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 2014

FINANCIAL HIGHLIGHTS

Revenue decreased by 2.9% to approximately RMB821.2 million

Gross profit margin decreased by 17.3% to approximately RMB100.9 million

Profit for the year attributable to the owners of the Company amounted to approximately RMB58.7 million

Basic earnings per share was approximately RMB5.65 cents

Proposed final dividend of RMB2.04 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 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**821,249**	846,155
Cost of inventories sold		**(556,965)**	(563,690)
		264,284	282,465
Other operating income	*5*	**74,949**	62,325
Increase in fair value of investment properties	*11*	**7,000**	10,000
Selling and distribution costs		**(213,675)**	(233,248)
Administrative expenses		**(42,222)**	(39,177)
Other operating expenses		**(10,317)**	(11,772)
Share of loss of an associate		**(2,009)**	–
Operating profit		**78,010**	70,593
Finance cost	*6*	**(1,238)**	(3,707)
Profit before income tax	*7*	**76,772**	66,886
Income tax expense	*8*	**(18,116)**	(21,508)
Profit for the year		**58,656**	45,378
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Revaluation gain upon transfer of owner occupied land and building to investment properties		**574**	–
Deferred tax		**(143)**	–
Other comprehensive income for the year, net of tax		**431**	–
Total comprehensive income for the year		**59,087**	45,378
Dividends	*9*	**21,165**	20,854
Earnings per share for profit attributable to the owners of the Company during the year	*10*		
– Basic (RMB cents)		**5.65**	4.37
– Diluted (RMB cents)		**5.65**	4.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		As at 31 December	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**79,464**	94,933
Investment properties	*11*	**257,000**	232,000
Prepaid land lease		**13,445**	20,642
Deposits paid		**8,374**	7,521
Interests in an associate		**1,591**	–
		359,874	355,096
Current assets			
Inventories and consumables	*12*	**83,274**	105,552
Trade receivables	*13*	**4,924**	1,588
Deposits paid, prepayments and other receivables		**60,821**	46,046
Pledged bank deposits		**100,000**	100,000
Cash and bank balances		**321,703**	298,229
		570,722	551,415
Current liabilities			
Trade payables	*14*	**210,375**	224,001
Coupon liabilities, deposits received, other payables and accruals		**58,827**	64,095
Bank borrowing, secured	*15*	**100,000**	100,000
Amount due to a director		**59**	59
Provision for tax		**9,881**	7,028
		379,142	395,183

		As at 31 December	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Net current assets		**191,580**	156,232
Total assets less current liabilities		**551,454**	511,328
Non-current liabilities			
Deferred tax liabilities		**12,256**	10,363
Net assets		**539,198**	500,965
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY			
Share capital	*16*	**10,125**	10,125
Reserves		**529,073**	490,840
Total equity		**539,198**	500,965

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 it'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 REVISED STANDARDS

(a) Adoption of new/revised HKFRSs – effective 1 January 2014

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities

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

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

For the new/revised 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 revised 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.

(c) **New Companies Ordinance provisions relating to the preparation of financial statements**

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors of the Company consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. For example, there will be no requirement to include a statement of financial position of the Company and related notes, and statutory disclosures will be simplified.

4. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**628,619**	685,619
Commissions from concessionaire sales	**114,142**	119,735
Rental income from sub-leasing of shop premises	**40,806**	40,002
Rental income from investment properties	**8,448**	799
Wholesale of consumables	**29,234**	–
	821,249	846,155

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	
	2014	2013
	RMB'000	*RMB'000*
Interest income	**9,524**	8,978
Net exchange gain	**325**	504
Government grants	**2,477**	51
Income from the management of the stores	**–**	770
Administration and management fee income from suppliers	**41,526**	41,704
Others	**21,097**	10,318
	74,949	62,325

6. FINANCE COST

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Interest charged on:		
Imputed interest expense on promissory note payable	**–**	2,215
Interest expenses on revolving loan	**1,238**	1,492
	1,238	3,707

