佳華百貨控股有限公司

Jiahua Stores Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(stock code: 602)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

Turnover increased by 31.6% to RMB829.8 million

Gross profit increased by 36% to RMB199.4 million

Profit attributable to equity holders increased by 39% to RMB79.1 million

Basic earnings per share was RMB8.53 cents

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 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 RMB'000	2006 RMB'000
Revenue	4	829,848	630,622
Cost of inventories sold		(630,466)	(484,054)
		199,382	146,568
Other operating income	5	109,084	78,374
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition		34,453	–
Distribution costs		(208,948)	(131,593)
Administrative expenses		(43,372)	(27,768)
Profit before income tax	6	90,599	65,581
Income tax expense	7	(11,482)	(8,676)
Profit attributable to the Company's equity holders		79,117	56,905
Dividends	8	22,153	22,000
Earnings per share	9		
– Basic (RMB cents)		8.53	7.59
– Diluted (RMB cents)		8.52	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	As at 31 December 2007 RMB'000	As at 31 December 2006 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		85,764	52,919
Intangible asset		56,488	–
Deposits paid and prepayments		9,388	9,098
		151,640	62,017
Current assets			
Inventories and consumables	*10*	104,549	75,639
Trade receivables	*11*	1,478	381
Deposits paid, prepayments and other receivables		55,088	37,306
Amounts due from related parties		140	41,115
Cash and cash equivalents		300,339	59,366
		461,594	213,807
Current liabilities			
Trade payables	*12*	146,299	156,407
Coupon liabilities, deposits received, other payables and accruals		48,187	33,439
Amount due to a director		738	–
Taxes payable		4,888	4,503
		200,112	194,349
Net current assets		261,482	19,458
Total assets less current liabilities		413,122	81,475
Non-current liabilities			
Amounts due to ultimate shareholders		–	33,660
Deferred tax liabilities		7,200	–
		7,200	33,660
Net assets		405,922	47,815
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS			
Share capital	*13*	10,125	–
Reserves		395,797	47,815
Total equity		405,922	47,815

NOTES TO THE FINANCIAL STATEMENTS:

1. Reorganisation and 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. Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as detailed in subsection headed "Corporate Reorganisation" in Appendix V of the prospectus dated 8 May 2007 (the "Prospectus"), the Company became the holding company of the Group. The Company's shares were listed on the Main Board of the Stock Exchange on 21 May 2007.

The address of the Company's registered office and principal place of business are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 301 on 3rd Floor, Block 1, Baijiahua Building, Hedong Road, Xixiang Town, Baoan District, Shenzhen, Guangdong Province, the People Republic of China respectively.

The principal activity of the Company is investment holding and the principal activities of the Company's subsidiaries are engaged in operation and management of retail stores. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

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 (the "Listing Rules").

2. Basis of Preparation

The Group is regarded as a continuing entity resulting from the Reorganisation since all of the entities which took part in the Reorganisation were controlled by the same ultimate shareholders before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Reorganisation.

The Reorganisation has been accounted for as a reorganisation under common control in a manner similar to pooling of interests. Accordingly, the consolidated financial statements have been prepared on the basis of merger accounting in accordance with the Accounting Guideline No. 5, "Merger Accounting for Common Control Combination" issued by the HKICPA, under which the Company was the holding company of the subsidiaries for the financial years presented rather than from the dates of acquisition of the subsidiaries. The consolidated financial statements of the Group have been prepared as if the Company has always been the holding company. The results and cash flows of the Group include the results and cash flows of the Company and its subsidiaries with effect from 1 January 2006 or since their respective dates of incorporation/establishment, where this is a shorter period. The consolidated balance sheet as at each balance sheet date is a consolidation of the balance sheets of the Company and its subsidiaries at that balance sheet date.

The significant accounting policies that have been used in the preparation of the consolidated financial statements have been consistently applied to all the years presented unless otherwise stated.

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and liabilities at initial recognition.

