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 2024

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 2024 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**207,763**	159,166
Cost of inventories sold		**(83,256)**	(68,447)
		124,507	90,719
Other operating income	4	**23,193**	30,285
Selling and distribution costs		**(130,973)**	(112,008)
Administrative expenses		**(15,613)**	(21,493)
Finance costs	5	**(25,004)**	(20,393)
Other operating expenses		**(1,079)**	(157)
Loss before income tax	6	**(24,969)**	(33,047)
Income tax expense	7	**(498)**	(915)
Loss and total comprehensive income for the period and attributable to owners of the Company		**(25,467)**	(33,962)
Dividend	8	**–**	–
Loss per share for loss attributable to the owners of the Company during the period			
– Basic and diluted *(RMB cents)*	9	**(2.45)**	(3.27)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**93,726**	112,204
Investment properties		**246,000**	246,000
Right-of-use assets		**293,248**	320,320
Intangible assets		**6,232**	6,306
Deposits paid, prepayments and other receivables		**19,376**	19,376
Interests in an associate		**–**	–
Deferred tax assets		**87,223**	87,223
		745,805	791,429
Current assets			
Inventories and consumables		**4,501**	6,436
Trade and loan receivables	10	**31,039**	30,514
Deposits paid, prepayments and other receivables		**32,322**	26,975
Restricted bank deposit		**2,000**	2,000
Cash and cash equivalents		**37,338**	40,002
Tax recoverable		**5**	19
		107,205	105,946
Current liabilities			
Trade payables	11	**47,171**	46,570
Deposits received, other payables and accruals		**125,481**	118,541
Contract liabilities		**13,862**	13,051
Lease liabilities		**61,516**	51,859
Amount due to a director		**59**	59
Borrowings		**6,417**	5,712
Provision for tax		**8,983**	9,070
		263,489	244,862
Net current liabilities		**(156,284)**	(138,916)
Total assets less current liabilities		**589,521**	652,513

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	**395,764**	429,161
Borrowings	**141,624**	145,752
Deferred tax liabilities	**90,768**	90,768
	628,156	665,681
Net liabilities	**(38,635)**	(13,168)
EQUITY		
Share capital	**10,125**	10,125
Reserves	**(48,760)**	(23,293)
Capital deficiency	**(38,635)**	(13,168)

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 2024 (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 D2 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 2023 (the "2023 Annual Financial Statements"), except for the accounting policy changes that are expected to be reflected in the 2024 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 2023.

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 2024. 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 (2023: 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 2024			
Reportable segment revenue	**207,763**	**–**	**207,763**
Segment results	**(22,318)**	**(147)**	**(22,465)**
Other unallocated corporate income			**5**
Other unallocated corporate expenses			**(2,509)**
Loss before income tax			**(24,969)**
Other segment information			
Interest income	**(230)**	**–**	**(230)**
Additions to non-current assets	**8,967**	**–**	**8,967**
Amortisation of intangible assets	**616**	**–**	**616**
Depreciation of property, plant and equipment	**27,042**	**–**	**27,042**
Depreciation of right-of-use assets	**26,733**	**–**	**26,733**
Interest expense on lease liabilities	**21,674**	**–**	**21,674**
Loss on disposal of property, plant and equipment	**161**	**–**	**161**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
At 30 June 2024			
Reportable segment assets	**732,029**	**831**	**732,860**
Tax recoverable			**5**
Deferred tax assets			**87,223**
Other unallocated corporate assets			**32,922**
Total assets			**853,010**
Reportable segment liabilities	**790,068**	**89**	**790,157**
Provision for taxation			**8,983**
Deferred tax liabilities			**90,768**
Other unallocated corporate liabilities			**1,737**
Total liabilities			**891,645**

	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			
Reportable segment revenue	157,505	1,661	159,166
Segment results	(30,888)	324	(30,564)
Other unallocated corporate expenses			(2,483)
Loss before income tax			(33,047)
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
	(Audited)	(Audited)	(Audited)
At 31 December 2023			
Reportable segment assets	774,851	361	775,212
Tax recoverable			19
Deferred tax assets			87,223
Other unallocated corporate assets			34,921
Total assets			897,375
Reportable segment liabilities	808,536	100	808,636
Provision for taxation			9,070
Deferred tax liabilities			90,768
Other unallocated corporate liabilities			2,069
Total liabilities			910,543

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 2023 and 2024.

