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 2017

FINANCIAL HIGHLIGHTS

Revenue decreased by 3.9% to approximately RMB700.2 million

Gross profit margin of direct sales of goods except online sales, increased by 3.9% to approximately RMB90.8 million.

Profit for the year attributable to the owners of the Company amounted to approximately RMB33.2 million

Basic earnings per share was approximately RMB3.20 cents

Proposed final dividend of RMB1.91 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 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**700,183**	728,903
Cost of inventories sold		**(421,461)**	(468,950)
		278,722	259,953
Other operating income	*6*	**63,272**	69,992
Increase in fair value of investment properties	*11*	**20,100**	10,600
Selling and distribution costs		**(230,879)**	(216,943)
Administrative expenses		**(61,879)**	(54,047)
Other operating expenses		**(9,472)**	(4,911)
Operating profit	*7*	**59,864**	64,644
Share of loss of an associate		**–**	(116)
Profit before income tax		**59,864**	64,528
Income tax expense	*8*	**(26,665)**	(23,393)
Profit and other comprehensive income for the year		**33,199**	41,135
Profit and other comprehensive income for the year attributable to:			
– Owners of the Company		**33,199**	41,306
– Non-controlling interest		**–**	(171)
		33,199	41,135
Earnings per share for profit attributable to the owners of the Company during the year			
– Basic and diluted (RMB cents)	*10*	**3.20**	3.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**171,127**	113,134
Investment properties	*11*	**290,800**	270,700
Prepaid land lease		**12,662**	12,923
Intangible assets		**6,369**	11,498
Deposits paid and prepayments		**19,517**	6,141
Interests in an associate		**–**	–
Available-for-sale financial assets		**3,235**	6,752
		503,710	421,148
Current assets			
Inventories and consumables	*12*	**47,190**	52,821
Trade and loan receivables	*13*	**45,493**	19,768
Deposits paid, prepayments and other receivables		**57,206**	52,966
Cash and bank balances		**288,817**	328,610
		438,706	454,165
Current liabilities			
Trade payables	*14*	**194,499**	192,469
Coupon liabilities, deposits received, other payables and accruals		**111,203**	62,151
Amount due to a director		**59**	59
Provision for taxation		**14,393**	12,392
		320,154	267,071

		As at 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Net current assets		**118,552**	187,094
Total assets less current liabilities		**622,262**	608,242
Non-current liabilities			
Deferred tax liabilities		**22,486**	16,661
Net assets		**599,776**	591,581
EQUITY			
Share capital	*15*	**10,125**	10,125
Reserves		**589,651**	581,456
Total equity		**599,776**	591,581

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 September 2006 as an exempted company with limited liability. The address of its registered office and its 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 and other related businesses, operation of restaurants and provision of factoring services in the PRC.

2. BASIS OF PREPARATION

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"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared on the historical cost basis except for investment properties which are stated at fair values.

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. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. The adoption of the amendments has no material impact on the financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**509,167**	555,206
Commissions from concessionaire sales	**109,525**	110,330
Rental income from sub-leasing of shop premises	**51,581**	51,331
Rental income from investment properties	**10,146**	9,180
Rental income from sub-leasing of a shopping mall	**6,897**	–
Interest income from factoring services	**2,808**	1,843
Sales of food and catering	**10,059**	731
Others	**–**	282
	700,183	728,903

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

5. SEGMENT INFORMATION

On adoption of HKFRS 8 Operating Segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There are three business components/operating segments in the internal reporting to the executive directors, which are operation and management of retail stores and other related businesses, food and catering, and provision of factoring services.

For the year ended 31 December 2017, the Group has identified the reportable segments as (i) operation and management of retail stores and other related businesses; (ii) food and catering; and (iii) provision of factoring services.

For the year ended 31 December 2016, the Group had identified the reportable segments as operation and management of retail stores and other related businesses. Information about other business activities and operating segments (i.e. food and catering, and provision of factoring services) that are not reportable are combined and disclosed in "All other segments" in prior year as the revenue was minimal for that year. Accordingly, certain comparative amounts in segment information have been re-presented to conform to the current year's presentation for better presentation.