3. Adoption of new and revised HKFRSs

3.1 Adoption of New and Revised HKFRSs which are Effective for Current Year

The Group has adopted the following new and revised HKFRSs which are first effective for the year and relevant to the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

(a) Amendment to HKAS 1 Presentation of Financial Statements – Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in the financial statements.

(b) HKFRS 7 Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

- a sensitivity analysis, to explain the Group's market risk exposure in regards to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Group is able to identify all the goods or services provided by its employees and consultant, the interpretation has had no effect on these financial statements.

3.2 Impact of Issued but not yet Effective HKFRSs

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKFRS 2 (Amendment)	Share-based Payment[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for accounting periods beginning on or after 1 January 2009
[2] Effective for accounting periods beginning on or after 1 March 2007
[3] Effective for accounting periods beginning on or after 1 January 2008
[4] Effective for accounting periods beginning on or after 1 July 2008
[5] Effective for accounting periods beginning on or after 1 July 2009

Amendment to HKAS 1 Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. The directors of the Company are currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company are currently assessing the impact of the other new standards and interpretations but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

4. Revenue and Segment Information

	Year ended 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Revenue		
Sales of own purchased goods	724,110	546,963
Commissions from concessionaire sales	83,679	68,440
Rental income from sub-leasing of shop premises	22,059	15,219
	829,848	630,622

Revenue represents invoiced value of goods sold, net of value added tax ("VAT"), after allowances for returns and discounts, and the value of services rendered during the year. Operation and management of retail stores is the only business segment of the Group. No geographical segment analysis is presented as less than 10% of the Group's revenue and operating profit is attributable to markets located outside the People's Republic of China (the "PRC"). Accordingly, no separate business and geographic segment information is presented.

5. Other Operating Income

	Year ended 31 December 2007 *RMB'000*	2006 *RMB'000*
Imputed interest income	800	6,223
Interest income	18,094	164
Government grants	1,530	–
Income from suppliers, consignors and concessionaires		
– Administration and management fee income	24,071	21,853
– Products entrance fee income	19,676	12,101
– Promotion income	12,168	5,919
– Sponsorship income	7,507	6,251
– Store display income	7,697	5,319
Others	17,541	20,544
	109,084	78,374

6. Profit Before Income Tax

	Year ended 31 December 2007 *RMB'000*	2006 *RMB'000*
Profit before income tax is arrived at after charging:		
Cost of inventories sold recognised as expense	630,466	484,054
Auditors' remuneration	774	60
Amortisation of intangible asset	2,114	–
Net exchange loss	10,406	37
Depreciation of property, plant and equipment	19,780	18,375
Loss on disposal of property, plant and equipment	32	98
Operating lease rentals in respect of land and buildings	47,755	27,268
Obsolete inventories written-off	1,092	824
Inventories loss	2,726	–
Staff costs, including directors' emoluments		
Salaries and other benefits	59,927	43,949
Contributions to pension scheme	3,897	3,206
Share-based payment expenditure	5,193	–
	69,017	47,155
Share-based payment expenditure to a consultant	167	–
Listing expenses	3,037	–
and crediting:		
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition	34,453	–
Sub-letting of properties		
– Base rents	18,232	12,349
– Contingent rents *(note)*	3,827	2,870
Gross rental income	22,059	15,219
Less: Outgoings	(9,460)	(7,574)
Net rental income	12,599	7,645

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

7. Income Tax Expense

	Year ended 31 December 2007 RMB'000	2006 RMB'000
Current tax		
PRC enterprise income tax – current year	11,782	8,676
Deferred tax	(300)	–
	11,482	8,676

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit in Hong Kong for the year (2006: Nil).

PRC enterprise income tax for the year has been provided at the rate of 15% (2006: 15%) on the estimated assessable profits of a subsidiary of the Company established in the PRC and which is situated in the Shenzhen Special Economic Zone. The preferential enterprise income tax rate of 15% was in accordance with a notice of reference Guo Fa (1984) 161 issued by the State Council in 1984.

Another subsidiary of the Company established in the PRC and which is situated in Dougguan was subject to PRC enterprise income tax at the rate of 33% for the year under the income tax rules and regulations of the PRC (2006: 33%).