4. REVENUE AND OTHER OPERATING INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**89,621**	80,638
Commission from concessionaire sales	**5,455**	6,859
Rental income from sub-leasing of shop premises	**23,531**	23,886
Rental income from investment properties	**4,737**	4,849
Rental income from sub-leasing of shopping malls	**84,419**	41,273
Interest income from financing services	**–**	1,661
	207,763	159,166
Other operating income		
Interest income	**230**	594
Government grants	**44**	518
Administration and management fee income	**14,855**	14,404
Gain on exchange	**210**	42
Others	**7,854**	14,727
	23,193	30,285

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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**21,674**	16,915
Interest on borrowings	**3,330**	3,478
	25,004	20,393

6. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss is arrived at after charging:		
Depreciation of property, plant and equipment	**27,042**	26,917
Depreciation of right-of-use assets	**26,733**	29,133
Interest expense on lease liabilities	**21,674**	16,915
Amortisation of intangible assets	**616**	218
Loss on disposal of property, plant and equipment	**161**	70
Operating lease rentals in respect of land and buildings	**6,063**	6,614
Staff costs, including directors' emoluments		
– salaries and other benefits	**29,967**	27,228
– contributions to pension scheme	**5,226**	4,662
and crediting:		
Rental income from investment properties	**4,737**	4,849
Sub-letting of properties		
– Base rents	**105,015**	63,229
– Contingent rents*	**2,935**	1,930
	107,950	65,159

* 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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	**498**	915

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 2023: 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 2023: 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% (2023: 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% (2023: 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 2023: Nil).

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

	Six months ended 30 June	
	2024	2023
	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 2023: 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 RMB25,467,000 (six months ended 30 June 2023: loss of approximately RMB33,962,000) and the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2023: 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. 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 2024	At 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**26,696**	29,199
31 – 60 days	**948**	695
61 – 180 days	**2,105**	617
181 – 365 days	**1,290**	2
Over 365 days	**–**	1
	31,039	30,514

The aging analysis of the Group's loan receivables (net of impairment loss) is as follows:

	At 30 June 2024	At 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Repayable on demand or within one year	**–**	–

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 2024	At 31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**10,966**	25,605
31 – 60 days	**1,462**	10,370
61 – 180 days	**13,634**	3,974
181 – 365 days	**16,963**	607
Over 365 days	**4,146**	6,014
	47,171	46,570

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2024, the pressure on retail industry development was great. Domestic demand is still insufficient and the economic recovery needs to be consolidated. At least 131 commercial complex were closed across the country, nearly 6 times more than the same period in 2023, including many retail giants. Not only supermarkets, but also department stores have closed stores. Statistics show that as of 30 June 2024, the number of new registrations of domestic catering-related companies reached 1.3 million, and the number of de-registrations also reached 1 million. During the period, star companies closed their stores both online and offline. Some brand and official flagship stores have withdrawn. Japanese cosmetics brands have closed their Tmall official flagship stores, Douyin and JD flagship stores, and Taobao official flagship stores. Many representative first stores have also withdrawn from the market. The difficulties faced by physical stores have gradually emerged in the long-term competition. The impact of the internet has become a reality. Price war, same quality competition and the enhanced cost pressure are the main factors causing this phenomenon. Although offline still has advantages, traditional businesses continue to be closed. The retail industry is experiencing difficulties. Retail giant incurred losses throughout the year. Whole-sellers has good reputation, but there are many problems with price, organizational structure, and operations and procurement. Retailer faces internal and external problems when it transforms into a membership store.

