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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Jiahua Stores Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 30 June 2023 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**159,166**	168,708
Cost of inventories sold		**(68,447)**	(83,898)
		90,719	84,810
Other operating income	4	**30,285**	52,629
Selling and distribution costs		**(112,008)**	(120,658)
Administrative expenses		**(21,493)**	(21,877)
Finance costs	5	**(20,393)**	(19,801)
Other operating expenses		**(157)**	(156)
Loss before income tax	6	**(33,047)**	(25,053)
Income tax expense	7	**(915)**	(1,282)
Loss and total comprehensive income for the period and attributable to owners of the Company		**(33,962)**	(26,335)
Dividend	8	**–**	–
Loss per share for loss attributable to the owners of the Company during the period			
– Basic and diluted *(RMB cents)*	9	**(3.27)**	(2.54)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2023** ***RMB'000*** **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**129,860**	150,870
Investment properties		**258,600**	258,600
Right-of-use assets		**340,814**	296,092
Intangible assets		**6,245**	6,463
Deposits paid, prepayments and other receivables		**15,920**	15,920
Interests in an associate		**–**	–
		751,439	727,945
Current assets			
Inventories and consumables		**8,476**	12,460
Trade and loan receivables	10	**50,157**	53,267
Deposits paid, prepayments and other receivables		**33,822**	34,517
Restricted bank deposit		**2,000**	2,000
Cash and cash equivalents		**41,019**	66,171
Tax recoverable		**120**	66
		135,594	168,481
Current liabilities			
Trade payables	11	**42,739**	54,029
Deposits received, other payables and accruals		**87,207**	90,896
Contract liabilities		**16,425**	19,794
Lease liabilities		**52,581**	60,360
Amount due to a director		**59**	59
Borrowings		**5,712**	5,712
Provision for tax		**9,092**	9,214
		213,815	240,064
Net current liabilities		**(78,221)**	(71,583)
Total assets less current liabilities		**673,218**	656,362

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current liabilities		
Lease liabilities	**410,963**	357,288
Borrowings	**148,607**	151,464
Deferred tax liabilities	**16,201**	16,201
	575,771	524,953
Net assets	**97,447**	131,409
EQUITY		
Share capital	**10,125**	10,125
Reserves	**87,322**	121,284
Total equity	**97,447**	131,409

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Jiahua Stores Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. 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, and provision of financing services.

The unaudited interim condensed consolidated financial statements ("Interim Condensed Financial Statements") of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 30 June 2023 (the "period") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Condensed Financial Statements have been prepared in accordance with the same accounting policies adopted in the audited financial information of the Company for the year ended 31 December 2022 (the "2022 Annual Financial Statements"), except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group and the Company. The Group has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

The preparation of Interim Condensed Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The Interim Condensed Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited financial information of the Company for the year ended 31 December 2022.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

During the period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations.

The adoption of the new HKFRSs and amendments to HKFRSs has no material impact on the Group's condensed consolidated interim financial statements.

3. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on regular internal financial information about resources allocation to the Group's business components and review of these components' performance. There are two business components/operating segments, which are operation and management of retail stores and other related businesses, and provision of financing services (2022: operation and management of retail stores and other related businesses, and provision of financing services).

Certain comparative amounts in segment information have been re-presented to conform to the current period's presentation.

	Operation and management of retail stores and other related businesses *RMB'000* (Unaudited)	Provision of financing services *RMB'000* (Unaudited)	Consolidated *RMB'000* (Unaudited)
Six months ended 30 June 2023			
Segment revenue	**157,505**	**1,661**	**159,166**
Segment results	**(31,803)**	**324**	**(31,479)**
Other unallocated corporate expenses			**(2,483)**
Loss before income tax			**(33,962)**
Other segment information			
Interest income	**(593)**	**(1)**	**(594)**
Additions to non-current assets	**5,986**	**–**	**5,986**
Amortisation of intangible assets	**169**	**49**	**218**
Depreciation of property, plant and equipment	**26,917**	**–**	**26,917**
Depreciation of right-of-use assets	**29,133**	**–**	**29,133**
Interest expense on lease liabilities	**16,916**	**–**	**16,916**
Loss on disposal of property, plant and equipment	**70**	**–**	**70**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
At 30 June 2023			
Segment assets	**814,395**	**35,754**	**850,149**
Tax recoverable			**120**
Other unallocated corporate assets			**36,764**
Total assets			**887,033**
Segment liabilities	**762,603**	**136**	**762,739**
Provision for taxation			**9,092**
Deferred tax liabilities			**16,202**
Other unallocated corporate liabilities			**1,553**
Total liabilities			**789,586**

	Operation and management of retail stores and other related businesses *RMB'000* (Unaudited)	Provision of financing services *RMB'000* (Unaudited)	Consolidated *RMB'000* (Unaudited)
Six months ended 30 June 2022			
Segment revenue	165,934	2,774	168,708
Segment results	(25,541)	1,749	(23,792)
Other unallocated corporate expenses			(2,543)
Loss before income tax			(26,335)
Other segment information			
Interest income	(91)	(2)	(93)
Additions to non-current assets	5,721	–	5,721
Amortisation of intangible assets	417	49	466
Depreciation of property, plant and equipment	26,181	–	26,181
Depreciation of right-of-use assets	29,551	–	29,551
Interest expense on lease liabilities	17,126	–	17,126
Loss on disposal of property, plant and equipment	557	–	557
	(Audited)	(Audited)	(Audited)
At 31 December 2022			
Segment assets	825,631	35,241	860,872
Tax recoverable			66
Other unallocated corporate assets			35,488
Total assets			896,426
Segment liabilities	737,486	83	737,569
Provision for taxation			9,214
Deferred tax liabilities			16,201
Other unallocated corporate liabilities			2,033
Total liabilities			765,017

The People's Republic of China ("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 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 six months ended 30 June 2022 and 2023.