	Operation and management of retail stores and other related businesses *RMB'000*	Food and catering *RMB'000*	Provision of factoring services *RMB'000*	Inter-segment elimination *RMB'000*	Consolidated *RMB'000*
Year ended 31 December 2017					
Revenue from external customers	**687,316**	**10,059**	**2,808**	**–**	**700,183**
Inter-segment revenue	**191**	**–**	**–**	**(191)**	**–**
Reportable segment revenue	**687,507**	**10,059**	**2,808**	**(191)**	**700,183**
Segment results	**82,116**	**(16,327)**	**1,986**	**–**	**67,775**
Impairment loss on an available-for-sale financial asset					**(3,484)**
Unallocated corporate income					**692**
Other unallocated corporate expenses					**(5,119)**
Profit before income tax					**59,864**
Income tax expense					**(26,665)**
Profit for the year					**33,199**

	Operation and management of retail stores and other related businesses *RMB'000*	Food and catering *RMB'000*	Provision of factoring services *RMB'000*	Consolidated *RMB'000*
Other segment information				
Interest income	**(5,095)**	**(11)**	**(21)**	**(5,127)**
Additions to non-current assets	**96,873**	**11,767**	**403**	**109,043**
Amortisation of intangible assets	**115**	**4,741**	**–**	**4,856**
Amortisation of prepaid land lease	**261**	**–**	**–**	**261**
Impairment loss on intangible assets	**–**	**1,773**	**–**	**1,773**
Depreciation of property, plant and equipment	**32,601**	**3,066**	**12**	**35,679**
Written-off of property, plant and equipment	**1**	**475**	**–**	**476**
Loss on disposal of property, plant and equipment	**12**	**–**	**–**	**12**
Obsolete inventories written-off	**178**	**–**	**–**	**178**
Inventories loss	**10**	**–**	**–**	**10**
Increase in fair value of investment properties	**(20,100)**	**–**	**–**	**(20,100)**
Provision for a legal claim	**3,159**	**–**	**–**	**3,159**

	Operation and management of retail stores and other related businesses *RMB'000*	Food and catering *RMB'000*	Provision of factoring services *RMB'000*	Consolidated *RMB'000*
At 31 December 2017				
Segment assets	**864,666**	**23,884**	**47,313**	**935,863**
Available-for-sale financial assets				**3,235**
Other unallocated corporate assets				**3,318**
Total assets				**942,416**
Segment liabilities	**300,816**	**3,261**	**258**	**304,335**
Provision for taxation				**14,393**
Deferred tax liabilities				**22,486**
Unallocated corporate liabilities				**1,426**
Total liabilities				**342,640**

	Operation and management of retail stores and other related businesses *RMB'000*	Food and catering *RMB'000* (Re-presented)	Provision of factoring services *RMB'000* (Re-presented)	Consolidated *RMB'000*
Year ended 31 December 2016				
Reportable segment revenue	726,047	1,013	1,843	728,903
Segment results	82,263	(9,741)	1,399	73,921
Impairment loss on an available-for-sale financial asset				(4,081)
Other unallocated corporate expenses				(5,196)
Operating profit				64,644
Share of loss of an associate	(116)	–	–	(116)
Profit before income tax				64,528
Income tax expense				(23,393)
Profit for the year				41,135

	Operation and management of retail stores and other related businesses *RMB'000*	Food and catering *RMB'000* (Re-presented)	Provision of factoring services *RMB'000* (Re-presented)	Consolidated *RMB'000*
Other segment information				
Interest income	(4,930)	(6)	(8)	(4,944)
Additions to non-current assets	34,140	8,858	20	43,018
Amortisation of intangible assets	105	4,547	–	4,652
Amortisation of prepaid land lease	261	–	–	261
Depreciation of property, plant and equipment	30,946	173	1	31,120
Loss on disposal of property, plant and equipment	350	–	–	350
Obsolete inventories written-off	156	–	–	156
Inventories loss	307	–	–	307
Increase in fair value of investment properties	(10,600)	–	–	(10,600)
Provision for a legal claim	60	–	–	60

	Operation and management of retail stores and other related businesses *RMB'000*	Food and catering *RMB'000* (Re-presented)	Provision of factoring services *RMB'000* (Re-presented)	Consolidated *RMB'000*
At 31 December 2016				
Segment assets	827,585	21,688	17,428	866,701
Available-for-sale financial assets				6,752
Other unallocated corporate assets				1,860
Total assets				875,313
Segment liabilities	252,050	1,567	49	253,666
Provision for taxation				12,392
Deferred tax liabilities				16,661
Unallocated corporate liabilities				1,013
Total liabilities				283,732

The PRC is the country of domicile of the Group. The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

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

Information about a major customer

There was no single customer that contributed to 10% or more of the Group's revenue for the years ended 31 December 2016 and 2017.