Live-streaming of goods has a new development in 2024. The past key opinion leader (KOL) has been fading out. They move behind the scenes, and shift from live broadcast to interview programs. In the live broadcast of 618 this year, the number of major KOL dropped significantly compared with 2023. The weakening of KOL is because consumers are tired of shopping festivals and no longer blindly follow the trend in purchasing. At the same time, their requirements for product quality and after-sales service have increased, and they no longer only focus on price concessions. In addition, investment in online platforms has decreased, and the state’s surveillance of live broadcasts has been strengthened to restrict non-compliant behaviors. The rise of small and medium-sized KOL and merchants has caused diversion, which have also led to the shrinking of the influence of leading KOL. On the other hand, more retail companies have enhanced live broadcasting to a basic means of business and upgraded their live broadcast teams. More entrepreneurs have built their own intellectual assets. Overall, live broadcasting has become a basic tool for business, and the live-streaming arena reflects the distribution structure related to its own brand and operating capabilities.

In 2024, Leerle announced that it would open nationwide franchising, and planned to attract more than 10,000 stores through Leerle Huimeng; while Qdama, with the slogan of “not selling overnight meat”, expanded the franchising in the city. In catering industry, Haidilao took the lead for franchising; Peijie Hotpot, Hefu Noodles, and Tims Coffee were following it. In terms of franchise policies, companies are increasing their incentives to attract more franchisees. Busy for You Group announced its latest franchise policy, which includes a series of franchise fee exemptions, limited-one-off subsidies for opening new store, competition subsidies and rent transfer fee subsidy plans etc. The franchise policies of tea beverage companies are increasing. In addition, subsidies and rebates are used by franchisees. Naixue franchisees who complete the contract within the time limit can enjoy single-store marketing subsidies. When the focus of the capital market is insufficient, franchising become a good model for enterprises to develop and quickly replicate. However, the company’s values, operating system and supply chain strength are the keys to the stable and healthy development of the franchise system.

During the period, apart from sales promotions and price wars, the involution of goods and services was intensive. In e-commerce, JD.com has integrated the retail brands Hourly Express and Daojia, and upgraded them to instant delivery; Taobao adds “Hourly Express” as a first-level showroom; and Douyin spin-off Hourly Express from Douyin Supermarket at the end of 2023 and as a first-level marketplace. Facing competition, Meituan increased its flash sales and improved in scenes and categories. Online stores are interpenetrating each other in many aspects such as content display, shelf e-commerce, different sized merchants, and value-added services. In the field of tea beverage, milk tea brands have lowered their prices together, with a bargain price of 10 yuan each. Even Starbucks, a decent brand name, has engaged cheap price activities and launched various group purchases coupon. In the field of supermarkets, discount stores and low-price promotions have become basic phenomena. The involution is the result of overcapacity, lack of sales channel and shrinking market demand. In economic downturn, consumers become more rational and conservative, retailers are competing in the era of low demand. On the one hand, enterprises need to survive and are exploring a new path. They should improve quality and service, avoid loss making promotion, and earn reasonable profits.

During the period, mainstream e-commerce platforms such as Taobao and Tmall, JD.com, Douyin, and Kuaishou cancelled the pre-sale system and directly start selling products. Many merchants did not produce and prepare goods in advance bulky. As a result, the goods in stock were limited and cannot satisfy consumers’ need. The pre-sale system solved this problem and allowed information flow to occur in advance, logistics and capital flow to continue to occur, and helps merchants reduce inventory and logistics blockage risks. Nevertheless, there were defects in pre-sale system. Inflated “final payment”, unguaranteed price of pre-sold goods, failure to honor promised gifts, late delivery, and “lowest price” tricks etc, which have affected the reputation of the platform and merchants. With the cancellation of the pre-sale system, e-commerce has been greatly simplified. More new live-streaming e-commerce have emerged, which makes consumers value price and experience. The most obvious impact is the increased inventory pressure on products. The platform may improve user experience by optimizing the shopping process and improving logistics and distribution efficiency, thereby attracting more consumers.