4. REVENUE AND OTHER OPERATING INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**80,638**	89,672
Commission from concessionaire sales	**6,859**	11,630
Rental income from sub-leasing of shop premises	**23,886**	21,626
Rental income from investment properties	**4,849**	4,990
Rental income from sub-leasing of shopping malls	**41,273**	38,016
Interest income from financing services	**1,661**	2,774
	159,166	168,708
Other operating income		
Interest income	**594**	93
Government grants	**518**	2,300
Administration and management fee income	**14,404**	13,298
Gain on exchange	**42**	87
COVID-19 related rent concessions	**–**	10,022
Others	**14,727**	26,829
	30,285	52,629

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, commission from concessionaire sales, rental income and interest income from financing services.

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**16,915**	17,126
Interest on borrowings	**3,478**	2,675
	20,393	19,801

6. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss is arrived at after charging:		
Depreciation of property, plant and equipment	**26,917**	26,181
Depreciation of right-of-use assets	**29,133**	29,551
Interest expense on lease liabilities	**16,915**	17,126
Amortisation of intangible assets	**218**	466
Loss on disposal of property, plant and equipment	**70**	557
Operating lease rentals in respect of land and buildings	**6,614**	5,401
Staff costs, including directors' emoluments		
– salaries and other benefits	**27,228**	29,960
– contributions to pension scheme	**4,662**	5,018
and crediting:		
Rental income from investment properties	**4,849**	4,990
Sub-letting of properties		
– Base rents	**63,229**	57,505
– Contingent rents*	**1,930**	2,137
	65,159	59,642

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	**915**	1,282

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the period (six months ended 30 June 2022: Nil).

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits in Hong Kong for the period (six months ended 30 June 2022: 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% (2022: 15%) for the period pursuant to the privilege under the China's Western Development Program (西部大開發計劃).

Other subsidiaries of the Group established in the PRC were mainly subject to PRC Enterprise Income Tax at the rate of 25% (2022: 25%) for the period under the income tax rules and regulations of the PRC.

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

8. DIVIDEND

(a) The Board of Directors does not recommend the payment of an interim dividend for the period (six months ended 30 June 2022: Nil).

(b) Dividend attributable to the previous financial year, approved and paid during the period:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous year, approved and paid during the period, of RMB Nil (six months ended 30 June 2022: RMB Nil) per share	**–**	–

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company for the period of approximately RMB33,962,000 (six months ended 30 June 2022: loss of approximately RMB26,335,000) and the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2022: approximately 1,037,500,002) ordinary shares in issue during the period.

Diluted earnings per share were same as the basic earnings per share as there were no other potential dilutive ordinary shares in existence during the periods.

10. 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 financing 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 financing services are repayable on demand or one to seven months. Trade receivables were non-interest-bearing, except for loan receivables from provision of financing services.

The aging analysis of the Group's trade receivables, based on invoice dates, is as follows:

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Within 30 days	**9,247**	12,585
31 – 60 days	**992**	1,657
61 – 180 days	**699**	4,438
181 – 365 days	**1,570**	862
Over 365 days	**2,201**	39
	14,709	19,581

The aging analysis of the Group's loan receivables is as follows:

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Repayable on demand or within one year	**35,448**	33,686
Total	**50,157**	53,267

11. 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:

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Within 30 days	**3,226**	27,020
31 – 60 days	**2,977**	13,020
61 – 180 days	**22,896**	5,858
181 – 365 days	**9,122**	2,071
Over 1 year	**4,518**	6,060
	42,739	54,029

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of the year, as the economy and society fully resume to normal, macro policies were effective, the national economy was recovering and developing steadily. However, the world's political and economic situation is complicated, and the foundation for the sustained recovery of the domestic economy is still not solid. Under the complex and severe external environment, China's economic growth rate is significantly faster than that of the world's major developed economies.

With the resumption and expansion of consumption, consumption has been released and boosting the economic growth. In the first half of the year, the total retail sales of social consumer goods reaching RMB22.8 trillion, a YOY increase of 8.2%, faster than last year. From the perspective of consumption expenditure of residents, the national per capita consumption expenditure of residents in the first half of the year increased by 8.4% year-on-year, 5.9 percentage higher than the same period of the last year. The green transformation is accelerated and reflected in the investment growth. In the first half of the year, the green manufacturing industry speed up, and investment in new energy vehicles, lithium battery manufacturing maintained rapid growth; investment in clean power increased by 40.5% YOY, of which investment in solar power generation increased by 84.4%, and investment in wind power generation increased by 16.0%. To achieve high-quality development, high-level trade opening is an important driving force. In the first half of the year, the scale of China's import and export of goods trade exceeded RMB20.0 trillion for the first time, a YOY increase of 2.1%.