6. OTHER OPERATING INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest income	**5,127**	4,944
Net exchange gain	**692**	517
Government grants *(Note)*	**1,318**	2,500
Administration and management fee income from suppliers	**42,314**	43,375
Others	**13,821**	18,656
	63,272	69,992

Note: Various local government grants have been granted to two subsidiaries of the Group during the years ended 31 December 2016 and 2017. There were no unfulfilled conditions or contingencies attaching to these government grants.

7. OPERATING PROFIT

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Operating profit is arrived at after charging:		
Cost of inventories sold recognised as expense	**421,461**	468,950
Auditor's remuneration	**1,187**	1,142
Depreciation of property, plant and equipment	**35,679**	31,120
Amortisation of prepaid land lease	**261**	261
Amortisation of intangible assets	**4,856**	4,652
Loss on disposal of property, plant and equipment	**12**	350
Operating lease rentals in respect of land and buildings	**67,851**	53,089
Obsolete inventories written-off	**178**	156
Inventories loss	**10**	307
Impairment loss on an available-for-sale financial asset *(Note(i))*	**3,484**	4,081
Written-off of property, plant and equipment	**476**	–
Impairment loss on an intangible asset *(Note (i))*	**1,773**	–
Provision for legal claims *(Note (i))*	**3,159**	60
Staff costs, including directors' emoluments		
Salaries and other benefits	**88,659**	80,282
Contributions to retirement schemes	**10,494**	9,143
	99,153	89,425
and crediting:		
Net exchange gain	**692**	517
Rental income from investment properties	**10,146**	9,180
Sub-letting of properties		
- Base rents	**54,574**	47,705
- Contingent rents *(Note (ii))*	**3,904**	3,626
	58,478	51,331
Total gross rental income	**68,624**	60,511
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**–**	(29)
Less: Outgoings of sub-letting of properties	**(15,906)**	(18,563)
Net rental income	**52,718**	41,919

Notes:

(i) Impairment loss on an available-for-sale financial asset and an intangible asset, and provision for a legal claims had been included in other operating expenses.

(ii) 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	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**18,040**	16,863
– PRC withholding income tax	**2,800**	2,900
	20,840	19,763
Deferred tax	**5,825**	3,630
	26,665	23,393

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the year (2016: Nil).

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits in Hong Kong for the year (2016: Nil).

For a subsidiary of the Group in Guangxi, its PRC Enterprise Income Tax has been provided at the preferential enterprise income tax rate of 15% (2016: 15%) for the year pursuant to the privilege under the China's Western Development Program.

Other subsidiaries of the Group established in the PRC were mainly subject to PRC Enterprise Income Tax at the rate of 25% (2016: 25%) for the year under the income tax rules and regulations of the PRC.

9. DIVIDENDS

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend for the year ended 31 December 2017 of approximately RMB1.91 cents (2016: RMB2.41 cents) per ordinary share	**19,816**	25,004

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 profits for that year.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB33,199,000 (2016: RMB41,306,000) and the weighted average number of approximately 1,037,500,002 (2016: 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 year ended 31 December 2016 and there were no other potential dilutive ordinary shares in existence during the years. All the outstanding options were lapsed during the year ended 31 December 2016.

11. INVESTMENT PROPERTIES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
At beginning of the year	**270,700**	260,100
Increase in fair value of investment properties	**20,100**	10,600
At end of the year	**290,800**	270,700

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	
	2017	2016
	RMB'000	*RMB'000*
Merchandise for resale	**44,051**	49,944
Low value consumables	**3,139**	2,877
	47,190	52,821

13. TRADE AND LOAN RECEIVABLES

All of the Group's sales are on cash basis except for trade receivables from certain bulk sales of merchandise to corporate customers, rental income receivables from tenants and loan receivables from provision of factoring services. The credit terms offered to the customers from operation and management of retail stores are generally for a period of one to three months, while to customers from factoring services are generally for a period of one to nine months (2016: one to six months). Trade receivables were non-interest-bearing. Loan receivables from provision of factoring services of approximately RMB35,462,000 (2016: RMB16,977,000) which bore interest at rates ranging from 6% to 24% (2016: 6% to 13%) per annum. The aging analysis of the Group's trade and loan receivables, based on invoice dates, is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**8,795**	2,611
31–60 days	**25,027**	2,397
61–180 days	**11,242**	14,667
181–365 days	**282**	53
Over 1 year	**147**	40
	45,493	19,768

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	
	2017	2016
	RMB'000	*RMB'000*
Within 30 days	**105,662**	107,603
31–60 days	**56,804**	57,413
61–180 days	**19,530**	17,610
181–365 days	**4,345**	2,860
Over 1 year	**8,158**	6,983
	194,499	192,469

15. SHARE CAPITAL

	2017 Number of shares ('000)	2017 RMB'000	2016 Number of shares ('000)	2016 RMB'000
Authorised:				
Ordinary shares of Hong Kong Dollars ("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

16. 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, Handan Shengyuan Property Service Limited Company ("Shengyuan") for the Yulin Store in July 2011.