Deferred tax credit has been provided at the rate of 18%, the PRC enterprise income tax rate effective on 1 January 2008 (2006: Nil).

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

	Year ended 31 December 2007 RMB'000	2006 RMB'000
Profit before income tax	90,599	65,581
Tax on operating profit, calculated at the domestic tax rate of 15% (2006: 15%)	13,590	9,837
Effect of higher tax rate	(1,717)	441
Tax effect of non-deductible expenses	4,719	162
Tax effect of non-taxable income	(8,777)	(1,113)
Tax effect of tax loss not recognised	2,870	–
Others	797	(651)
Income tax expense	11,482	8,676

8. Dividends

	Year ended 31 December 2007 RMB'000	2006 RMB'000
Special dividend for the year ended 31 December 2006	–	22,000
Final dividend for the year ended 31 December 2007 of RMB2.14 cents per ordinary share	22,153	–
	22,153	22,000

Dividend for the year ended 31 December 2006 was declared and payable by the subsidiary, Shenzhen Baijaihua Department Stores Company Limited 深圳市百佳華百貨有限公司 ("BJH Department Stores"), to its then respective equity holders. The rate of dividend and the number of shares ranking for dividends are not presented as such information are not meaningful.

The special and final dividend proposed after the balance sheet date have not been recognised as a liability at the respective balance sheet date, but reflected as an appropriation of retained profits for that year.

9. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to the Company's equity holders for the year of approximately RMB79,117,000 (2006: RMB56,905,000) and on the weighted average number of approximately 927,842,000 (2006: 750,000,000) ordinary shares in issue during the year, as adjusted to reflect the shares issued for Reorganisation and capitalisation.

The calculation of the diluted earnings per share for the year ended 31 December 2007 is based on the profit attributable to the Company's equity holders for the year of approximately RMB79,117,000 and 928,280,000 ordinary shares, being the 927,842,000 ordinary shares as used in the calculation of basic earnings per share plus the weighted average of 438,000 ordinary shares deemed to be issued on the deemed exercise of share options under the share option scheme. Diluted earnings per share for the year ended 31 December 2006 was not presented as there were no dilutive potential shares.

10. Inventories and Consumables

	As at 31 December	
	2007	**2006**
	RMB'000	*RMB'000*
Merchandise for resale	96,412	67,886
Low value consumables	8,137	7,753
	104,549	75,639

11. Trade Receivables

All of the Group's sales are on cash basis except for certain bulk sale of merchandise to corporate customers which are credit sales and rental income receivables from tenants. The credit terms offered to these corporate 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	
	2007	**2006**
	RMB'000	*RMB'000*
Within 30 days	1,027	292
31–60 days	211	62
61–180 days	124	27
181 days–365 days	4	–
Over 1 year	112	–
	1,478	381

12. 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	
	2007	**2006**
	RMB'000	*RMB'000*
Within 30 days	120,631	77,309
31–60 days	14,058	47,309
61–180 days	7,285	23,772
181 days–365 days	3,241	4,655
Over 1 year	1,084	3,362
	146,299	156,407

13. Share Capital

		Year ended 31 December 2007		From 4 September 2006 (date of incorporation) to 31 December 2006	
	Notes	*Number of shares ('000)*	*RMB'000*	*Number of shares ('000)*	*RMB'000*
Authorised :					
Ordinary shares of HK$ 0.01 each					
At the beginning of the year/period		39,000	390	–	–
Increase in authorised share capital	*(a)*	9,961,000	96,709	39,000	390
At 31 December		10,000,000	97,099	39,000	390
Issued and fully paid:					
Ordinary shares of HK$ 0.01 each					
At the beginning of the year/period		1	–	–	–
Issue of ordinary shares at the date of incorporation	*(a)*	–	–	–	–
Issue of ordinary shares	*(b)*	–	–	1	–
Issue of ordinary shares on Reorganisation	*(c)*	99,999	981	–	–
Issue of ordinary shares on capitalisation issue	*(d)*	650,000	6,342	–	–
Issue of ordinary shares by initial public offering	*(e)*	250,000	2,439	–	–
Issue of ordinary shares upon exercise of over-allotment option	*(f)*	37,500	363	–	–
At 31 December		1,037,500	10,125	1	–