Supermarket retail

With the end of the pandemic and the recovery of consumption, the commodity retail industry has also got a rebound in customer flow. In the first quarter of 2023, the YOY growth rate of retail sales in supermarkets was 1.4%. Although physical supermarkets have seen a recovery in consumption, the supermarket industry is entering a stage of transformation of optimization and upgrading, and it still faces unreliable factors in terms of market share and development. According to statistics, the sales volume of China's top 100 supermarket companies has exceeded RMB900 billion, and it is not easy to achieve market growth. The market growth of traditional supermarkets is limited. In recent years, emerging online retail methods and diversification of online sales channels, such as live broadcasting, interest and content e-commerce etc., have had a huge impact on the development of physical supermarkets. The development of online retail squeezed the market share of physical supermarkets. In addition, unmanned supermarkets have become a widely used new retail model. Through automated and intelligent equipment, unmanned supermarkets have realized automated sales and services in stores, innovated the offline retail model, and greatly improved consumers' shopping experience and convenience. The market scale of unmanned supermarkets continues to expand, which will also have a certain impact on the market share of traditional physical supermarkets. Coupled with the era of experience economy, for the current young consumer groups, especially

Generation Z, they are more inclined to have a comprehensive consumer experience that has fun and social attribute. In addition to focusing on product quality and price, they also care the experience in the consumption process. Whether it is online consumption or physical store consumption, they hope to gain some in-depth experience. They not only buy the product, but also the consumption scene extended by the product that can satisfy their desire and spiritual needs.

Street stall economy

With the relief of the new pandemic and the support of the government, the street stall economy has developed rapidly in the past few years. Street stall economy refers to small and micro sales activities such as street food and commodities in the form of street stalls. Sellers can get opportunities to start a business, and buyers can enjoy cheap and diversified goods and services. The history the street stall economy is long. With the support of the government, the street stall economy is becoming more and more popular with consumers. Snack streets and night markets have become an important part of the city's economy. However, the development of the street-stall economy also faces some challenges. First of all, there are health and safety problems in the street stall economy. Secondly, there are also problems of disorderly and unhealthy competition in the street-stall economy. Finally, the street stall economy also has the problem of insufficient infrastructure. In general, the development of the street stall economy has prospect, but the government and vendors still need to work together to solve the existing problems.

Department store retail

China's department store retail industry is an important part of China's economic development nowadays, and its development and market operation trends are crucial. In 2023, the development of domestic department store retail market and slowdown of the consumption of residents were due to multiple factors. The slowdown in macroeconomic growth and the decline in the growth rate of social investment have brought certain pressure on the department store retail industry, and the performance of physical department stores has declined. At the same time, the macroeconomic situation has also changed consumption preferences. The customer flow in traditional department stores and physical stores has decreased, and the consumption behavior of residents has also changed, showing features such as spending cut or buying less. In addition, due to the rapid development of e-commerce, the arrival of the internet era, the mature of logistics and transportation technology, and the opening of online e-commerce channels, these enabled consumers to obtain convenient consumption experience by value added services and quality. The consumption behavior of specific commodities has changed, and brought huge impact and pressure to the traditional department store retail industry, and exacerbated the consumption deceleration trend.

With the advancement and development of internet technology, its impact on social production and consumption is getting deeper. With the continuous popularization of Internet of Things, cloud computing, big data, artificial intelligence and other technologies, the department store retail industry is also facing a series of changes. The in-depth integration of physical stores and channels effectively integrates the physical stores of online channels, realizes the combination of information and cross-industry cooperation in marketing methods, so that physical stores can be operated online or through pop-up stores. With the rapid development of the internet age, consumers are constantly being encouraged to pursue new lifestyles, go green and environmentally friendly, aware quality, respect personality, and freedom, while forming more diversified consumption behaviors. Traditional department store retailers are also responding to the development of new technologies, providing consumers with more comprehensive services and launching various consumer services to meet the diversified needs of consumers, and thus driving technological innovation in the department store.

Online shopping market

China's online shopping market has been developing faster in recent years, and the demand for online shopping will continue to grow at a high speed. The development and upgrading of internet technology has provided support for China's online shopping market. This year, China is speeding up the development of 5G network, with faster network speed and better user experience, which is beneficial to the development of China's online shopping market. The convenient and safe experience will help expand the scale of China's online shopping market and increase the net increase rate of online shoppers. The development of social media has allowed publicity of products, and has formed a new consumer market, expanding the scale of China's online shopping market. Major brands and large platform users have also brought vitality to China's online shopping market, increase consumers' willingness to buy and promotes active consumption, which will make the future development of the online shopping market more better. Besides, with the development of China's online shopping market, users' requirements for product quality are increasing. Traditional group buying and brand owners will effectively concern product quality which become a weapon for corporate competition. Efforts to improve quality require brand owners to find low cost. Start from production technology, effective management and control in the supply chain, and after-sales service, to ensure the stability of the future online shopping market. Users' expectation in product quality will increase, and enrich the future online shopping market. The Internet of Things technology platform can realize large-scale customer data, connect and integrate online consumers in the social media, undergo consumption positioning, perform information search. It can greatly meet the needs of consumers, increase consumer trust, expand the market, and promote the development of the online shopping market.

Shopping mall

In the first half of 2023, 111 shopping centers have been opened across the country, with a total volume of 9.65 million square meters. Compared with the first half of 2022, the quantity remained the same; the volume increased slightly by 5.1%. Following the pace of economic recovery, the commercial real estate market has shown a steady recovery. The number of openings of shopping malls peaked around the holidays and then declined.