In October 2012, the Group has commenced legal proceedings against Yulin Hongyuan and Shengyuan 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 Shengyuan. 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 Shengyuan 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 approximately RMB1,407,000 and RMB938,000 respectively; the Group was required to bear partial court processing fee of approximately 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 Shengyuan with a total of approximately RMB678,000; Shengyuan was required to return the prepaid management fee and deposit to the Group of approximately RMB1,097,000 and RMB731,000 respectively; the Group was required to bear the partial court processing fee of approximately 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 regarding the legal proceedings with Yulin Hongyuan 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 Shengyuan with a total of approximately RMB60,000; Shengyuan was required to return the prepaid management fee and deposit to the Group of approximately RMB1,097,000 and RMB731,000 respectively; the Group was required to bear the partial court processing fee of approximately RMB16,000.

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 approximately RMB938,000; the Group was required to bear partial court processing fee of approximately RMB38,000. In November 2014, the Group has lodged appeal against the decision by the court.

In February 2015, the court has announced its judgement that Yulin Hongyuan was required to return the prepaid rent and deposit to the Group of approximately RMB1,407,000 and RMB938,000 respectively; Yulin Hongyuan was required to bear all court processing fee. The Group has lodged application for compulsory execution of the decision by the court immediately. In October 2015, Yulin Hongyuan have lodged appeal against the decision by the court but has been turned down.

In October 2015, the court has cancelled its previous judgements regarding the legal proceedings with Shengyuan in October 2013 and July 2014 as stated above respectively and the legal proceedings will be processed again by the court.

In July 2016, Yulin Hongyuan lodged protest to the People's Procuratorate Court. In October 2016, the court has suspended the compulsory execution made by the decision in February 2015 and ordered the case to be processed again.

In August 2016, the court has announced that the judgements made in July 2014 have been sustained. Shengyuan lodged appeal to the intermediate court immediately but has been turned down.

In August 2017, Shengyuan has lodged appeal to high court against the decision by the intermediate court but has been turned down. The Group has lodged application for compulsory execution of the decision by the court immediately.

In December 2017, the court has announced its judgements that the Group was required to bear the counterclaims of alleged damage to Yulin Hongyuan of approximately RMB3,159,000; Yulin Hongyuan was required to return the prepaid rent and deposit to the Group of approximately RMB1,407,000 and RMB938,000 respectively; the Group was required to bear partial court processing fee of approximately RMB65,000.

The directors of the Company are of the view that, as pursuant to legal opinion from the Group's legal advisor, prepaid rent and deposit, and prepaid management fees and deposit with amounts of approximately RMB2,345,000 and RMB1,828,000 should be refunded to the Group from Yulin Hongyuan and Shengyuan respectively. Provision of counterclaims of alleged damage granted by the court of approximately RMB60,000 to Shengyuan was made and included in other payables as at 31 December 2016 while provision of counterclaims of alleged damage granted by the court of approximately RMB3,159,000 to Yulin Hongyuan was made and included in other payables as at 31 December 2017. No impairment loss on deposits and prepaid rent and management fees with amounts totalling RMB4,173,000 was made and these amounts were recorded under current assets – deposits paid, prepayments and other receivables as at 31 December 2017.

Furthermore, the directors of the Company are of the view that adequate provision for legal fees in relation to the proceedings has been made as at 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Industry Review

In 2017, the Global economy was growing steadily in a critical stage. Global economic activities improved with recovery in the developed nations and fast growing in the developing countries. However, the strength of recovery was not strong and differentiated. The growing pace of US and China economies was stable, with positive effect on the Latin America and "Belt and Road" zone. The European economy was under recovery stage, and the political prospect needs special concern. Difference in developing pace in different countries will change the global economic pattern, with the economic core moving eastward.

