'000	*RMB'000*
Interest income	**7,471**	6,696
Net exchange gain	**–**	127
Government grants	**275**	423
Gain on disposal of subsidiaries	**–**	14,350
Income from the management of the stores	**1,403**	1,520
Administration and management fee income from suppliers	**45,726**	46,782
Others	**15,502**	22,571
	70,377	92,469

6. FINANCE COST

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Interest charged on:		
Imputed interest expense on promissory note payable	**1,114**	–
	1,114	–

7. PROFIT BEFORE INCOME TAX

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging:		
Cost of inventories sold recognised as expense	**565,700**	532,285
Auditor's remuneration	**713**	705
Amortisation of intangible asset	**–**	763
Net exchange loss	**388**	–
Depreciation of property, plant and equipment	**41,798**	47,266
Amortisation of prepaid land lease	**163**	–
Loss on disposal of property, plant and equipment	**732**	245
Operating lease rentals in respect of land and buildings	**59,068**	66,342
Obsolete inventories written-off	**256**	199
Inventories loss	**465**	186
Impairment losses on property, plant and equipment*	**–**	1,865
Staff costs, including directors' emoluments		
Salaries and other benefits	**77,135**	64,130
Contributions to pension schemes	**7,554**	6,269
Share-based payment expenditure	**–**	36
	84,689	70,435
and crediting:		
Sub-letting of properties		
– Base rents	**38,077**	39,902
– Contingent rents**	**5,214**	5,530
Gross rental income	**43,291**	45,432
Less: Outgoings	**(10,488)**	(9,940)
Net rental income	**32,803**	35,492

Notes:

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

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

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax – current year	**17,788**	19,062
Deferred tax	**7,862**	(100)
	25,650	18,962

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the year (2011: 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 (2011: 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 rate 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 (2011: 25%).

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Profit before income tax	**97,938**	77,449
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**25,162**	19,510
Tax benefit of a PRC subsidiary	**–**	(785)
Tax effect of non-deductible expenses	**1,929**	1,850
Tax effect of non-taxable income	**(1,891)**	(2,592)
Tax effect of tax loss not recognised	**450**	996
Others	**–**	(17)
Income tax expense	**25,650**	18,962

9. DIVIDENDS

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Final dividend of RMB2.82 cents per ordinary share for the year ended 31 December 2012 (2011: RMB2.82 cents)	**29,258**	29,257

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.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of approximately RMB72,288,000 (2011: approximately RMB58,487,000) and the weighted average number of approximately 1,037,500,002 (2011: 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 2011 and 2012 as the exercise price of the Company's outstanding options were higher than the average market price for the years.

11. INVENTORIES AND CONSUMABLES

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Merchandise for resale	**102,894**	107,615
Low value consumables	**5,725**	7,991
	108,619	115,606

12. 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	
	2012	2011
	RMB'000	*RMB'000*
Within 30 days	**1,533**	1,434
31 – 60 days	**85**	66
61 – 180 days	**–**	1,283
181 – 365 days	**72**	–
Over 1 year	**123**	122
	1,813	2,905

13. 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	
	2012	2011
	RMB'000	*RMB'000*
Within 30 days	**147,421**	153,313
31–60 days	**64,404**	32,927
61–180 days	**7,010**	16,937
181–365 days	**1,279**	3,951
Over 1 year	**5,794**	5,651
	225,908	212,779

14. PROMISSORY NOTE PAYABLE

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

The Consideration was satisfied by cash of approximately RMB196,167,000 and one year interest-free promissory note with a principal amount of approximately RMB50,950,000 (the "PN"), as adjusted pursuant to term and conditions of the acquisition agreement and supplementary agreement. During the year ended 31 December 2012, the PN was issued to JH Real Estate by the Group following the completion of the Acquisition in August 2012. Imputed interest expenses on the PN are calculated using the effective interest method by applying the effective interest rate of 7% per annum, the imputed interest expenses of approximately RMB1,114,000 was debited to the profit or loss of the Group for the year ended 31 December 2012 (note 6).

15. BANK BORROWING, SECURED

	2012 ***RMB'000***	2011 *RMB'000*
Current		
Bank borrowing repayable on demand	**100,000**	–

As at 31 December 2012, the bank borrowing is dominated in United States Dollar ("USD"), secured by the pledge bank deposits of approximately RMB104,826,000 and bear interest of floating rate at 1.25% per annum over the London Interbank Offered Rate and is repayable on demand.

16. SHARE CAPITAL

	2012 **Number of shares** *('000)*	*RMB'000*	**2011** **Number of shares** *('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

17. LITIGATIONS

(a) Guangxi Yulin Store

In July 2011, the Group entered into a lease agreement with Yulin Hongyuan Real Estate Development Limited ("Yulin Hongyuan") pursuant to which the Group would lease from Yulin Hongyuan a property located at No.8 Baishiqiao Road of Yulin, Guangxi, the PRC for setting up a store (the "Yulin Store"). The Group also entered into property management agreements with a related company of Yulin Hongyuan for the Yulin Store in July 2011.