The number of openings in the first half of the year shrank YOY, and the gap with the pre-pandemic still remained. On one hand, it was a market factor that shrink the increase in openings of shopping centers; on the other hand, it was the impact of the post-pandemic economic development on the commercial real estate market. On the monthly basis, the opening of shopping centers in the first half of the year has been steadily recovering, and there was no significant rebound. The market is mainly on the sidelines and steady development. East China ranks first, North China ranks third, and South China ranks second, accounting for only 15% of the total, which is far from the first place. The total volume of 17 projects amounts to 960,000 square meters, mostly small projects. Among them, there are 13 projects in Guangdong, 2 in Guangxi and 2 in Hainan. The Northeast District is still the region with the lowest number of openings, with only 2 projects, accounting for 2%, both located in Shenyang, and there are no opening projects in other cities. From the perspective of the commercial lines of cities where projects are distributed, high-tier cities account for 60%, and low-tier cities account for 40%. High-tier cities are still the main market.

In the projects opened in the first half of the year, medium and small-scale projects are still dominant. Projects with less than 150,000 square meters accounted for 89%, and those above 150,000 square meters accounted for only 11%. The three intervals of 30,000 to 50,000 square meters, 50,000 to 100,000 square meters, and 100,000 to 150,000 square meters accounted for about one third. The trend of small-scale commercial projects continues, and community malls and regional malls are still the mainstream of new projects. There are 12 large-scale projects of more than 150,000 square meters, of which 5 projects are larger than 200,000 square meters, including the Lanzhou Wanda Mall of 320,000 square meters. There are mainly two types of large-scale projects. One is a cultural and tourism complex integrating shopping and entertainment, and the other is a large-scale all-in-one life mall. In addition to the scale, from the opening projects in the first half of the year, the operators are accelerating the expansion of major product lines and product innovation. At the same time, there are also cross-industry entry of retail giants. Wuhan Yuexiu IFC Life Plaza is the first project of Yuexiu Commercial Management's "IFC Series" out of Guangzhou, with a volume of 120,000 square meters. It is the first key construction project of Yuexiu Commercial Management to explore the "Mall+Block" business scenario.

Among the projects opened in the first half of the year, there were as many as 23 existing renovation projects, with a total volume of nearly 2 million square meters. Existing renovation projects are becoming more outstanding. Old factory buildings, department stores, shopping malls, and idle properties have been transformed into retail business check-in places, such as "Young SKP", the second "Youth Power Center", and Generation Z. Trendy stadiums, urban living rooms, brand-new places for young consumers to check in, etc.. Beijing DT51 is positioned as a "young version" of SKP. This project is a pilot project for the transformation of the idle industrial land with green partitions in Datun Street. The project inherits the nature and brand resources of SKP, introduces many light luxury brands and SKP series of its own collection stores, and continues the artistic temperament of SKP. Shopping centers have a keen sense of the changes in people's lifestyles and consumption habits after the pandemic. The newly opened shopping malls reflect the new wave of business. In the first half of the year, a number of high-end positioning shopping malls were opened. The Mixc Chongqing aimed at young people, focusing on the attributes of "socializing and fun". Tianjin SCPG INCITY is positioned as a social venue for young people, Chongqing Sky Square • LIVE is positioned as a home for young people of Generation Z, Ji'an Aegean Place is positioned as a new social center for experiencing fashion, and Zhuhai IYOHO City Living Room is positioned "24-hour social trendy play place", Huai'an Sunac Ins Park takes "dream maker" as its positioning concept, and Huai'an Cifi Plaza Cmall creates the concept of "N+play room". Young consumer groups, social networking, and trendy play have also become the new passwords for the shopping centers.

In addition to shopping malls, distinguished businesses are also frequently appears. These include Foshan Shunde ALSO, Hangzhou Vanke Yuniaoji, Chengdu Ancestral Street Art Community, Chengdu Lufang Center Hall B, etc.. "New configuration" of the business formats are frequently unveiled. There are cinemas, video games, KTV, gyms, and children's entertainment businesses. Correspondingly, emerging brands has started a new pace of expansion. Mei KTV has stepped in various shopping malls, and children's play brands MELAND and Nairbao have stepped in various shopping malls. At the same time, car experience stores have become the new signature of shopping malls, and even formed a matrix of new energy vehicle brands. New energy vehicle brands represented by Tesla, Xpeng, Jikrypton, Ideal, and Weilai have opened stores in a number of shopping malls in the first half of the year. Bookstores also frequently appeared in newly opened shopping malls. More than 10 newly opened shopping malls introduced bookstores, including Zhongshuge, Dazhong Data, Sisyphe Bookstore, OBOOK, Johor Bahru Bookstore, Geometry Bookstore, Xinhua Bookstore, Yuntai Bookstore and other brands are presented in the form of new stores and complex formats. Under the sports boom, outdoor sports that young people love have also been moved into commercial complexes. Skateboard parks, basketball courts, baseball fields, outdoor camping, etc. appear frequently in shopping mall projects.

According to the National Bureau of Statistics, the gross domestic product in the first half of 2023 reached approximately RMB59.3 trillion, an increase of approximately 5.5% over the same period last year.