Notes:

(a) The Company was incorporated in the Cayman Islands on 4 September 2006 as an exempted company with limited liability under the Companies Law of the Cayman Islands. At the date of incorporation, the authorised share capital of the Company was HK$390,000 divided into 39,000,000 ordinary shares of HK$ 0.01 each. On the same date, 90 ordinary shares of HK$0.01 each were allotted and issued at par.

Pursuant to a written resolution dated 30 April 2007, the shareholders approved, inter alia, an increase in the authorised share capital of the Company from HK$390,000 to HK$100,000,000 by the creation of an additional 9,961,000,000 ordinary shares of par value of HK$0.01 each.

(b) On 27 October 2006, the Company issued and allotted, for cash at par, 10 ordinary shares. On the same day, the Company further issued and allotted for cash, 900 ordinary shares at a consideration of approximately HK$390,000. A share premium of approximately RMB390,000 arose and was recorded as share premium of the Company.

(c) On 30 April 2007, the Company issued and allotted 99,999,000 ordinary shares of HK$0.01 each, credited as fully paid, in consideration for the acquisition of Forever Prosperity International Company Limited upon completion of the Reorganisation.

(d) Pursuant to a written resolution dated 30 April 2007 approved by the shareholders, and conditional upon the share premium amount of the Company being credited as a result of the initial public offering, the directors of the Company were authorised to capitalise the amount of HK$6,500,000 (equivalent to approximately RMB6,342,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par 650,000,000 ordinary shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company at the close of business on 30 April 2007, pro-rata to its/their then existing shareholdings in the Company and the directors were authorised to effect the same and to allot and issue ordinary shares pursuant thereto.

(e) On 18 May 2007, the Company allotted and issued 250,000,000 ordinary shares of HK$0.01 each at a price of HK$1.04 each. A share premium of approximately HK$257,500,000 arose and was recorded as share premium of the Company.

(f) On 31 May 2007, the over-allotment option described in the Prospectus was exercised in full by the lead manager of the Company's initial pubic offering, in respect of an aggregate of 37,500,000 ordinary shares. The over-allotment shares of 37,500,000 were allotted and issued by the Company at HK$1.04 per ordinary share of HK$0.01 each. A share premium of approximately HK$38,625,000 arose and was recorded as share premium of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Industry Overview

In 2007, China's economy has maintained rapid steady growth. China's retail industry continued to sustain good development momentum in 2007. Income per capita and purchasing power have both continued to rise. In 2007, China's GDP was RMB24,661.9 billion, representing an increase of 11.4% compared with the corresponding period last year; total retail sales of consumer goods reached RMB8.9 trillion, up 16.8% compared with the corresponding period last year, amongst which total sales in wholesale and retail sectors up 16.7% compared with the corresponding period last year.

In 2007, the GDP of Guangdong province amounted to RMB3,060.6 billion, representing an increase of 14.5% compared with the corresponding period last year; total retail sales of consumer goods amounted to RMB1,059.8 billion, representing an increase of 16.2% compared with the corresponding period last year. The GDP of Guangdong province accounted for 12.41% of the overall GDP of China.

In 2007, the GDP of Shenzhen amounted to RMB676.5 billion, representing an increase of 14.7% compared with the corresponding period last year; total retail sales of consumer goods amounted to RMB167,129 million, representing an increase of 16.2% compared with the corresponding period last year.

China's rapidly growing economy further increased domestic demand and thus stimulated spending, pushing the consumer retail market to grow.

At the same time, income of the Chinese people also grew rapidly, which stimulated consumer demand. The Chinese government exerted great efforts in reinforcing the social security system and to resolve livelihood issues of the Chinese people such as education, medical and housing, so as to enhance the confidence of the Chinese people towards the future, as well as consumer spending. In light of the fast pace of consumption, the retail market has tremendous potentials.