In October 2012, the Group has commenced legal proceedings against Yulin Hongyuan and its related company as Yulin Hongyuan has breached the lease agreement for failing to hand over the property to the Group before the deadline as stipulated in the lease agreement. The Group demanded repayments of the deposits and prepaid rentals and management fees of an aggregate amount of approximately RMB4,173,000 from Yulin Hongyuan and its related company. The Group further claimed a sum of approximately RMB1,669,000, being penalty for breaching the agreements and the costs of the proceedings.

In December 2012, Yulin Hongyuan and the related company have filed counterclaims against the Group for the alleged damage of an aggregate amount of approximately RMB8,466,000 arising from the alleged improper cancellation of the agreements by the Group and the costs of the proceedings.

The directors are of the view that the Group's proceedings against Yulin Hongyuan and its related company are based on valid grounds and therefore, the deposits and prepaid rentals and management fees of an aggregate amount of approximately RMB4,173,000 is fully recoverable. Accordingly, no impairment loss was made in respect of this amount for the year ended 31 December 2012. Moreover, the directors are of the view that the counterclaims are groundless and therefore, no provision for the counterclaims of approximately RMB8,466,000 was made as at 31 December 2012. Furthermore, the directors are of the view that adequate provision for legal fees in relation to the proceedings has been made as at 31 December 2012.

Although the directors are confident in winning the litigations, the Group did not recognise its claim for penalty of approximately RMB1,669,000 as income for the year ended 31 December 2012, as the litigations have not been finalised.

(b) Yunnan Kunming Store

In October 2011, the Group entered into a lease agreement with Yunnan Zhenwan Corporate Management Limited ("Yunnan Zhenwan") pursuant to which the Group would lease from Yunnan Zhenwan a property located at Laohaigeng Road of Xisan District, Kunming, Yunnan, the PRC for setting up a store.

In December 2012, the Group has commenced legal proceedings against Yunnan Zhenwan and two related companies as they failed to hand over the property in condition stipulated in the agreement to the Group before the deadline as stipulated in the agreement. The Group demanded repayments of the deposit paid of approximately RMB529,000 and further claimed a sum of approximately RMB7,784,000 for damage of economic loss arising from the breach of the agreement and the costs of the proceedings.

In February 2013, Yunnan Zhenwan and its related companies have filed counterclaims against the Group for the alleged damage of approximately RMB2,239,000 arising from the alleged improper cancellation of the agreement by the Group and the costs of the proceedings.

The directors are of the view that the Group's proceedings against Yunnan Zhenwan and its related companies are based on valid grounds and therefore, the deposit paid of approximately RMB529,000 is fully recoverable. Accordingly, no impairment loss was made in respect of this amount for the year ended 31 December 2012. Moreover, the directors are of the view that the counterclaim is groundless and therefore, no provision for the counterclaim of approximately RMB2,239,000 was made as at 31 December 2012. Furthermore, the directors are of the view that adequate provision for legal fees in relation to the proceedings has been made as at 31 December 2012.

Although the directors are confident in winning the litigations, the Group did not recognise its claim for damage of approximately RMB7,784,000 as income for the year ended 31 December 2012, as the litigations have not been finalised.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Industry Overview

In 2012, with the weak external economic environment, the high inflation rate and rise in consumer goods caused the total domestic retailing consumer goods have been growing in a slow pace. The GDP of the country maintained a considerable increase of 7.8%. 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 2012, the GDP of the PRC exceeded RMB51 trillion, reaching RMB51,932.2 billion, representing an increase of 7.8% 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 RMB21,016.7 billion, representing an increase of 14.3% as compared with the corresponding period last year, reaching a historical peak.

In 2012, the realized aggregate output of the Guangdong Province exceeded RMB5 trillion to approximately RMB5.7 trillion, representing an increase of 8.2% as compared with the corresponding period last year; The per capita income was approximately RMB54,095, with a growth of 7.4%, or an equivalent of USD8,570. According to the standard set out by the World Bank for classifying income level of a country and region, Guangdong was striding the threshold of the middle to high income group. In 2012, the realized aggregate output of the Shenzhen was approximately RMB1,295.0 billion, with an increase of 10.0%. The economic output maintained its fourth position around the country. Total retail sales of consumer goods amounted to approximately RMB400.8 billion, up by 16.5% as compared with the corresponding period last year. This was higher than the country and province average by 2.2% and 4.5% respectively.

In 2012, the realized aggregate output of the Zhuang Autonomous Region of Guangxi amounted to RMB1,303.1 billion, representing an increase of 11.3% as compared with the corresponding period last year; total retail sales of consumer goods reached RMB447.4 billion, representing an increase of 15.9% as compared with the corresponding period last year. In 2012, the realized aggregate output of Nanning City amounted to RMB250.3 billion, representing an increase of 12.3% as compared with the corresponding period last year. The total realized retail sales of consumer goods of Nanning City amounted to RMB125.5 billion, representing an increase of 17.0% as compared with the corresponding period last year.

In 2012, the realized aggregate output of the Yunnan amounted to RMB1,030.9 billion, representing an increase of 13.0% compared with the corresponding period last year; total retail sales of consumer goods reached RMB354.1 billion, representing an increase of 18.0% as compared with the corresponding period last year.