Chinese resident income increased steadily. This accelerated the switch and expansion of spending market. New consumption form and pattern arose, which changed the operating structure, the commodity mix and the market strategy, helped to drive the economic growth. At the same time, traditional retail entities resumed sales growth by extending its sales channel. Supermarket and department stores employed commodity delivery chain, artificial intelligence and mobile internet technique to optimize its delivery system. With the combination of the e-commerce platform, a new retail industry providing catering, shopping, entertaining and leisure activities appear.

According to the statistics released by the National Bureau of Statistics of China, GDP for the year amounted to RMB82,700 billion, representing a 6.9% increase over last year. Total retail sales of social consumer goods for the year was RMB36,600 billion, representing an year-on-year ("YOY") growth of 10.2%. Among them, retail sales of "over-the-threshold" consumer goods grew by 8.1% on an YOY basis to RMB16,100 billion. Retail sales of urban consumer goods rose by 10.0% to RMB31,400 billion YOY, while retail sales of rural consumer goods rose by 11.8% to RMB5,200 billion YOY. By consumption pattern, retail sales of commodities went up 10.2% to RMB32,700 billion YOY. During the year, total domestic online retail sales amounted to RMB7,200 billion, representing an YOY growth of 32.2%. Among them, commodity goods online retail sales grew by 28.0% on an YOY basis to RMB5,500 billion, accounting for 15.0% of the total retail sales of social consumer goods. The growth in the food and drink, apparel and daily consumption categories were 28.6%, 20.3% and 30.8% respectively. The annual per capita income amounted to RMB26,000. On further breakdown, per capita disposable income of urban residents amounted to RMB34,000, increased by 7.2% as compared with last year; Per capita disposable income of rural residents amounted to RMB13,000, increased by 8.6% as compared with last year.

Overall, despite certain decrease in sales of commodities category (mainly apparel), the traditional retail store industry is still healthy and getting better.

(B) Business Review

At year end date, the Group has directly operated 11 retail stores with a total gross floor area of approximately 149,000 square meters, principally located in Guangdong (including Shenzhen and Foshan) and Guangxi provinces. Among them, ten retail stores (total gross floor area of approximately 146,000 square meters) are operating as retail outlets and one is used for leasing purpose. For the ten retail outlets, eight of them are in Guangdong (seven in Shenzhen and one in Foshan) and the remaining two are in Nanning Guangxi. On the catering side, the Group has operating three restaurants (two main theme restaurants located in Nanshan and Baoan Central District of Shenzhen) and one Chinese restaurant (located in Longgang Shenzhen). During the year, the Group has closed two beverage kiosks.

Besides, the Group also owns a four-floor commercial property located in Baoan Central District, Shenzhen, Guangdong. Except for part of one floor being used as the Group's own headquarters, all other commercial floors have been fully leased out for rental purpose. The Group has completed the takeover of Bantian shopping mall in Longgang of Shenzhen from the connected party landlord on September 2017. Renovation of the mall has been carried out and the mall has inaugurated before the end of year. The Group has started a new page for operating a shopping mall.

Establish the first shopping mall to connect the new trend of retail industry

The Group has commenced operation of the Max City (the shopping mall portion of the Jiahua Ling Hui Plaza). The shopping mall is located at the Bantian Longgang of Shenzhen which has seven floors covering approximately 35,000 square meters. It is situated at the busy crossroad of Bantian Longgang, which will bring a new type of shopping experience to the neighbourhood.

The mall was renovated with new ideas which bring up a combined spirit of the charming of Chinese culture and modernization. The theme is named "Splendid of the East". It used the elements of bamboo to represent the aroma of eastern culture and expressed a sense of LOHAS, which gives our customers a visual impact and green concept.

Each floor has its own unique topic with different design idea and floor plan layout. The auxiliary corridor was decorated with hand-made graffiti and the wooden chairs in the open area was shaped in artistic knitting. The complex was the first shopping mall in Bantian having the elements of buying, leisure, entertaining and beverage in one stop, with cinema, elite supermarket, fashionable brand name, international food court and parenting activities etc.

Advance the Internet Technology subsidiary to promote shop freely mode

During the year, the Group has obtained recognition of the integration of informatization and industrialization in the management system as the first retail company achieving this merit in the country. The integration covers both operation and financial areas, including data, technique, work flow and organizational structure, and encompasses management duties, basic security, implementation schedule, and assessment and improvement. The system should be information based and sustainable.

On the other hand, the subsidiary of the Group was listed on the Chinese High-Tech Enterprise Certification of Shenzhen in 2017. The subsidiary engaged in internet plus transformation, innovation, multi-class integration, technology research concepts to develop service platform.