7. PROFIT BEFORE INCOME TAX

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging:		
Cost of inventories sold recognised as expense	**556,965**	563,690
Auditor's remuneration	**851**	808
Depreciation of property, plant and equipment	**31,033**	35,803
Amortisation of prepaid land lease	**261**	393
Loss on disposal of property, plant and equipment*	**199**	880
Operating lease rentals in respect of land and buildings	**51,442**	57,090
Obsolete inventories written-off*	**217**	3,022
Provision for closure cost*	**–**	3,000
Compensation of closure cost*	**–**	2,000
Loss on deregistration of a subsidiary	**–**	51
Inventories loss	**393**	403
Staff costs, including directors' emoluments		
Salaries and other benefits	**77,925**	80,458
Contributions to pension schemes	**9,400**	9,858
	87,325	90,316
and crediting:		
Net exchange gain	**325**	504
Rental income from investment properties	**8,448**	799
Sub-letting of properties		
– Base rents	**36,735**	35,850
– Contingent rents**	**4,071**	4,152
	40,806	40,002
Total gross rental income	**49,254**	40,801
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**(26)**	(12)
Less: Direct operating expenses arising from investment properties that did not generate rental income during the year	**–**	(161)
Less: Outgoings of sub-letting of properties	**(12,761)**	(13,926)
Net rental income	**36,467**	26,702

Notes:

* The Group has closed down a loss-making store in July 2013. These amounts were costs relating to this closure charged for the year ended 31 December 2013.

** 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	
	2014	2013
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax	**14,952**	15,193
PRC withholding income tax	**1,414**	3,814
Deferred tax	**1,750**	2,501
	18,116	21,508

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the year (2013: 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 (2013: 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 (2013: 25%).

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

9. DIVIDENDS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Proposed final dividend of RMB2.04 cents per ordinary share for the year ended 31 December 2014 (2013: RMB2.01 cents)	**21,165**	20,854

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 RMB58,656,000 (2013: approximately RMB45,378,000) and the weighted average number of approximately 1,037,500,002 (2013: 1,037,500,002) ordinary shares in issue during the year.

Diluted earnings per share were the 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

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
At beginning of the year	**232,000**	222,000
Transfer from property, plant and equipment	**10,490**	–
Transfer from prepaid land lease	**6,936**	–
Revaluation gain upon transfer of property, plant and equipment and prepaid land lease to investment properties	**574**	–
Increase in fair value of investment properties	**7,000**	10,000
At end of the year	**257,000**	232,000

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	
	2014	2013
	RMB'000	*RMB'000*
Merchandise for resale	**78,843**	100,666
Low value consumables	**4,431**	4,886
	83,274	105,552

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	
	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**4,633**	1,389
31–60 days	**186**	76
61–180 days	**104**	–
181–365 days	**–**	–
Over 1 year	**1**	123
	4,924	1,588

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	
	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**117,663**	118,688
31–60 days	**60,868**	59,387
61–180 days	**19,957**	33,725
181–365 days	**3,704**	6,903
Over 1 year	**8,183**	5,298
	210,375	224,001

15. BANK BORROWING, SECURED

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current		
Bank borrowing repayable on demand	**100,000**	100,000

As at 31 December 2014, 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

	2014		2013	
	Number of shares		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

17. LITIGATIONS

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, 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.

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 management fee 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 in July 2013 as stated above and the legal proceedings will be processed again by the court.

In July 2014, 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 RMB60,000; the related company of Yulin Hongyuan was required to return the prepaid management fee 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 RMB16,000. In August 2014, the Group has lodged application for compulsory execution of the decision by the court.

In August 2014, the court has announced its judgement that the Group was required to bear the alleged damage and rental loss compensation to Yulin Hongyuan with a total of approximately RMB1,754,000 and RMB2,815,000 respectively; Yulin Hongyuan was required to return the rental deposit to the Group of RMB938,000; the Group was required to bear partial court processing fee of RMB38,000. In November 2014, the Group has lodged appeal against the decision by the court.

The directors are of the view that the counterclaims of alleged damage and rental loss compensation granted by the court of RMB1,814,000 and RMB2,815,000, respectively (i.e. a total of RMB4,629,000) are groundless on the basis of the legal opinion obtained from the Group's legal advisor. Therefore, no provision for the counterclaims of RMB4,629,000 was made as at 31 December 2014. 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 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Industry Review

The development pace of China economy has been slowed down. With the complex conditions both internally and externally, the country has adopted a series of control policies to pioneer the market, making the economy progressively stable and the development pace normal. But constraint by the internal structural problems, the upward economic dynamic is still uncertain. The domestic economic condition has resumed to a stable period.