With the new technological revolution driven by artificial intelligence, it brings great change to industrial transformation. In the commercial field, there are applications in creation, design and data audit, etc. In smart patrols, digital assistants, matching of customers and goods, unmanned warehouses, member loyalty program, automated community operation tools, smart supply chains, marketing display, and smart sales workplace, these made mature products and export to other aspects of the industry. The explorations are shaping the future of retail business. Retail companies should remain open and promote technological innovation of the company. Internet companies should make contribution and investments in digital humans and artificial intelligence applications.

In the first half of 2024, the attributes of Sam's, Costco and ALDI is significant. The products, store openings, expansion and operational details of these foreign retailers have become the gimmicks of store traffic. ALDI China has shed its image of an elite supermarket, and impacted the market with "good quality, low prices". The seller continued to expand its "bargain series", sparkling the online channel with its cost-effectiveness. ALDI has formulated a long-term plan to open up its store network and build a local management team to equip its own purchasing capabilities. The culture, mechanisms and systems related to the foreign-funded supermarkets have influenced the Chinese retail industry.

In the first half of 2024, there will be a lot of corporate news. (1) Chagee launched its first "sign language store" in Hangzhou, offering social sign language services, and achieving brand's social responsibility. (2) Crazy Brother Yang started his overseas live broadcast to sell products, and the first stop was Singapore. (3) Costco's first self-service gas station in mainland China opened, and the price was below market price. (4) Alibaba was entering the field of humanoid robots for the first time with focus on cutting-edge technologies such as chips, sensors, software, artificial intelligence, communications, parts, and materials etc. (5) Yonghui Supermarket opened Yonghui Canteen in Fuzhou etc, and Wumart opened its first "Wumart Canteen". With the attractive price, this was a new initiative in the "retail + catering" format. (6) Huaxia Fund Management issues a basket closed assets securities investment fund with approval from the China Securities Regulatory Commission. It is the first real estate investment trust (REIT). As an emerging financing tool, it helps real estate companies revitalize existing assets.

According to the National Bureau of Statistics, the gross domestic product in the first half of 2024 reached approximately RMB61.7 trillion, an increase of approximately 5.0% over the same period last year.

In the first half of the year, the total retail sales of consumer goods were approximately RMB23.6 trillion, a year-on-year increase of approximately 3.7%. Among them, the retail sales of consumer goods of enterprises above threshold were approximately RMB8.4 trillion, a year-on-year increase of approximately 2.9%. According to the location of the business unit, the retail sales of consumer goods in urban areas was approximately RMB20.4 trillion, a year-on-year increase of approximately 3.6%; the retail sales of consumer goods in rural areas was approximately RMB3.1 trillion, a year-on-year increase of approximately 4.5%. In terms of consumption patterns, catering revenue was approximately RMB2.6 trillion, an increase of approximately 7.9%; commodity retail was approximately RMB21.0 trillion, an increase of approximately 3.2%. In the retail sales of goods, the retail sales of enterprises above threshold were approximately RMB8.4 trillion, an increase of approximately 2.9%. In the first half of the year, national online retail sales were approximately RMB7.1 trillion, a year-on-year increase of approximately 9.8%. Among them, the online retail sales of physical goods were approximately RMB6.0 trillion, an increase of approximately 8.8%, accounting for approximately 25.3% of the total retail sales of consumer goods. In the online retail sales of physical goods, food, clothing and consumer goods increased by approximately 17.8%, 7.0% and 7.8% respectively. By retail format classification, among the physical retail sales above the threshold, convenience stores, specialty stores and supermarkets increased by 5.8%, 4.5% and 2.2% YOY respectively; while the retail sales of department stores and brand specialty stores decreased by 3.0% and 1.8% respectively.

