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 2013

FINANCIAL HIGHLIGHTS

Revenue increased by 1.3% to approximately RMB846.2 million

Gross profit increased by 1.7% to approximately RMB121.9 million

Profit for the year attributable to the owners of the Company amounted to approximately RMB45.4 million

Basic earnings per share was approximately RMB4.37 cents

Final dividend of RMB2.01 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 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

		Year ended 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**846,155**	835,354
Cost of inventories sold		**(563,690)**	(565,700)
		282,465	269,654
Other operating income	*5*	**62,325**	70,377
Increase in fair value of investment properties	*11*	**10,000**	31,450
Selling and distribution costs		**(233,248)**	(231,341)
Administrative expenses		**(39,177)**	(38,052)
Other operating expenses		**(11,772)**	(3,036)
Operating profit		**70,593**	99,052
Finance cost	*6*	**(3,707)**	(1,114)
Profit before income tax	*7*	**66,886**	97,938
Income tax expense	*8*	**(21,508)**	(25,650)
Profit for the year		**45,378**	72,288
Total comprehensive income for the year		**45,378**	72,288
Dividends	*9*	**20,854**	29,258
Earnings per share for profit attributable to the owners of the Company during the year	*10*		
– Basic (RMB cents)		**4.37**	6.97
– Diluted (RMB cents)		**4.37**	6.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

		As at 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**94,933**	90,277
Investment properties	*11*	**232,000**	222,000
Prepaid land lease		**20,642**	21,035
Deposits paid and prepayments		**7,521**	13,792
		355,096	347,104
Current assets			
Inventories and consumables	*12*	**105,552**	108,619
Trade receivables	*13*	**1,588**	1,813
Deposits paid, prepayments and other receivables		**46,046**	52,967
Pledged bank deposits		**100,000**	104,826
Cash and bank balances		**298,229**	316,426
		551,415	584,651
Current liabilities			
Trade payables	*14*	**224,001**	225,908
Coupon liabilities, deposits received, other payables and accruals		**64,095**	59,007
Promissory note payable		**–**	48,730
Bank borrowing, secured	*15*	**100,000**	100,000
Amount due to a director		**59**	59
Provision for tax		**7,028**	5,344
		395,183	439,048

		As at 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Net current assets		**156,232**	145,603
Total assets less current liabilities		**511,328**	492,707
Non-current liabilities			
Deferred tax liabilities		**10,363**	7,862
Net assets		**500,965**	484,845
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*16*	**10,125**	10,125
Reserves		**490,840**	474,720
Total equity		**500,965**	484,845

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, 2146 Xinhu Road, Baoan Central 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 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 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 2013

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 HKAS 1(Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 1	Government loans

(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	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**685,619**	685,612
Commissions from concessionaire sales	**119,735**	109,154
Rental income from sub-leasing of shop premises	**40,002**	40,588
Rental income from investment properties	**799**	–
	846,155	835,354

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	
	2013	2012
	RMB'000	*RMB'000*
Interest income	**8,978**	7,471
Net exchange gain	**504**	–
Government grants	**51**	275
Income from the management of the stores	**770**	1,403
Administration and management fee income from suppliers	**41,704**	45,726
Others	**10,318**	15,502
	62,325	70,377

6. FINANCE COST

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Interest charged on:		
Imputed interest expense on promissory note payable	**2,215**	1,114
Interest expenses on revolving loan	**1,492**	–
	3,707	1,114

7. PROFIT BEFORE INCOME TAX

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold recognised as expense	**563,690**	565,700
Auditor's remuneration	**808**	713
Net exchange (gain)/loss	**(504)**	388
Depreciation of property, plant and equipment	**35,803**	41,798
Amortisation of prepaid land lease	**393**	163
Loss on disposal of property, plant and equipment*	**880**	732
Operating lease rentals in respect of land and buildings	**57,090**	59,068
Obsolete inventories written-off*	**3,022**	256
Provision for closure cost*	**3,000**	–
Compensation of closure cost*	**2,000**	–
Loss on deregistration of a subsidiary	**51**	–
Inventories loss	**403**	465
Staff costs, including directors' emoluments		
Salaries and other benefits	**80,458**	77,135
Contributions to pension schemes	**9,858**	7,554
	90,316	84,689
and crediting:		
Sub-letting of properties		
– Base rents	**37,594**	38,077
– Contingent rents**	**27,505**	5,214
Gross rental income	**65,099**	43,291
Less: Outgoings	**(14,099)**	(10,488)
Net rental income	**51,000**	32,803

Notes:

* The Group has closed down a loss-making store in July 2013, These amounts include the provision for closure cost, loss on disposal of property, plant and equipment, compensation of closure cost, obsolete inventories written-off of approximately RMB3,000,000, RMB735,000, RMB2,000,000 and RMB2,748,000 respectively.