For the development of smart supermarket, the Group has cooperated with Dmall Life Network Technology Co., Ltd. (“DMall”) to introduce its shop freely function in three of our stores and promote a new way of shopping with no tills or cashiers. DMall application allows shoppers to scan their smartphone upon purchases and the bill will be automatically charged to a his/her online account when they leave the store. This enhances traditional shopping experience and reduces operation costs. More applications will be available, including minutes pay, membership consolidation, O2O etc, will give customers more shopping experience in the new shopping era.

Establish the new commercial factoring system to expand the business scope

During the year, the Group has produced a set financial product solution (including accounts receivable pledging transfer and invoice financing) through a first tier supplier of a national telecommunication giant. The Group walked through the full process from sales order making, material purchases, production planning, logistic, invoice dispatch and debt recovering etc. By cross verification with clients, core business, manufacturer and logistic partner, the financing risk will be reduced.

In 2017, the government has tightened the control within the financing industry which affects banks and securities house towards the factoring business. Nevertheless, the Group was able to obtain a better performance. In future, we are going to expand the scope of factoring business by establishing a factoring system with specific adjustment to particular industry to generate standardized products.

Operate theme and specialty restaurant to broaden business scope

The Group has operated two theme restaurants, which were located at the hot vacation park (Shenzhen Nanshan OCT Harbour) and a hypermarket (Shenzhen Baoan Uniwalk) during the year, serving western style cuisine of fresh raw materials and new cooking technique, together with side dish and dessert. The restaurants offer healthy food and beverage for family and friends to enjoy the menu in the secret path, and activities such as salon photo-taking, birthday party, wine tasting and tea time etc. On the other hand, the Group has started preparation for two new restaurants in Shenzhen, which are located at Longgang Wanke Square and Bantian Jiahua Linghui Plaza, and have been opened in January 2018.

A Chinese cuisine restaurant – the Goose pot, was introduced from Guangdong Qingyuan to Shenzhen residents. The food provided was simple and stable, with reliable supply chain, and traditional recipe. The first store was opened in Bantian Longgang, and there will be another stall coming in Gongming Shenzhen.

The Group was preparing another restaurant with new technology, aiming at sharing, interactive and experience. It named "I enjoy cooking". There will be different functional zone surrounding different catering topics, offering a one stop leisure place for local residents and visitors. The first store will be opened in Longgang Bantian soon.

Reform the risk management system by improving the organizational chart

The Group has been building the risk management system focusing on ideology and structure. The risk management division will enact relevant rules and regulation documents, arrange publication and training to all managerial and general staff. Apart from these, the existing working procedure and internal control manual will be updated, adjusted and improved to form a more scientific risk management framework.

The framework contained four major components. System is the fundamental element. The rules, procedures and guideline of the five basic duties of risk management division will be documented. Then, the internal control of the Group will be enhanced by strengthening of work flow document and importing key risk and control measures. Furthermore, publication and education will be launched by organizing meeting, training, alert activities and promissory declaration etc. The main purpose is to reinforce risk control and prevent fraud. The final one will be audit and inspection. This covers adjustment on audit direction and project based audit. Criteria includes external audit, management audit and due diligence etc.

The organization of risk management encompasses five components, including internal control, major risk management, anti-fraud, internal audit and legal risk management. The mission is to promote business development by managing risk. The task force will be composed of internal control, audit and legal departments to accomplish the goal.

(C) Outlook

Looking forward to 2018, retail industry is still facing rising cost and e-commerce competition. The operation mode division will be more apparent. With the increase in resident household income and demand of service, the spending pattern will be heading quality goods and lofty leisure activities. Shopping and leisure experience will become the focus point for retailers, and shopping mall will be the general direction.

Apart from this, the Group is prepared for the sales reorientation works by strengthening operation management to enhance our profit level and tackle challenge from the e-commerce operators. At the same time, the Group will continuously renovated our stores to enhance the shopping experience, to prepare new shopping mall, to put forward system construction for factoring business, to develop food and beverage business, to open up community convenience store, and to make use of online shopping platform. On the operation level, information system build up and improvement, customer satisfaction enhancement will be maintained. On the investment side, the Group will look for other appropriate investment opportunities, extend our business horizon, to increase return rate to shareholders.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, total revenue of the Group (that is, the aggregate proceeds from direct sales of goods, commissions from concessionaire sales, rental income from sub-leasing of shop premises, rental income from investment properties, rental income from sub-leasing of a shopping mall, interest income from factoring services, and sales of food and catering) was approximately RMB700.2 million, representing a decrease of approximately 3.9% from approximately RMB728.9 million in 2016.