In the first half of the year, the total retail sales of consumer goods were approximately RMB22.8 trillion, a year-on-year increase of approximately 8.2%. Among them, the retail sales of consumer goods of enterprises above threshold were approximately RMB8.5 trillion, a year-on-year increase of approximately 7.4%. According to the location of the business unit, the retail sales of consumer goods in urban areas was approximately RMB19.7 trillion, a year-on-year increase of approximately 8.1%; the retail sales of consumer goods in rural areas was approximately RMB3.0 trillion, a year-on-year increase of approximately 8.4%. In terms of consumption patterns, catering revenue was approximately RMB2.4 trillion, an increase of approximately 21.4%; commodity retail was approximately RMB20.3 trillion, an increase of approximately 6.8%. In the retail sales of goods, the retail sales of enterprises above threshold were approximately RMB7.9 trillion, an increase of approximately 6.3%. In the first half of the year, national online retail sales were approximately RMB7.2 trillion, a year-on-year increase of approximately 13.1%. Among them, the online retail sales of physical goods were approximately RMB6.1 trillion, an increase of approximately 10.8%, accounting for approximately 26.6% of the total retail sales of consumer goods. In the online retail sales of physical goods, food, clothing and consumer goods increased by approximately 8.9%, 13.3% and 10.3% respectively. Classified by retail format, the retail sales of convenience stores, specialty stores, brand name stores and department stores in retail units above threshold during the period increased by approximately 8.2%, 5.4%, 4.6% and 9.8% year-on-year respectively, while supermarket decreased by approximately 0.4%.

In the first half of 2023, the service industry economy continued to recover as the economy and community have been fully resumed. The service industry continued to innovate in new formats. New consumption models such as cloud exhibitions and Virtual Reality fittings continue to emerge, and new commercial formats such as live broadcast e-commerce and instant retail are booming. These newly emerged areas are developing well. The fast recovery of service consumption has stimulated the people gathering service industry. Residents travel increased, and the cultural and tourism market has recovered rapidly. The service industry activity index continued to be expanded. The business activity index of industries such as information transmission, software and information technology services, and finance, which are closely related to the development of the real economy, has increased. The business activity index of the accommodation and catering industry, which is closely related to residents' consumption and business travel, and the transportation, warehousing, and postal industries increased. As the economy and society return to normal, a series of policies to expand domestic demand and promote consumption have taken effect, market vitality has gradually recovered, and urban and rural consumer markets have become more active and showing a growing trend. The proportion of online consumption has steadily increased, the operation of physical stores has continued to recover, the sales of green products have grown rapidly, and residents' service consumption has continued to grow.

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group's total revenue was approximately RMB159.2 million, a decrease of approximately 5.6% year-on-year; gross profit was approximately RMB12.2 million, a year-on-year increase of approximately 111.1%; operating loss was approximately RMB33.0 million, a year-on-year increase of approximately 31.9%; the loss attributable to equity holders of the parent company was approximately RMB33.9 million, a year-on-year increase of approximately 28.9%. At the end of the period, there were 8 retail stores and two shopping malls. The decrease in revenue was mainly due to general decline in consumption spirit in the community brought from the closure of factory, and the increase in unemployment rate. Besides, divestment of foreign enterprise led to reduction of resident population. During the period, it was mainly for upgrading stores to increase revenue, the streamline of manpower and maintenance of key employees, as to retain strength to meet future challenges. Commodity sales decreased by approximately RMB9.1 million, commissions from concessionaire sales decreased by approximately RMB4.7 million, rental income from sub-leasing of shop premises increased by approximately RMB2.3 million, investment property income decreased by approximately RMB0.2 million, and rental income from sub-leasing of shopping malls increased by approximately RMB3.3 million, and interest income from financing services decreased by approximately RMB1.1 million. The Group adopts a proactive and stable business strategy, provides value-added services to physical retail stores, and seeks and develops potential profit opportunities for other investment projects, and begins to plan the preparatory work for the expansion of its branch network and shopping mall in the coming year.

Looking back at the first half of 2023, the Group has made the following major highlights in terms of operations.

(1) Prepare Shajing (Bao'an) shopping mall and supermarket to expand new retail market share

During the period, the Group actively prepared for the shopping malls to be opened. Shajing Shopping Mall has been officially open on 28 July 2023, and is located in center of Shajing street, Bao'an District, Shenzhen. Shajing has a long history and is known as the hometown of oysters. The total area of the jurisdiction is 35.79 square kilometers, and the general population is approximately 548,000. The area is positioned as "the center of the west, an important town of intelligent manufacturing, and a charming oyster township". Shajing is an important industrial town with a solid industrial foundation and a complete industrial chain. There are currently approximately 19,000 legal entities, and leading industries such as new-generation information technology, high-end equipment manufacturing, and circuit boards. In 2022, the street has achieved a total industrial output value of approximately RMB140 billion of entities above designated size. Shajing is located in the northwest of Bao'an District, adjacent to Xinqiao Street in the east, Fuhai Street in the south, seaside in the west, and Songgang Street in the north. It is the core area of Guangdong-Hong Kong-Macao Greater Bay Area, and the main radiation and service area of Airport New City. The key node of the corridor is 30 minutes' drive from Nansha Development Zone and Qianhai National High-tech Zone. The Waterlands Resort is one of the "Ten Scenic Spots of Bao'an", covering an area of about 163 hectares. It is the only national 4A-level comprehensive scenic spot in the west of Shenzhen. The shopping mall is named "Baijiahua Jiayanghui", which integrates shopping and food attractive. The project is located in Xinqiao Street, Bao'an, with a sales floor area of about 54,000 square meters. It is positioned as an "exquisite fashion life center". The shopping mall integrates the characteristics and culture of Oyster Township. It covers a night market theme street, a rooftop camping site, celebrity wet market, and fun check-in points around the needs of different consumers. With 140+ brands, and 20+ regional giants stores have fully filled the gap in the lifestyle industry in the business district. This project is the first show of Baijiahua's new flagship product "Jiayanghui".