** 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	
	2013	2012
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**15,193**	17,788
Deferred tax	**2,501**	7,862
PRC withholding income tax	**3,814**	–
	21,508	25,650

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the year (2012: 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 (2012: Nil).

Subsidiaries of the Company established in the PRC were subject to PRC enterprise income tax at the rate of 25% for the year under the income tax rules and regulations of the PRC (2012: 25%).

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**66,886**	97,938
Tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**16,745**	25,162
Tax effect of non-deductible expenses	**2,132**	1,929
Tax effect of non-taxable income	**(1,461)**	(1,891)
Effect of withholding income tax on distributable profits of the PRC subsidiary	**3,814**	–
Tax effect of tax loss not recognised	**278**	450
Income tax expense	**21,508**	25,650

9. DIVIDENDS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Final dividend of RMB2.01 cents per ordinary share for the year ended 31 December 2013 (2012: RMB2.82 cents)	**20,854**	29,258

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 RMB45,378,000 (2012: approximately RMB72,288,000) and the weighted average number of approximately 1,037,500,002 (2012: 1,037,500,002) ordinary shares in issue during the year.

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 years and there were no other potential dilutive ordinary shares in existence during the years.

11. INVESTMENT PROPERTIES

	2013	2012
	RMB'000	*RMB'000*
At beginning of the year	**222,000**	–
Additions	**–**	190,550
Increase in fair value of investment properties	**10,000**	31,450
At end of the year	**232,000**	222,000

The investment properties represent various buildings and leasehold land located in the PRC held for generating rental income and the leasehold land will expire in 2066.

12. INVENTORIES AND CONSUMABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Merchandise for resale	**100,666**	102,894
Low value consumables	**4,886**	5,725
	105,552	108,619

13. 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	
	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**1,389**	1,533
31–60 days	**76**	85
61–180 days	**–**	–
181–365 days	**–**	72
Over 1 year	**123**	123
	1,588	1,813

14. 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	
	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**118,688**	147,421
31–60 days	**59,387**	64,404
61–180 days	**33,725**	7,010
181–365 days	**6,903**	1,279
Over 1 year	**5,298**	5,794
	224,001	225,908

15. BANK BORROWING, SECURED

	2013	2012
	RMB'000	*RMB'000*
Current		
Bank borrowing repayable on demand	**100,000**	100,000

As at 31 December 2013, the bank borrowing is dominated in United States Dollar ("USD"), secured by the pledge bank deposits of approximately RMB100,000,000 and bear interest of floating rate at 1% per annum over the London Interbank Offered Rate and is repayable on demand.

16. SHARE CAPITAL

	2013 Number of shares ('000)	2013 RMB'000	2012 Number of shares ('000)	2012 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 cancelation of the agreements by the Group and the costs of the proceedings.

In July 2013, the court has announced its judgement that the Group was required to bear the alleged damage to Yulin Hongyuan with a total of approximately RMB3,510,000; Yulin Hongyuan was required to return the prepaid rent and deposit to the Group of RMB1,407,000 and RMB938,000 respectively; the Group was required to bear partial court processing fee of RMB25,000. In August 2013, the Group and Yulin Hongyuan have lodged appeal against the decision by the court separately.

In October 2013, the court has announced its judgement that the Group was required to bear the alleged damage to the related company of Yulin Hongyuan with a total of approximately RMB678,000; the related company of Yulin Hongyuan was required to return the prepaid rent and deposit to the Group of RMB1,097,000 and RMB731,000 respectively; the Group was required to bear the partial court processing fee of RMB12,000. In December 2013, the Group has lodged appeal against the decision by the court.

In March 2014, the court has subsequently cancelled its previous judgements as stated above and the legal proceedings will be processed again by the court.

The directors are of the view that the counterclaims of alleged damage granted by the court of RMB3,510,000 and RMB678,000 (i.e. a total of RMB4,188,000) are groundless on the basis of the legal opinion obtained from the Group's legal advisor. Therefore, no provision for the counterclaims of RMB4,188,000 was made as at 31 December 2013. 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 2013.

(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 counterclaim 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.