During the year, there were additional renovation works to some of our major stores, to give a new shopping environment to the shoppers. Besides, our stores have undergone rearrangement of sales floor area by injecting trendy brand name and hot food and beverage or entertaining operators. During the period of renovation, temporary suspension of business in our stores and this adversely affected our direct sales turnover. The Group has opened its first shopping mall in Longgang Bantian to bring new operation income from the new retailing era.

In 2017, total direct sales of goods declined by approximately 8.1% to approximately RMB508.7 million. Sales margin of direct sales was approximately 17.9% for the year of 2017, which was apparently higher than the sales margin of direct sales of approximately 15.8% for the year of 2016, as a result of the tighten control over operation loss and commodity mix. On the other hand, internet sales amounted to approximately RMB0.5 million during the year due to change of sales direction from direct sales to sales on behalf of retailers.

Commission from concessionaire sales decreased by approximately 0.7% to approximately RMB109.5 million for the year of 2017 as the upgrade of suppliers and brand name have been nearly completed, though partly affected by the new retailing era. In contrast, rental income from sub-leasing of store premises increased to approximately RMB51.6 million for the year, an increase of approximately 0.5% comparatively on yearly basis as most of the food and beverage or entertaining operators under fixed rental lease has become mature and stable. Rental income from investment properties increased by approximately 10.5% to approximately RMB10.1 million for the year. The increase was mainly due to arrival of first rental increment period of most of the tenancy, and full year rental income of the second floor of the properties to a related party. During the year, factoring business has been improved. Income from factoring services has been increased by 52.4% to approximately RMB2.8 million. The business in the catering industry of two theme western restaurants and a specialty Chinese restaurant have been expanded which achieved a turnover of approximately RMB10.1 million during the year. The two beverage kiosks have been closed. On the other hand, the Group has started the management of its first shopping mall of with seven lifestyle floors. The rental income was approximately RMB6.9 million during the year.

Other operating income

Other operating income of the Group, which mainly comprised of interest income, net exchange gain, administration and management fee income from suppliers, government grants and miscellaneous income, amounted to approximately RMB63.3 million in 2017, representing a decrease of approximately 9.6% from approximately RMB70.0 million in the year of 2016. The main reasons are (i) the decrease of government grants of approximately RMB1.2 million; (ii) the storage charge from suppliers of approximately RMB1.7 million last year was not recurring; (iii) the sundry income from clearance of old accounts payable balances and compensation for loss from fire insurance of approximately RMB1.2 million and RMB0.3 million respectively last year was not recurring; and (iv) change of tax policies on income with effects of approximately RMB2.9 million.

Cost of inventories sold

Cost of inventories sold represents the cost of inventories sold of approximately RMB421.5 million, representing a decrease of 10.1% from approximately RMB469.0 million in 2016. Upon the stringent control on procurement management, cost of direct sales has been decreased more than the direct sales of goods. The Group's cost of inventories sold for direct sales except online sales declined to approximately RMB417.8 million for the year ended 31 December 2017, representing a decrease of approximately 10.3% from approximately RMB465.9 million in the year of 2016.

Increase in fair value of investment properties

Increase in fair value of investment properties increased from approximately RMB10.6 million for the year ended 31 December 2016, to approximately RMB20.1 million for this year, representing an increase of approximately 89.6% due to changing conditions in real estate market.

Staff costs

The Group's staff costs increased by 10.9% from approximately RMB89.4 million in 2016 to approximately RMB99.2 million in 2017. The increase was mainly due to opening of new shopping mall and new restaurants, and rose in labour cost.

Depreciation

The Group's depreciation increased by 14.6% from RMB31.1 million in 2016 to approximately RMB35.7 million in 2017. The change was primarily due to opening of new restaurants and additional expenditure on the amortisation of fixed assets for renovation of stores during the year. Depreciation as a percentage of total revenue of the Group increased from 4.3% in 2016 to 5.1% in 2017.

Selling and distribution costs

Selling and distribution costs increased by approximately RMB13.9 million, mainly due to opening of new shopping mall and new restaurants.

Administration expenses

Administration expenses increased by approximately RMB7.8 million, mainly due to opening of new shopping mall and new restaurants.