(2) Adjust the layout and area of elite supermarkets to cope with market competitors

The Group made adjustments to various supermarket to improve production efficiency and customer comfort. The fresh display was upgraded, and the props in the main channel were upgraded to assist the display; product packaging and display were improved, and the product price and gross profit structure were adjusted; the theme display was added to highlight the seasonality and the cost-effectiveness of the product. For food display upgrades, modifications are made according to the on-site teaching of third-party manufacturers, mainly to rectify the upgrade of some props, focusing on seasonality, theme, and connection; optimize the scene from the aesthetics of product display (specifications, colors, categories); Gross profit structure is matched, dynamic sales are considered, and customer needs are given priority; the display area of imported categories is expanded, and the optimization of imported categories. To upgrade the display for daily products, the main rectifications include highlighting seasonality, theme, and connection; centralized display of key brands and categories; consideration of gross profit structure and dynamic sales of goods; adjustment of visual aesthetics, and increase of various teaching materials. In terms of dynamic and static publicity, promote publicity through teaching knowledge, short videos, etc., form key work plans by continuing to update teaching knowledge and the frequency of short video publicity. In addition to other image enhancement, the addition of supermarket guidelines has been completed, and the visual identity of store wall has been upgraded. In terms of operating area, it has been adjusted from a hypermarket model to an elite life supermarket. Upon adjustment, the gross sales floor area has been reduced for other lease rental to other operators, to increase revenue and reduce expenditure.

(3) Increase benchmark store upgrade services and provide customers with one-stop leisure spots

During the period, the Group increased value-added services in major shopping malls to improve customer satisfaction. 20 projects have been negotiated for the upgrade service of the benchmark store in Shiyan store, which has been promoted on the Baijiahua applet; the upgrade service includes: dry cleaning service, housekeeping service, repair of clocks and watches, tailoring of shirts and trousers, pairing of keys, car washing service, free document printing, pet rescue center, old clothes recycling, electric car restoring, flower booking, birthday cake reservation, real estate information collection, transportation ticket booking, moving service, courier service, self-service beverage machine, free gift wrapping, unblocking sewers, etc. In addition, a service reward and punishment system is formulated to improve service quality and customer satisfaction.

(4) Hold a series of marketing activities to stimulate customer consumption

During the period, the Group actively organized marketing activities and implemented cross-industry cooperation to provide a diversified shopping atmosphere. Following the trend, the group began to hold live broadcast sales. The virtual shopping scene constructed by live broadcast brought the peddling noise in market to the live broadcast room of instant interaction. In the process of live streaming, the anchor acts as a salesperson, shopping guide, and beauty consultant. Promote vertical live broadcast, strengthen the theme and interactivity, and increase attractiveness. Increase special activities for members to maintain a stable customer base. To enhance on-site small handmade booths, customer satisfaction surveys, and customer relationship management system. Official account tweets, online mini-games and interactive topics are launched to cater for different customers. In addition, short videos are produced and broadcast on Douyin and Channels to attract attention with vivid methods, and live broadcast promotions combined with brand activities. In terms of publicity materials, the Group has produced various visual identity designs and management, visual graphic design and extension in a novel and relaxed way, adding joyful and colorful cartoons and texts, and putting them into festive storefront promotional pictures, official account profile pictures, live broadcast related pictures and membership promotional design. In addition, the Group also makes fashionable designs for offline packaging materials, eco-friendly shopping bags, and staff uniforms. Festivals, product categories, and seasonal themes are also introduced into the design of store decorations, shelves, spending coupons, and promotional merchandise stands.

(5) Strengthen the store safety management to reduce potential safety hazards

During the period, the group conducted a thorough store inspection and maintenance of fire protection system, electrical and supporting facilities, and operating equipment (including elevators, air-conditioning systems, smoke exhaust pipes, etc.), and provided safety knowledge training and drills to all employees to enhance disaster prevention awareness. In addition, regular monthly safety meetings are held to solve hidden safety hazards in stores, and comprehensive inspections of facilities are carried out to ensure normal daily operation. Replacement of parts of cooling tower and wind cabinet to ensure normal operation and saves costs. Inspection of store decoration site is taken to prevent illegal operations by workers during the process in a timely manner. The Company strengthens internal control by carrying out regular inventory count of all fixed assets of stores, procurement center, shopping malls and head office, to ensure matching balance and reasonable retirement. This is used to update system data and keep accurate records. In addition, the job assignment mechanism is established to reduce operation and man-made losses and protect the group's property. Periodic adjustments and rotation to staff positions, detailed allocation plans are used to support comprehensive performance appraisal, and improve human resource incentive plans. In addition, safety management is introduced to old store adjustment and upgrade plan, and store design technique is employed to make full use of resources and reduce construction costs. Strengthening the protection mechanisms and introducing effective alert system. The Company will conduct anti-terrorism and flood prevention drills and trainings to safeguard the safety of employees, customers and group property.

OUTLOOK AND FUTURE PROSPECTS

The year 2023 has both opportunity and challenge existed, the Group has prepared to cope with all difficulties, to make use of our core competency in the industry.