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 12 stores with a total gross floor area of approximately 160,000 square meters, principally located in the Guangdong (including Shenzhen and Foshan) and Guangxi province. Among which, eleven of them (total gross floor area of approximately 157,000 square meters) are operating as retail stores and one of them was used as leasing purpose. For the eleven retail stores, eight of them are in Shenzhen, one in Foshan and the remaining two in Nanning of Guangxi.

Set up three-tier structure to strengthen internal management

During the period, the Group has completed the set up of three-tier management structure (including headquarter, subsidiaries and store). The management handbook, the business operating system, and the office automation system (OA system) have been all linked. Upon running of the OA system, there will be improvements in the audit procedures, report generation, message transmission and database management etc. It will provide a solid base for the full automation of office. The three-tier structure will highlight the power and responsibility of the headquarter, the subsidiaries and store and will strengthen the work efficiency.

Enhance human resource system to reinforce manpower management

The Group has put forward a new promotion scheme (including result achievement testing and remuneration package) at the market level to avoid brain drain of existing staff and attract new employees. Besides, we have enhanced the selection process, training, examination and testing of staff. For the staff benefit, the Group has raised concern on staff to organise festival activities, hold staff talk and improve the incentive scheme. In fact, we have launched the first Sports Day this year to strengthen interpersonal relationship of staff and sense of belonging to the Group.

Adjust the floor plan to increase store sales turnover

With the increase of spending quality of consumer, we have upgraded the brand name composition in our main stores, including Shajing, Longhua, Songgang, Gongming and Shiyan etc. Apart from importing overseas brand name, we have reformed the fresh goods counter to bring up customer flow to the store and match up with the department store section.

Promote ways of saving to increase productivity and reduce operating cost

The Group has expanded the saving measure this year. For the staff cost, we have simplified the shift schedule to reduce the number of staff and lower the staff cost. On the administration floor, the paperless office is further expanded with the installation of more computer resource. On the operation, energy saving management is widely used. This saving measure not only enhanced the productivity but also lowered the operation cost.

Accelerate the development plan and purchase self-owned property

The Group has completed the purchase of a commercial property in Shenzhen Baoan under a major transaction early this year. The four floors will be used as the headquarters office and investment property purpose. Apart from evading the interruption caused by fluctuation of market rent and bring about the possible capital gain, the rental income will provide an attractive income source for the Group.

(C) Outlook

Looking ahead of the year 2013, the Chinese government will continue to implement economic growth policy which domestic demand will be dominating the consumption market. The local economy will be developing through switching from industrialization to urbanization, the retailing market will be substantial. The international financial crisis has put pressure on the export demand and created a reversing mechanism, forcing the country to introduce a series of measure to stimulate domestic demand, including motor car subsidy, home appliance replacement in rural economy, utility subsidy etc. to stabilize the market. However, the retail industry has experienced a hardship time with the sustaining increase in rental and human costs which offset the effect of sales growth and the effectiveness of the overall industry. The Chinese retailing enterprises should grasp the two key factors, ie commodity and logistic, to run their business.

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 retail chain 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

The Group did not have any other significant subsequent events subsequent to 31 December 2012.

DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2012 of RMB2.82 cents per ordinary share (inclusive of tax). The total amount of final dividends to be distributed shall be approximately RMB29,258,000, of which dividends paid to non-resident corporate shareholders will be subject to the corporate tax applicable on the PRC sourced income pursuant to the PRC Corporate Income Tax Law and the Regulations on the Implementation of the PRC Corporate Income Tax Law that became effective on 1 January 2008 and the applicable tax rate is 10%. The Company will be responsible for withholding the relevant amount of tax from the dividend payment and the dividends to be received by the non-resident corporate shareholders will be net of withholding tax. This proposal is subject to shareholders' approval at the annual general meeting to be held on 29 May 2013, Wednesday. 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 26 March 2013.

CORPORATE GOVERNANCE

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 Board is of the view that the Company has complied with the code provisions set out in the former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 as contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.7

As all the Independent Non Executive Directors have individual and irregular meeting with our chairman discussing about the operation, we do not have a specific formal meeting this year.

Code Provision A.5.2

As there was no change to the structure, size and composition of the board, we do not have a specific formal meeting this year.

Code Provision A.6.7

All independent non-executive directors were unable to attend the annual general meeting of the Company held on 21 May 2012 due to their unavoidable business engagement.

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 2012.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the Company will be held on 29 May 2013, Wednesday 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 28 May 2013 to 29 May 2013, 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 29 May 2013, Wednesday, 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 27 May 2013, Monday.

The register of members will be closed on 5 June 2013, Wednesday, 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 4 June 2013, Tuesday. Dividend warrants will be dispatched on 18 June 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2012, 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 2012.

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, three Independent Non-executive Directors, namely, Mr. Chin Kam Cheung, Dr. Guo Zheng Lin and Mr. Ai Ji (Chairman of the Committee), is responsible for making recommendations to the Board on appointment of Directors and management of the succession of the Board. Mr. Ai Ji has acted as the Chairman 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 2012 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 2012 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 2012 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, 26 March 2013

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.