(B) Business Review

- *Expanding retail outlets, strengthening its edges on regional scale*

  In 2007, the Group has 12 outlets under its direct operation with an operating area of 175,000 sq.m. These outlets are mainly situated at economic-developed areas including Shenzhen, Guangdong and Pearl River Delta region of Dongguan. A new shopping mall opened at Foshan, Guangdong ("佳華商場") and commenced operation on 9 January 2008. Together with the Foshan Outlet which opened in January 2008, total number of outlets of the Group will reach 13, with a total operating area of about 190,000 sq.m., realizing the advantages of regional scale. The Group plans to accelerate the pace for expansion of outlets in Shenzhen and the Pearl River Delta region through leasing, and acquisitions of properties, if possible, in the coming few years.

- *Improving internal operational management, enhancing competitiveness*

  The Group has been awarded the ISO9001 certification for its management system in 2004. On this basis, the Group has implemented a series of measures to realign, complement, standardize and improve its management system, thus forming its own operating edges amongst the intensified market competition.

  Precise market positioning and the alignment of its operation model of "supermarket + department store" have enabled the Group to achieve effective operation and enhance its competitiveness.

  The Group has set up an advanced Management Information System to fully utilize information resources and monitor operations of all outlets. Featured with all major capabilities including financial management, sales management, procurement management, inventory management and human resources management, the system can generate various information analysis required for the management of purchase and sales of the Group in a timely manner, providing a scientific basis for decision making.

  The formation of human resources strategies and staff incentive system has facilitated the performance appraisal in different departments of the Group, thus increased working efficiency and reduced operating costs.

- *Continuous optimization of supply chain management platform, exploring the valuable information resources*

  The efficiency of the Group's supply chain management system has been effectively increased. It reduces management costs for vendors and the Group, and increases the working efficiency and quality. Supply chain system can provide functions such as real-time business information, online order form, online settlement and historical data enquiry, thereby speeding up the lead-time and stock turnover of the outlets. It enables the information resources of the Group's business to be linked up with banks and vendors to improve operational efficiency.

- *Strengthening cost control, improving operational efficiency*

  As the robust development of the PRC economy continues, the economic structure further readjusted as well as enhancing spending power, while prices also increased along with various operating costs including prices of materials, rental and labor costs. The Group adheres to its strategy of maintaining operating efficiency through various cost control measures by raising sales, and increasing commission on general merchandises; by maximizing the utilization rate of stores, enhancing turnover per square meter and revenue per employee, formulating position- and performance-based remuneration system, controlling operating expenses according to project-based benchmarks, streamlining procedures. All in all, the Group has maintained its operating cost at a reasonable and appropriate level.

(C) Outlook and Prospects

Looking ahead, in view of the opportunities arising from the rapid development of the PRC economy and the strong demand for fast moving consumer goods, the Directors are optimistic about the prospects of the Group's business.

The strategic development of the Group in the future is to become a major retail chain enterprise in the PRC. The Group will further strengthen its core competitiveness by improving operating performance and enlarging revenue scale through mergers and acquisitions. The Group will also continue to explore new opportunities for asset building as well as enhancing shareholders' value and profitability.

(D) Financial Review

1. *Revenue*

Revenue of the Group increased by 31.6% to approximately RMB829.8 million for the year ended 2007 from approximately RMB630.6 million for the year ended 2006, with momentum from (1) establishment of new stores in Shiyan Town in Shenzhen of the PRC and (2) acquisition of businesses from existing retail store chain of Shenzhen Dongfangcheng Department Stores ("Dongfangcheng") in Shenzhen of the PRC.

(a) Opening of new stores in Shiyan Town in Shenzhen of the PRC

Our Group has opened a new store in Shiyan Town in Shenzhen in January 2007. It brought sales floor area of about 5,900 square meter to our Group with total revenue of approximately RMB82.5 million, representing approximately 9.9% of total revenue of the Group.