Looking ahead, China is still under the fast pace of development stage. The macro-economic condition has significant impact to the industry. Rapid growth in information technology has direct and critical effect to the industry. The directors are confident towards the future. The mission of the Group is to become one of the major operators in the retail industry.

The Group will follow the trends, more innovative, and expand its income source and improve its operating performance through other means like merger and acquisition to enhance its competitive advantage, to explore new business opportunities and to uplift the value of the Company.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group's revenue was approximately RMB159.2 million, representing a decrease of approximately 5.6% from approximately RMB168.7 million in the same period in 2022. The drop in revenue was mainly due to a decrease of approximately RMB9.1 million in sales of goods, a decrease of approximately RMB4.7 million in commissions from concessionaire sales, a decrease of approximately RMB1.1 million in interest income from financing business, and a decrease of approximately RMB0.2 million in rental income from investment properties. However, there was an increase of approximately RMB2.3 million in rental income from sub-leasing shop premises, and an increase of approximately RMB3.3 million in rental income from sub-leasing shopping malls partly offsetting the overall decrease in revenue.

Sales of goods decreased by approximately 10.1% from approximately RMB89.7 million in the same period in 2022 to approximately RMB80.6 million for the six months ended 30 June 2023, mainly due to (i) continued competition from the ecommerce; (ii) the mandatory allocation of sales by the local government during pandemic; (iii) the general habit of residents to store food and supplies during pandemic; and (iv) general decline in consumption spirit in the community brought from the closure of factory and the increase in unemployment rate. Besides, divestment of foreign enterprise led to reduction of resident population. The percentage of sales of goods to the total revenue of the Group for the six months ended 30 June 2023 was approximately 50.7%, compared to approximately 53.2% in the same period in 2022.

Commissions from concessionaire sales decreased by approximately 40.5% from approximately RMB11.6 million in the same period in 2022 to approximately RMB6.9 million for the six months ended 30 June 2023. This was mainly due to (i) continuous competition from e-commerce; and (ii) the impact of the general decline in consumption due to the closure of factories and the increase in unemployment rate. For the six months ended 30 June 2023, commissions from concessionaire sales accounted for approximately 4.3% of the Group's total revenue, compared to approximately 6.9% for the same period in 2022.

Rental income of sub-leasing shop premises increased by approximately 10.6% from approximately RMB21.6 million in the same period in 2022 to approximately RMB23.9 million for the six months ended 30 June 2023, mainly due to reduction of vacant rental units after the pandemic. The rental income of sub-leasing shop premises accounted for approximately 15.0% of the Group's total revenue for the six months ended 30 June 2023, compared to approximately 12.8% for the same period in 2022.

Rental income from investment properties decreased by approximately 4.0% from approximately RMB5.0 million in the same period in 2022 to approximately RMB4.8 million for the six months ended 30 June 2023, mainly due to the change of a tenant which has reduced the rentable area. Rental income from investment properties accounted for approximately 3.0% of the Group's total revenue for the six months ended 30 June 2023, compared to approximately 3.0% for the same period in 2022.

Rental income of sub-leased shopping mall for the six months ended 30 June 2023 was approximately RMB41.3 million, an increase of approximately 8.7% from approximately RMB38.0 million in the same period in 2022. This was mainly due to the reduction of vacant properties after the pandemic. The rental income from sub-leasing shopping mall accounted for approximately 25.9% of the Group's total revenue for the six months ended 30 June 2023, compared to approximately 22.5% for the same period in 2022.

Interest income from financing services decreased by 39.3% from approximately RMB2.8 million in the same period in 2022 to approximately RMB1.7 million for the six months ended 30 June 2023, mainly due to the cessation of business by a major customer. Interest income from financing services accounted for approximately 1.0% of the Group's total revenue for the six months ended 30 June 2023, compared to approximately 1.6% for the same period in 2022.

Other operating income

Other operating income decreased by approximately 42.4% from approximately RMB52.6 million in the same period in 2022 to approximately RMB30.3 million for the six months ended 30 June 2023, mainly due to decrease in government subsidy by approximately RMB1.8 million, the decrease of COVID-19 related rent concession by approximately RMB10.0 million and the decrease in other revenue of approximately RMB12.0 million. However, the increase in administrative and management fee income from suppliers of approximately RMB1.1 million partly offset the decrease.

Inventory purchases and changes

For the six months ended 30 June 2023, the amount of inventory purchases and changes was approximately RMB68.5 million, a decrease of approximately 18.4% from approximately RMB83.9 million in the same period in 2022, mainly due to decrease in sales of goods. For the six months ended 30 June 2023, inventory purchases and changes accounted for approximately 84.9% of sales of goods, compared to approximately 93.6% in the same period in 2022.

Staff costs

Staff costs decreased by 8.9% from approximately RMB35.0 million in the same period in 2022 to approximately RMB31.9 million for the six months ended 30 June 2023. This was mainly due to the streamlining of manpower. However, the number of staff has been increased as at 30 June 2023 due to the new recruitment of staff for the Shajing new shopping mall opened in late July 2023.

Amortization of ROU assets

The amortization of ROU assets decreased by approximately 1.7% from approximately RMB29.6 million in the same period in 2022 to approximately RMB29.1 million for the six months ended 30 June 2023, mainly due to the downsizing of procurement centre.