In November 2013, the court has announced its judgement that Yunnan Zhenwan and its related companies were required to refund the rental deposit of approximately RMB529,000, and compensate the Group for the decoration fee on leasehold improvement of approximately RMB1,106,000 plus a refund of decoration deposit of approximately RMB30,000. On the other hand, the Group was required to compensate Yunnan Zhenwan and its related companies for the amount of approximately RMB61,000.

The directors are of the view that based on the court's judgement, no impairment of deposit and no provision is considered necessary for the litigation. The Group did not recognise the compensation from Yunnan Zhenwan of approximately RMB1,106,000 as income as the amount has not been realised. 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 2013.

(c) Shatoujiao Store

In April 2005, the Group entered into a lease agreement with Shenzhen Rongjin Industrial Group Limited ("Shenzhen Rongjin") pursuant to which the Group would lease from Shenzhen Rongjin a property located at Shayan Road, Yantian District, Shenzhen, the PRC for the operation of a store (the "Shatoujiao Store"). In June 2011, the Group entered into another lease agreement with McDonald's Restaurants (Shenzhen) Limited ("McDonald's") to sub-lease part of its store.

In July 2013, the Group sent a letter to inform Shenzhen Rongjin and McDonald's regarding its early termination of the lease agreements effective in October 2013.

In October 2013, McDonald's has commenced legal proceeding against the Group for its early termination of the lease agreement. The Group had reached a settlement agreement with McDonald's for which Shenzhen Rongjin is willing to lease the property directly to McDonald's which is currently occupied by McDonald's provided that the Group is willing to pay a total of RMB2 million to Shenzhen Rongjin as a compensation. The Group paid RMB2 million to Shenzhen Rongjin in November 2013.

In December 2013, Shenzhen Rongjin has commenced legal proceedings against the Group for its early termination of the lease agreement. Shenzhen Rongjin demanded the forfeiture of the rental deposits of approximately RMB1,222,100 paid by the Group to Shenzhen Rongjin and further claimed the Group for the compensation of approximately RMB66,505,000. As per the directors, the Group will file the counterclaims again Shenzhen Rongjin as the directors are of the view that the claim from Shenzhen Rongjin for the compensation is groundless.

The directors considered that the Group has the right to early terminate the lease agreement according to the terms of the lease agreement as Shatoujiao Store has incurred operating loss of more than 12 months and therefore, the directors considered that the provision of RMB3,000,000 as at 31 December 2013 is adequate which is based on the best estimate of potential compensation. 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 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Industry Review

In 2013, the GDP of Guangdong province amounted to approximately RMB6,220 billion, representing an increase of 8.5%, this revealed stable running, with economy continuing to grow and economy structure continuing to optimize, of the province. The consumer goods market attained accumulated retail spending of approximately RMB2,540 billion, a growth of 12.2% with 1.5% increase compared with last year. As the economy centre of Guangdong province, the economic size of Shenzhen was expanding. According to statistics, the GDP of the Shenzhen amounted to approximately RMB1,450 billion, an increase of 10.5% year-on-year with 0.5% increase over last year. This level was 2.8% and 2.0% higher than that of the country and province accordingly. The consumable goods market was continuing to grow, achieving total retail amount of approximately RMB443.3 billion, a growth of 10.6%.

With the rise of e-business and the overall slow-down of international economic condition, the traditional retail industry was adversely affected. Despite facing the various challenges, the overall net profit was still 2.5%. The domestic retail giants, who emphasize on innovation, product mix and display, mobile online sales, alliance with other participators, and customer loyalty etc, have obtained good return this year.

The Group has actively adjusted the operating strategy with a series of modification, thus the overall result can be maintained. As the operating costs, especially the labour cost, reached the historical high, the Group needed to simplify the operating procedure to reduce outlay, prioritize sales sequence of commodity, launch bargain sales, and organize sales promotion etc to keep the overall result stable this year.

(B) Business Review

At the end of the year, the Group has directly operated 12 stores (Shataojiao store has been closed on mid July 2013) 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 is used for leasing purpose. For the eleven retail stores, eight of them are in Shenzhen, one in Foshan and the remaining two in Nanning of Guangxi. On the other hand, the Group has acquired the property of Jiahua Ming Yuan last year. Except for one floor being used as our own office, the other three commercial floors are for leasing purpose which rental income has started to be received from this year onward.