In the first half of 2024, China's retail industry will continue to face challenges and opportunities. In the era of cost-effectiveness, consumers pay more attention to the cost and value of products, and retail operators need to grasp accurately the needs of consumers and provide higher-quality products and services. At the same time, the rise of emerging channels has also brought new development opportunities to retail enterprises. Retailers need to actively expand emerging pipelines and increase market share. In addition, retail companies also need to strengthen product innovation and supply chain management, improve efficiency, and reduce costs to cope with fierce market competition.

BUSINESS REVIEW

For the six months ended 30 June 2024, the Group's total revenue was approximately RMB207.8 million, an increase of approximately 30.5% year-on-year; gross profit was approximately RMB6.4 million, a year-on-year decrease of approximately 47.8%; operating loss was approximately RMB24.9 million, a year-on-year decrease of approximately 24.5%; the loss attributable to equity holders of the parent company was approximately RMB25.4 million, a year-on-year decrease of approximately 25.1%. At the end of the period, there were 9 retail stores and three shopping malls. The increase in revenue was mainly due to the opening of Shajing Jiayanghui shopping mall in July last year. But with the increase in competition surrounding the stores and shopping malls, the general decline in consumer spending spirit, the change in spending pattern and attitude, and the divestment of foreign enterprise resulting closure of factory and reduction of resident population, the income of other stores has been restricted. During the period, it was mainly for enhancing of attractiveness of shopping malls and upgrading of stores to increase revenue, and the streamline of manpower and maintenance of key employees, as to retain strength to meet future challenges. Commodity sales increased by approximately RMB9.0 million, commissions from concessionaire sales decreased by approximately RMB1.4 million, rental income from sub-leasing of shop premises decreased by approximately RMB0.4 million, investment property income decreased by approximately RMB0.1 million, rental income from sub-leasing of shopping malls increased by approximately RMB43.2 million, and interest income from financing services decreased by approximately RMB1.7 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 2024, the Group has made the following major highlights in terms of operations.

(1) Strengthen inventory and order management to reduce capital occupation problems

During the period, the Group improved the inventory management works and order management. There was effective control on the movement and balance of warehousing goods to ensure the condition of goods and normal operating activities. The types of goods are classified and recorded in charts. It is a comprehensive management system that reflects the quantity and quality of warehousing goods, as well as the geographical location, department, order ownership and warehousing dispersion. In old stores, goods are categorized and perishable goods are displayed in counters. Except for the self-operated categories of vegetables and fresh meat, other categories are kept in specialty counters, encouraging and employees to explore new resources. In addition, the positioning of each store is continuously optimized. At the beginning of the year, we positioned each store and improved the category structure, marketing strategy, product differentiation and customer service. Products are classified by tiers, strengthening firsttier brands according to preferences, optimized second-tier brands, and eliminated third-tier category management to optimize the category structure and clean up unsalable and inventory categories. The Group focuses on quality improvement of products with slowing moving goods, and introduces fresh food counters. At the same time, the group strives for supplier resources, provides sales support to leading brands and quality suppliers, and strives for promotional resources. On the other hand, order management is carried out. The headquarters effectively controls store orders, rejects unreasonable orders, and requires stores to make daily allocations.

(2) Prepare for the new Bantian store, explore new operating models and optimize business strategies

During the period, the Group planned to open new store and searched for locations that were feasible and had business potential. In mid-July, a lease agreement was signed with an independent landlord to lease a property in Bantian District, Longgang at a reasonable price for the purpose of opening a new franchised supermarket operated by the Group. The store is located in Jiangnan Times Square, which is directly connected to Shenzhen Metro Gangtou station. It is about 3 kilometers away from the current Bantian Ling Hui Plaza, on the lower ground floor and covers an area of about 4,100 square meters. The lease term is 15 years. There is Shenzhen Huawei Bantian Industrial Base, Tianan Cloud Park (a national-level strategic emerging industry demonstration base that gathers the four major industries of security, communications, electronics, and smart hardware) and several phases of Bantian Kaisa City Plaza. The store cited Leyoule's hard discount business model to attract consumers' attention and make purchases by reducing product prices, improving product quality, and optimizing shopping experience. First, we will increase membership promotion and marketing, with discounts products as the core, and "buy more save more" as the gimmick. Through offline promotion and online new media, the Group promotes membership price advantage and expands member base by offering member benefit. Turning the customer base of Times Square and office buildings into our subscribed members. Meanwhile, the Group continues to develop subscribed members and explores wholesale members. By introducing quality, price, marketing, category and counter items to cultivate customer loyalty. Follow up the development of online members, subscribed members can enjoy member prices for online shopping simultaneously. The Group conducts monthly stock count, participates in the routine meetings with store managers, interchanges practical difficulties, and improves the cooperation model.