According to the China Statistic Bureau, the GDP of the PRC amounted to approximately RMB63,600 billion, representing an increase of 7.4% over last year. Total retail sales of consumer goods amounted to approximately RMB26,200 billion, representing an increase of 12.0% as compared with the corresponding period last year. Among it, the consumable goods retailing of above threshold limit entity amounted to approximately RMB13,300 billion, representing an increase of 9.3% over last year. Consumable goods retailing in town amounted to approximately RMB22,600 billion, representing an increase of 11.8% over last year. By spending pattern, commodity retailing amounted to approximately RMB23,400 billion, up by 12.2%. The annual per capita income amounted to RMB20,000. Among it, the annual per capita income in town amounted to RMB29,000, increased by 9.0% and the rise of wage related portion increased by 9.7% as compared with last year.

China is undergoing economic consolidation decade. The inward elastic demand of the PRC will be frozen, and the adjustment and change to economic structure will be slowed down. It is expected that the overall rate of increase of GDP will achieve 7% in next year.

(B) Business Review

During the year, the Group has directly operated 11 stores with a total gross floor area of approximately 149,000 square meters, principally located in the Guangdong (including Shenzhen and Foshan) and Guangxi province. Among which, ten of them (total gross floor area of approximately 146,000 square meters) are operating as retail stores and one of them is used for leasing purpose. For the ten retail stores, seven of them are in Shenzhen, one in Foshan and the remaining two in Nanning of Guangxi. On the other hand, the Group has owned the commercial property of Jiahua Ming Yuan. Except for part of one floor being used as our own headquarters office, the other commercial floors have been fully leased out for rental income purpose.

– *Strengthen the facility safety management to minimize operation risk*

In light of ageing of store facilities, there were numerous safety management meetings held during the year. Most of the problems identified have been fully solved. According to professional advice, independent power supply has been installed for fire control equipment and power distribution plant has been replaced to minimize the risk of fire and loss on sales. Besides, all cooking machine in the sales floor has been changed from gas supplied to electricity supplied, and power distribution network has been modified accordingly. To the end, these changes have not only minimized the occurrence of fire accident and lowered the cost by energy saving, but also contributed to environment protection.

– *Introduce famous brand name with store renovation enhancement*

During the year, various stores have been renovated to upgrade its store image. The enhancement works started at Longhua store. The fashionable appearance acts as the model for other stores and future new shopping arcade. The effect applied to the Gongming and Shajing stores and got excellent result. Featured restaurants and luxury watch sellers have been included in our shop list. For the supermarket portion, delicate store concept has been introduced with new shopping experience and facilities. Added with the stylish exterior appearance, the image and service quality have been upgraded.

– *Build up new logo to create boundless idea*

The existing logo has been used since 1995 and became a local traditional department store name. With the passage of time, this brand image has become obsolete and losing its competitive power, giving an old-fashioned impression to customers. During the year, the Group invited famous Hong Kong designer to build up its new logo with future plan and operation direction injected into it. The lateral view of the new logo is similar to the Arabian figure “one hundred”, meaning full marks for the satisfaction of service provided, the product quality, and the shopping mood of customers. Besides, the shape of the new logo likes the infinity symbol in mathematic, representing the Company’s energy, vigor and charm go beyond limit.

– *Implement new management technique to supplement store enhancement*

During the year, new management technique has been implemented to enhance objectivity and cost saving. Independent third party stock taking professional has been used to increase accuracy of stock counting. Automatic cash register, e-shopping and micro store (weixiaodian) have been set up with various electronic payment method. Specialized business operators are employed in the elite supermarket to improve operation efficiency. In addition, professional security service provider and external IT maintenance vendor are contracted for administration works to enhance service quality and alleviate labour shortage. More importantly, the Group has carried out satisfaction survey from suppliers, staff and customers to obtain message for future improvement and increase operation recognition.

– *Manage loss making stores with by broaden income source and reducing expenditure*

Control measures have been enforced on loss-making stores. On the income side, concessionaire booths in supermarket has been increased, with auxiliary facilities including kid’s land, movie house, local vendors and special concessionaire been introduced. On the outlay side, combined management, increase department store concessionaire vendors and rearrange staffing etc have been used to lower operating costs. All in all, these measures were used to ease the overall burden of the Group.

– *Widen investment horizon to increase assets return*

For the commercial property of Jiahua Ming Yuan, three floors were used for leasing purpose with rental income produced. The Group has also leased a portion of its occupied floor to a related party to earn rental income. There was fair value gain in the investment properties amounting to approximately RMB10 million last year, and there would be additional fair value gain of approximately RMB7 million this year. On the other hand, with the rapid development of internet, the Group has invested into one e-commence entity amounting to approximately RMB3.6 million, and drafted the investment plan with another e-commerce entity during the year. These help to broaden the investment horizon of the Group and provide an opportunity to work with the investee to complement the operating deficiency of the retail business. As such, the market share in the fierce retail industry could be increased.