Other operating expenses

Other operating expenses increased by approximately RMB4.6 million, mainly due to (i) provision for a legal claim of approximately RMB3.2 million; (ii) impairment loss on an intangible asset related to kiosks of approximately RMB1.8 million; and (iii) reduction of impairment loss on an available-for-sale financial asset of approximately RMB0.6 million.

Share of loss of an associate

There was no share of loss of an associate during the year. For the year ended 31 December 2016, there was provision of approximately RMB0.1 million representing impairment loss on Shenzhen Egoos Mobile Internet Limited.

Income tax expense

The Group's income tax expense increased by 14.0% from approximately RMB23.4 million in 2016 to approximately RMB26.7 million in 2017 as there was additional provision of withholding tax on income and deferred tax on fair value change of investment properties of the Group.

Profit for the year

As a result of the reasons mentioned above, profit for the year ended 31 December 2017 amounted to approximately RMB33.2 million, representing a decrease of 19.3% from approximately RMB41.1 million in 2016.

SUBSEQUENT EVENTS

The Group did not have any significant subsequent events subsequent to 31 December 2017.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of final dividend for the year ended 31 December 2017 of RMB1.91 cents per ordinary share (inclusive of tax). The total amount of final dividends to be distributed shall be approximately RMB19,816,000, 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 30 May 2018, Wednesday. The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars of 1,249 as announced by the People's Bank of China as at 28 March 2018. Upon the approval to be obtained from the Annual General Meeting, the final dividend will be payable on 26 June 2018 to the shareholders whose name appears on register of members of the Company at close of business on 6 June 2018.

Risk Management

The activities of the Group expose 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 cash flows are denominated in RMB. Assets and liabilities of the Group are mostly denominated in RMB and HK$. Any significant exchange rate fluctuations of foreign currencies against RMB may have financial impact to the Group.

(ii) *Credit risk*

For the operation and management of retail stores and other related businesses and food and catering business, the Group has no significant concentrations of credit risk. Most of the sales transactions were settled in cash basis or by credit card payment. Credit risk on cash and bank balances is mitigated as cash is deposited in banks of high credit rating.

The Group's exposure to credit risk mainly arises from loan receivables from factoring business. In respect of loan receivables, the Group's policy is that all customers who wish to obtain loans from the Group are subject to management review. The Group holds collaterals directly or indirectly to cover its risks associated with loan receivables.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(iii) Interest rate risk

The Group's exposure to interest rate risk mainly arises on cash and bank balances and factoring receivables. 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 2017, the Group had 1,503 full-time employees (year ended 31 December 2016: 1,294). 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 2017, no share in respect of which options had been granted under the share option scheme (the "Scheme") adopted by the Company and remained outstanding (year ended 31 December 2016: Nil).

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 2017, approximately HK$206,957,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$58,043,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$206,957,000 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$3,690,000 for opening of a new supermarket in Bantian Longgang, Shenzhen, the PRC;
- as to approximately HK$8,800,000 for opening of a restaurant and two beverage kiosks in Shenzhen, the PRC;
- as to approximately HK$3,600,000 for opening of a theme restaurant and a Chinese restaurant in Baoan and Longgang Shenzhen, the PRC respectively;
- as to approximately HK$9,200,000 for setting up of a procurement centre in Shiyan Shenzhen, the PRC;
- as to approximately HK$12,042,000 for the purchase of transportation equipment;
- as to approximately HK$15,000,000 for the purchase of office equipment;
- as to approximately HK$3,000,000 for the upgrade of the MIS;
- as to approximately HK$725,000 to promote the Company’s brand image; and
- as to approximately HK$40,000,000 for the refurbishments of existing retail stores.

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

Contingent Liabilities

As at 31 December 2017, 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 2017 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, one Independent Non-executive Directors of the Company had not attended the annual general meeting of the Company held on 29 May 2017.

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 29 May 2017 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 2017.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be held on 30 May 2018, 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

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 30 May 2018, the register of members of the Company will be closed from 25 May 2018 to 30 May 2018, 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, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 24 May 2018, HK time.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2017 (subject to approval by the shareholders at the annual general meeting), the register of members of the Company will be closed from 5 June 2018 to 6 June 2018, 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 our Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 4 June 2018, HK time.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2017, 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 2017.

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 Director, 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 Director, 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 2017 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 2017 before they presented the same to the board of directors of the Company for approval.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the announcement have been agreed by the Company's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on this preliminary announcement.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report of the Company for the year ended 31 December 2017 containing all information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange and dispatched to shareholders in due course.

ACKNOWLEDGMENT

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

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

Shenzhen, the PRC, 28 March 2018

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.