

**JIAHUA STORES HOLDINGS LTD:
THIS COMPANY IS UNIMPORTANT, TODAY,
AND IT IS UNLIKELY, EVER, TO BE AN IMPORTANT OPERATOR**

The flotation of Jiahua Stores Holdings Ltd () (Code: 602, Main Board, The Stock Exchange of Hongkong Ltd) has come and gone ... and the company, to most, former prospective investors, is, nearly, forgotten.

The share price has been maintained just above the \$HK1.04 Offer Price, but little is mentioned about this departmental-store company, anywhere.

There may be good reason for investors, seemingly, to shun this Company as an investment vehicle.

Jiahua Stores made its pitch in its Placing and Public Offer Prospectus, dated May 8, 2007, and investors who bought into this Company are, still, awaiting the detailed results of the Company in respect of the Financial Year, ended December 31, 2006.

Initially, Jiahua Stores Offered a total of 250 million, one-cent Shares at the Offer Price of \$HK1.04 per Share.

It collected about \$HK237 million from the Initial Public Offering (IPO) and, then, on May 31, 2007, it was announced that Taifook Securities Company Ltd (), the Lead Manager of the IPO, exercised in full, on behalf of International Investors, its Over-Allotment Option of another tranche of 37.50 million Shares, also at the price of \$HK1.04 per Share.

This brought another \$HK38 million into the Company's coffers.

The Prospectus, at Page 178, stated that Jiahua Stores wanted to raise money for the following purposes:

1. About \$HK100 million to establish new retail stores in the Guangdong Province of the People's Republic of China (PRC), proper, being distinct and separate from the Hongkong Special Administrative Region (HKSAR) of the PRC;
2. About \$HK63 million for the acquisition of other retail stores, yet to be identified;
3. About \$HK38 million for the establishment of a procurement centre;
4. About \$HK6 million to promote the Company's brand name; and,
5. About \$HK9 million to be slipped into the General Working Capital Account.

The above uses of the net proceeds of the IPO were based on the Company, receiving only \$HK216 million from its hard work in floating off the enterprise.

As it turned out, the net proceeds were about \$HK59 million more than Management had anticipated (TARGET's assumption).

At the Offer Price of \$HK1.04 per Share, the Price-Earnings Multiple was about 18 times.

This, in TARGET's opinion, was much too expensive for the shares, all things considered, after studying the history of Jiahua Stores, very carefully.

That may be one of the chief reasons that very little is heard about this Company since its listing on the Main Board of The Stock Exchange of Hongkong Ltd.

The History

Jiahua Stores is about 12 years old, according to Page 69 of the Prospectus.

Under ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*