(C) Outlook

Looking forward to 2015, the retail industry will still facing the challenge from cost pressure and e-business. Although the traditional retailer will still dominate the market, the profit margin will drop with the vicious competition and e-business. Despite this situation, the Group will orient to customer-driven and accelerate the operating management to cope with the shock brought about by the e-business. Apart from this, all stores will be undergone enhancement renovation to bring in new shopping experience to customers. Information platform building will uplift customer profile and satisfaction. On the investment side, the Group will continue to seek appropriate opportunities, broaden operating scope and increase shareholders' return on equity.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014, total revenue of the Group (that is, the aggregate proceeds from sales of goods, commission from concessionaire sales, rental income from sub-leasing of shop premises, rental income from investment properties and wholesale of consumables) was approximately RMB821.2 million, representing a decrease of 2.9% from approximately RMB846.1 million in 2013.

Affected by the increasingly competitive market environment and the closure of Shatoujiao store last year, total sales of goods declined by approximately 8.3% to approximately RMB628.6 million for the year of 2014. Sales margin was approximately 15.8% for the year of 2014, which was worse than the sales margin of approximately 17.8% for the year of 2013.

Commission from concessionaire sales decreased by approximately 4.7% to approximately RMB114.1 million for the year of 2014. The decrease was mainly due to the closure of Shatoujiao store last year. During the year, a subsidiary has commenced business for the wholesale of consumables amounted to approximately RMB29.2 million. Rental income from investment properties increased by approximately 957.3% to approximately RMB8.4 million for the year. The increase was mainly due to full occupancy of the investment properties which earned rental income.

Other operating income

Other operating income of the Group, which mainly comprised of interest income, administration and management fee income from suppliers, government grants and miscellaneous income, amounted to approximately RMB74.9 million in 2014, representing an increase of 20.3% from RMB62.3 million recorded in the year of 2013. This was attributable to the increase in government grants and clearance of overdue account of suppliers.

Cost of inventories sold

Cost of inventories sold represent the sales of goods and wholesale of consumables. In line with the decline of sales of goods, the Group's cost of inventories sold declined to approximately RMB529.3 million for the year ended 31 December 2014, representing a decrease of approximately 6.1% from approximately RMB563.7 million recorded in the year of 2013. Cost of wholesale of consumables started to incur this year.

Increase in fair value of investment properties

Increase in fair value of investment properties decreased from approximately RMB10.0 million for the year ended 31 December 2013, to approximately RMB7.0 million for this year, representing a decrease of approximately 30.0% due to changing condition in real estate market.

Staff costs

The Group's staff costs decreased by 3.3% from approximately RMB90.3 million in 2013 to approximately RMB87.3 million in 2014. The decrease was mainly due to the closure of Shatoujiao store last year.

Depreciation

The Group's depreciation decreased by 13.3% from RMB35.8 million in 2013 to approximately RMB31.0 million in 2014. The drop was primarily due to full amortisation of part of the plant and machinery. Depreciation as a percentage of total revenue of the Group decreased from 4.3% in 2013 to 3.8% in 2014.

Other operating expenses

Other operating expenses consisted mainly of compensation payment to landlord for the early termination of Shatoujiao store. Compensation payment increased by 80.0% from approximately RMB5.0 million in 2013 to approximately RMB9.0 million in 2014.

Share of loss of an associates

The share of loss of an associate for year ended 31 December 2014 amounted to approximately RMB2.0 million representing the Group's share of results of its equity interests in Shenzhen Egoos Mobile Internet Limited acquired during the year.

Finance cost

For the year ended 31 December 2014, finance cost of the Group amounted to approximately RMB1.2 million, representing a decrease of 66.6% from approximately RMB3.7 million recorded in 2013 due to the absence of promissory note interest this year.

Income tax expense

The Group's income tax expense decreased by 15.8% from approximately RMB21.5 million in 2013 to approximately RMB18.1 million in 2014 as the decrease in taxable profit of the Group.

Profit for the year

As a result of the reasons mentioned above, profit for the year ended 31 December 2014 amounted to approximately RMB58.7 million, representing an increase of 29.3% from approximately RMB45.4 million in 2013.

SUBSEQUENT EVENTS

The Group did not have any other significant subsequent events subsequent to 31 December 2014.

DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2014 of RMB2.04 cents per ordinary share (inclusive of tax). The total amount of final dividends to be distributed shall be approximately RMB21,165,000, 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 2015, Thursday. 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 2015. Upon the approval to be obtained from the Annual General Meeting, the final dividend will be payable on 26 June 2015 to the shareholders whose name appears on register of members of the Company at close of business on 5 June 2015.

Risk Management

The activities of the Group expose it to a variety of financial risks, including foreign exchange risk, credit risk, interest rate risk and liquidity risk.

(i) Foreign exchange risk

The Group has operation in the PRC so that the majority of the Group's revenues, expenses and cashflows are denominated in Renminbi (RMB). Assets and liabilities of the Group are mostly denominated in RMB and Hong Kong Dollars (HK$). Any significant exchange rate fluctuations of foreign currencies against RMB may have financial impact to the Group.

For the year ended 31 December 2014, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

(ii) Credit risk

The Group has no significant concentrations of credit risk. Most of the sales transactions were settled in cash basis or by credit card payment. The carrying amount of trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

(iii) Interest rate risk

The Group's exposure to interest rate risk mainly arises on cash and bank balances and bank borrowing. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

(iv) Liquidity risk

The Group's policy is to maintain sufficient cash and bank balances and have available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Employee Information, Remuneration Policies and Share Option Scheme

As at 31 December 2014, the Group had 1,626 full-time employees (year ended 31 December 2013: 1,738). The salaries of the Group's employees were determined by the individual performance, professional qualification, industry experience of the employee and relevant market trends. The management reviews the remuneration policy of the Group on a regular basis and evaluates the working performance of the employees. The remuneration of the employees includes salaries, allowances, year-end bonus, social insurance or mandatory pension etc.

As at 31 December 2014, the number of shares in respect of which options had been granted under the share option scheme (the "Scheme") adopted by the Company and remained outstanding under the Scheme was 73,334 shares (year ended 31 December 2013: 73,334), representing 0.01% (year ended 31 December 2013: 0.01%) of the shares of the Company in issue.

Use of Proceeds from the IPO

The net proceeds raised from the Company's newly issued and listed shares on the Stock Exchange in May 2007 (after deduction of related issuance expenses) amounted to approximately HK$265,000,000. As of 31 December 2014, approximately HK$181,380,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$83,620,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$181,380,000 are set out as follows:

- as to approximately HK$29,000,000 for acquisition of the business of a retail chain in Shenzhen, the PRC;

- as to approximately HK$28,300,000 for opening of new stores in Yanbu Foshan and Ronggui Foshan, the PRC;

- as to approximately HK$8,750,000 for opening of a new store in Nanning Guangxi, the PRC;

- as to approximately HK$4,350,000 for opening of two new stores in Xian Baoan Shenzhen, the PRC;

- as to approximately HK$10,400,000 for opening of a new store in Luohu Shenzhen, the PRC;

- as to approximately HK$15,800,000 for opening of a new store in Buji Shenzhen, the PRC;
- as to approximately HK$14,300,000 for opening of another new store in Nanning Guangxi, the PRC;
- as to approximately HK$9,200,000 for setting up of a procurement centre in Shiyan Shenzhen, the PRC;
- as to approximately HK$7,351,000 for the purchase of transportation equipment;
- as to approximately HK$10,509,000 for the purchase of office equipment;
- as to approximately HK$3,000,000 for the upgrade of the MIS;
- as to approximately HK$725,000 to promote the Company's brand image; and
- as to approximately HK$39,695,000 for the refurbishments of existing retail stores.

The unused proceeds will be used by the Company for the purposes as set out in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 8 May 2007.

Contingent Liabilities

As at 31 December 2014, the Group has no significant contingent liabilities.

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 2014 as contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.6.7 of the Code requires that Independent Non-executive Directors should attend general meeting. Due to other commitments, two Independent Non-executive Directors of the Company had not attended the annual general meeting of the Company held on 28 May 2014.

Code provision E.1.2 of the Code requires that the chairman of the board should attend the annual general meeting. Mr. Zhuang Lu Kun, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 28 May 2014 due to his other business engagements.

MODEL CODE FOR 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 2014.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company will be held on 28 May 2015, Thursday 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

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 28 May 2015, the register of members of the Company will be closed from 27 May 2015 to 28 May 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 26 May 2015.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2014 (subject to approval by the shareholders at the annual general meeting), the register of members of the Company will be closed from 4 June 2015 to 5 June 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2014, 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 2014.

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 2014 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 2014 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 2014 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 2015

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.