– *Strengthen the operation safety management to protect human and property capital*

With the occurrence of various disastrous fire accidents domestically, we have increasingly conducted fire drill to minimize the operation loss. In addition, we have carried out more periodic check on the store power generating equipment and ventilation facilities to avoid hazard brought by aging and pest threat. There was investment of RMB3.5 million in Shajing store this year. On the other hand, there was food safety program this year. By this, extensive food test, source check and deep investigation to customer complaint were conducted to minimize the occurrence of food safety accident.

– *Strengthen operation management to uplift shopping experience*

During the year, the Group has continued to adjust the concessionaire sales floor by expanding the floor area of concessionaire of Shiyan and Songgang stores. We have imported more well-known brand name and will cover more first tier concessionaire. Besides, the Group started to plan to build up premium supermarket image, by "new, innovative, special, and quality" aspects. Apart from enhancing service and facilities, we have recruited professional management team specialize on product structure and display. Refreshing the sales floor has enhanced the shopper confidence and shopping experience.

– *Manage the loss stores to control operation outlay*

During the year, we have imposed various measures to manage the loss stores. Accordingly, the Shataojiao store has been shut down in July 2013. For other loss stores, we have implemented staff and inventories control, and relocated the store floor usage to suit the local spending habit. These included the one-off leasing of store floor, and introducing kid's corner, billiard room and fitness centre etc. These have increased the return on store area, brought up people flow, and increased the attractiveness of on-site shopping.

– *Build up corporate culture to arouse staff belonging*

With the increasing trend of staff cost, human resource management is the immediate task of the Group. During the year, we have improved the internal promotion process by introducing examination, assessment, interview etc. Through these, the outstanding staff have been rewarded and promoted to upgrade our staff quality. Besides, the Group is eager to enhance the relationship among staff. Accordingly, various in-house activities were organized during the year including the sports day, trips aboard, skill competition, birthday activity, speech day, annual dinner, celebration feast, and topic talk etc to enhance interpersonal relationship among staff and to promote a sense of belonging to the Company.

– *Innovate business strategy to meet the market need*

E-shopping has become a part of the retail industry after the rapid development of internet. All of our stores are located at the second and third tier cities which serve the local community. The Group has commenced the online sales in previous year to catch up with the trend. During the year, we have further developed other e-shopping and advertising mode, like Wechat, Weibo, QR-code, and setting up e-shop. Through these new shopping methods, we hope to keep our market share.

– *Rental income from self-own property to increase return on capital*

For the commercial property of Jiahua Ming Yuan acquired last year, three of the floors were intended to be used for leasing purpose. During the year, more new tenants have been found and some of them have started their tenancies and paid rental income to the Group. At the end of the year, the Group also sub-leased part of the office floor to a connected party to earn rental income. Among the portion of property for leasing purpose, the lease out ratio has reached 90%. Besides, the investment property has generated a fair value increase of approximately RMB31,500,000 in last year. It is expected that there will be additional fair value increase this year, which is helpful to the profit or loss account of the Group.

(C) Outlook

Looking forward to 2014, the retail industry will still facing the change of spending structure and spending pattern of the consumer, rapid increase in cost, and the competition from e-business. The market will be divided into two main camps. Although the traditional retailing will still be the market leader, but the profit margin will decline due to the destructive competition and attack of e-business. Despite these factors, the Group will well prepare for the switch of business model and strengthen the value add services to response to the challenge of the e-business. On the other hand, the Group will enhance the business of fresh food which is our core competitive strength to attract customers, and increase our operation efficiency by reducing staff number and operating costs.

SUBSEQUENT EVENTS

The Group did not have any other significant subsequent events subsequent to 31 December 2013.

DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2013 of RMB2.01 cents per ordinary share (inclusive of tax). The total amount of final dividends to be distributed shall be approximately RMB20,854,000, 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 28 May 2014, 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 27 March 2014.

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 Corporate Governance Code during the year ended 31 December 2013 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.

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 2013.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company will be held on 28 May 2014, 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.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 31 March 2014, the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited (the "Branch Share Registrar"), will change its address from 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong to:

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 28 May 2014, the register of members of the Company will be closed from 27 May 2014 to 28 May 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration no later than 4:30 p.m. on 26 May 2014.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2013 (subject to approval by the shareholders at the annual general meeting), the register of members of the Company will be closed from 4 June 2014 to 5 June 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for the above proposed final dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) for registration no later than 4:30 p.m. on 3 June 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2013, 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), Mr. Sun Ju Yi 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 2013.

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, Mr. Sun Ju Yi (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, Mr. Sun Ju Yi 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.

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 2013 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 2013 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 2013 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, 27 March 2014

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, Mr. Sun Ju Yi and Mr. Ai Ji.