(b) Acquisition of businesses from existing retail store chain in Shenzhen of the PRC

Our Group has acquired the businesses from Donfangcheng, which represented four retail outlets, during the year. These four outlets are located at the prime location in Nanshan District, Longgang District and Baoan District in Shenzhen, the PRC. They brought about 35,700 square meter additional sales floor area to our Group with total revenue of approximately RMB43.4 million, representing approximately 5.2% of total revenue of the Group.

Revenue in 2007 was dominant by sale of owned purchased goods, with a volume of approximately RMB724.1 million, representing approximately 87.3% of total revenue, an increase of approximately 32.4% over last year (2006: approximately RMB547.0 million, representing approximately 86.7% of total revenue). Revenue of commission from concessionaire sales amounted to approximately RMB83.7 million, representing approximately 10.1% of total revenue, an increase of approximately 22.4% over last year (2006: approximately RMB68.4 million, representing approximately 10.9% of total revenue). Revenue of rental income from sub-leasing of shop premises amounted to approximately RMB22.0 million, representing approximately 2.6% of total revenue, an increase of approximately 44.7% over last year (2006: approximately RMB15.2 million, representing approximately 2.4% of total revenue).

Sales volume of the 5 largest corporate customers amounted to approximately RMB1.9 million, representing approximately 0.2% of total revenue (2006: approximately RMB2.5 million, representing approximately 0.4% of total revenue).

2. *Gross Profit and Gross Profit Margin*

Gross profit increased by 36.0% to approximately RMB199.4 million for the year ended 2007 from approximately RMB146.6 million for the year ended 2006. Gross profit margin increased by approximately 0.8% to 24.0% in the year ended 2007 compared to 23.2% for the year ended 2006. The percentage of related cost of inventories sold, including principally merchandise for sale, decreased slightly to approximately 76% for the year ended 2007 from approximately 76.8% for the year ended 2006.

The increases in gross profit and gross profit margin were mainly attributable to the increase in Group's revenue because of opening and acquisition of new stores. At the same time, the Group has increased its bargaining power over its suppliers as a result of more bulk purchases.

3. *Profit for the Year*

In 2007, profit attributable to equity holders increased significantly by 39.0% to approximately RMB79.1 million for the year ended 2007 from approximately RMB56.9 million for the year ended 2006. This was mainly attributable to the recognition of excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition of approximately RMB34.4 million. Besides, the proceeds from the listing (the "Listing") of shares of the Company on The Stock Exchange of Hong Kong Limited on 21 May 2007 has increased bank deposits and brought interest approximately from banks of approximately RMB18.1 million (2006: approximately RMB0.2 million).

Administrative expenses increased by 56.1% to approximately RMB43.4 million for the year ended 2007 from approximately RMB27.8 million for the year ended 2006, mainly attributable to approximately RMB3.0 million of professional fees incurred in relation to the Listing, approximately RMB10.4 million of net exchange loss brought by the appreciation of RMB against Hong Kong dollar on the cash and bank balance and approximately RMB5.4 million for the share-based payment expenditure for the pre-IPO share option granted to staff and consultant.

4. *Liquidity and Financial Resources*

The Group maintains a stable financial position. As at 31 December 2007, the Group had bank balances and cash of approximately RMB300.3 million (2006: approximately RMB59.4 million). During the year, the Group did not use any financial instruments for any hedging purpose.

No gearing ratio is presented as the Group has no bank loans as at 31 December 2007 (2006: Nil).

5. *Net Current Assets and Net Assets*

The Group's net current assets as at 31 December 2007 was approximately RMB261.5 million, an increase of 1,241.0% from the balance of approximately RMB19.5 million recorded as at 31 December 2006.

Net assets rose to approximately RMB405.9 million, representing an increase of approximately RMB358.1 million or 749.2% over the balance as at 31 December 2006.

6. *Exposure to fluctuation in exchange rates*

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, Hong Kong Dollars and Australian Dollars. Any significant exchange rate fluctuations of foreign currencies against RMB may have financial impact to the Group.