Depreciation of property, plant and equipment

Depreciation on property, plant and equipment increased by 2.7% to approximately RMB26.9 million for the six months ended 30 June 2023 from approximately RMB26.2 million in the corresponding period in 2022, mainly due to renovation of old stores and shopping malls.

Operating lease rental expenses

Operating lease rental expenses increased from approximately RMB5.4 million in the same period in 2022 to approximately RMB6.6 million for the six months ended 30 June 2023, mainly due to the increase of short-term leases related to provision of new staff quarters for Shajing Shopping Mall during the period.

Other operating expenses

Other operating expenses for the six months ended 30 June 2023 were approximately RMB0.2 million, same as those in the same period in 2022, mainly due to cost control.

Financial costs

Interest on lease liabilities was approximately RMB16.9 million and interest on bank borrowings was approximately RMB3.5 million for the six months ended 30 June 2023, compared with approximately RMB17.1 million and approximately RMB2.7 million respectively in the same period in 2022, which was down by approximately RMB0.2 million and up by approximately RMB0.8 million respectively. The decrease in interest on lease liabilities was mainly due to reduction of lease liabilities resulting from downsizing of procurement centre, while the increase in interest on bank borrowings was mainly due to increase in bank loans.

Operating loss

For the above reasons, the Group's operating loss for the six months ended 30 June 2023 was approximately RMB33.1 million. The Group's operating losses for the six months ended 30 June 2022 was approximately RMB25.2 million.

Income tax expenses

Income tax expenses decreased by 30.8% from approximately RMB1.3 million in the same period in 2022 to approximately RMB0.9 million in the six months ended 30 June 2023. This was mainly due to decrease of taxable profit of subsidiaries during the period. For the six months ended 30 June 2023, the effective tax rate applicable to the subsidiaries of the Group was 25% (Guangxi tax rate was 15%). In addition, according to the PRC Corporate Income Tax Law, the Group is required to pay withholding tax on dividends distributed by subsidiaries established in the PRC, and the applicable tax rate is 10%.

Loss attributable to equity shareholders of the Company

Based on the foregoing, the loss attributable to shareholders for the six months ended 30 June 2023 was approximately RMB34.0 million, which was increased from the loss of approximately RMB26.3 million for the same period in 2022.

Subsequent Events

The Group did not have any other significant events taken place subsequent to 30 June 2023.

Risk Management

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

(i) Foreign exchange risk

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

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's maximum exposure to credit risk is the carrying amounts of cash and bank balances, trade and loan receivables, deposits paid and other receivables. For the operation and management of retail stores and other related businesses, the Group has no significant concentrations of credit risk. Most of the sales transactions were settled in cash basis, by credit card payment or through online payment platforms. Credit terms are only offered to corporate customers with whom the Group has an established and ongoing relationship. Regarding trade receivables arising from rental income, the Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. Receivables are regularly reviewed and closely monitored to minimise any associated credit risk. The Group's trade receivables, deposits paid and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group is not exposed to any significant credit risk from any single counterparty or any group of counterparties having similar characteristics. The Group's bank deposits were deposited with major financial institutions in Hong Kong and the PRC, which management believes are of high-credit-quality without significant credit risk.

(iii) Interest rate risk

The Group's exposure to interest rate risk mainly arises on cash and bank balances. 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

As at 30 June 2023, the Group had 640 full-time employees (as at 30 June 2022: 635). 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.

Use of Proceeds Raised from Listing

The net proceeds raised from the Company's newly issued and listed shares on the Stock Exchange in 8 May 2007 (after deduction of related issuance expenses) amounted to approximately HK$265,000,000. As of 30 June 2023, approximately HK$207,834,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$57,166,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$207,834,000 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 Xinan Bao'an 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 theme 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 Bao'an 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$12,919,000 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 and subsequent announcements related to the adjustment of use of IPO proceeds.

Contingent Liabilities

As at 30 June 2023, the Group has no significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Company had complied with the provisions of the Code throughout the Period save as disclosed below.

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 9 June 2023 due to his other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Mode 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 detailed enquiries made with all Directors, the Company confirms that all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 June 2023.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 30 April 2007. The remuneration committee, which comprises the three Independent Non-executive Directors and one Executive Director, is responsible for reviewing and determining the appropriate remuneration policies of the Directors and senior management and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The Company has established a nomination committee on 30 April 2007. The nomination committee, which comprises the three Independent Non-executive Directors, is responsible for determining the criteria for identifying candidates suitably qualified, reviewing nominations for the appointment of Directors to the Board and making recommendations to the Board regarding any proposed changes.

AUDIT COMMITTEE

The Audit Committee consists of three non-executive Directors, namely Mr. Chin Kam Cheung, Mr. Sun Ju Yi and Mr. Ai Ji. Mr. Chin Kam Cheung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors. The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed the unaudited interim result for the six months ended 30 June 2023. There are proper arrangements for employees, in confidential, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

INTERIM REPORT

The 2023 Interim Report will be despatched to shareholders and published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.szbjh.com) in due course.

For and on behalf of the Board
Jiahua Stores Holdings Limited
Zhuang Lu Kun
Chairman

Shenzhen, the PRC, 30 August 2023

As at the date of this announcement, the Board comprises:

Executive Directors:
Zhuang Lu Kun, Zhuang Pei Zhong, Zhuang Xiao Xiong

Independent Non-executive Directors:
Chin Kam Cheung, Sun Ju Yi, Ai Ji