7. *Capital structure*

During the year, the Company has no change in its capital structure.

8. *Employee Information, Remuneration Policies and Share Option Scheme*

As at 31 December 2007, the Group had 3,653 full-time employees (2006: 2,840). The salaries of the Group's employees were determined by the personal 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 2007, the number of shares in respect of which options had been granted under the pre-IPO share option scheme (the "Scheme") adopted by the Company prior to its listing and remained outstanding under the Scheme was 18,910,000 shares (2006: Nil), representing 1.82% (2006: Nil) of the shares of the Company in issue. Since the adoption of the Scheme and as at 31 December 2007, no share option has been granted or exercised under such Scheme and 300,000 share options had lapsed as a result of certain employees leaving employment during the year.

9. *Charges on Group Assets*

As at 31 December 2007, the Group has no charge on any of its assets.

10. *Use of Proceeds raised from Listing*

The proceeds raised from the Company's newly issued shares on the Stock Exchange in May 2007, after deduction of related issuance expenses, amounted to approximately HK$265.0 million. As of 31 December 2007, approximately HK$29.0 million of the proceeds so raised was used, and the unused proceeds of approximately HK$236.0 million was deposited in bank, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$29.0 million as follows:

- for acquisition of businesses from Dongfangcheng.

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.

11. *Contingent Liabilities*

As at 31 December 2007, the Group did not have any significant contingent liabilities.

12. *Capital Expenditure*

For the year ended 31 December 2007, capital expenditures of the Group for property, plant and equipment and intangible asset amounted to approximately RMB111.4 million.

13. *Capital Commitments*

As at 31 December 2007, the Group had capital commitments contracted, but not provided for, amounting to approximately RMB4.9 million. (2006: RMB2.8 million).

DIVIDEND

The Board recommend the payment of final dividend of RMB2.14 cents (equivalent HK2.39 cents) per share for the year ended 31 December 2007.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Company was only listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 21 May 2007, the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") was not applicable to the Company for the period under review.

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 Company has adopted the Code of the Stock Exchange. In the opinion of the Board, the Company had complied with all the code provision of the Code set out in Appendix 14 to the Listing Rules since the Company's listing on 21 May 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Board of the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's own code for securities transactions by its Directors. Following specific enquiry made with all Directors, the Company has confirmed that all Directors had been in compliance with the required standard mentioned above since the Company's listing on 21 May 2007.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of the Company will be held on 13 June 2008, Friday and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 June 2008 to Friday, 13 June 2008, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the attendance at the annual general meeting on Friday, 13 June 2008 and for the 2007 Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, located at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 6 June 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities. The Company did not have any listed securities before the Company's listing on 21 May 2007.

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. Guo Zheng Lin and Mr. Ai Ji, is responsible for reviewing and providing supervision on the Group's financial reporting process and internal control systems. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the auditing, internal control and financial reporting aspects of the Company including the review of the annual results of the Company for the year ended 31 December 2007.

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. Guo Zheng Lin (Chairman of the Committee) and Mr. Ai Ji, is responsible for advising the Board on the remuneration policy and framework and determining the remuneration packages of Directors and senior management with reference to the Company's objectives from time to time.

NOMINATION COMMITTEE

A Nomination Committee was established by the Company on 30 April 2007 with specific written terms of reference which set out clearly its authority and duties. The Nomination Committee currently comprises two Executive Directors, namely, Mr. Shen Da Jin (Chairman of the Committee), Mr. Gu Wei Ming, three Independent Non-executive Directors, namely, Mr. Chin Kam Cheung, Mr. Guo Zheng Lin and Mr. Ai Ji, 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 2007 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 2007 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 2007 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.

ACKNOWLEGMENT

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, 16 April 2008

As at the date of this announcement, (a) the executive Directors are Mr. Zhuang Lu Kun, Mr. Shen Da Jin, Mr. Zhuang Pei Zhong and Mr. Gu Wei Ming; (b) the independent non-executive Directors are Mr. Chin Kam Cheung, Mr. Guo Zheng Lin and Mr. Ai Ji.