(3) Facing peer competition to adjust the strategy of Shajing Jiayanghui Shopping Mall

During the period, the Group operated the Shajing Jiayanghui Shopping Mall. Jiayanghui Shajing store has officially been opened in July 2023. It has a total commercial area of more than 50,000 square meters and is located in the Shajing of Baoan District, with full occupation rate at the inauguration date. The mall focuses on the three major cores of lifestyle, exquisite fashion, family leisure, and social entertainment, and brings 140+ brands, including more than 20 new coming brands. Zhongying Dejin Cinemas, the first Dolby Sound giant-screen IMAX theater in Shajing, opened in November 2023. A comprehensive sports and entertainment hall integrating digital sports and virtual video game experience, with more than 1,000 square meters, it brings more than 20 kinds of family entertaining games, creating an innovative and fashionable center for young family customers. In the rooftop the shopping mall has a camping aesthetic of coffee and wine corner – 51CAMP Shenzhen City Camp, with a dining experience area of more than 4,000 square meters, bringing rural camping trips to the rooftop of the bustling urban area. In terms of catering, it focuses on special and fusion dishes. In terms of business formats, catering and kid's businesses are more prominent. Among them, the catering business are mostly leading chain brands. The lower ground floor is mainly for snacks and fast food, with brands such as Kwafu Fried Chuan, Shining Taste, Tianmeihui Chicken Wings Rice Bun, Yun Cuisine, Danye Offal, and Kaileli. The fourth and fifth floors are mainly for dinner, and included brands such as Coucou Hotpot, Four Seasons Coconut Grove, Walaida, Jingweizhang, Green Tea, and Nonggengji. In terms of kid's business, in addition to children's wear such as balabala, 361KIDS, and Yishion Kid's Clothing, it also introduces children's entertainment brands including Century Fengle Kaka, Jiuhao Chaowan, NATAKIDS, Geek World, Xiaoxing Auto Town, etc. Looking at the Shajing Xinqiao area, the overall interior design of Jiayanghui is outstanding, and the multi-scenario check-in points greatly enhances consumers' shopping experience. The internal layout uses Shajing oysters and colorful marine life as design elements to highlight its locality. According to statistics, 25 commercial retail entities will enter the market in Shenzhen in 2024 (commercial area ≥ 20,000 square meters), including 6 in Baoan District. Wanfeng Coast City Shopping Center, located in Ma'anshan, Shajing, opened in July 2024. This 200,000-square-meter commercial giant has nearly 300 brands and a store opening rate of 95%, injecting new competition into the retail business in western Shenzhen. The Group continues to aware the marketing dynamics, merchant operations, and publicity coverage of Wanfeng Coast City after its opening; it seeks to differentiate itself from its counterparties, expand and stabilize Jiayanghui's children's playground and cross-industry resources, and build an alliance between cross-industry and children. The Group will try to link Jiayanghui to consumer preferences.

(4) Perform operational adjustments to continuously optimize the human resources system

With the changes in the domestic retail industry in recent years, the Group has continuously changed its operating model to respond. In terms of human resources, Pang Dong Lai's humanistic care learning and trial operation can alleviate the burden on employees and make them enjoy at work. This model has four main parts. The first is its unique business model and diversified operations, which cover all aspects of consumers' daily lives. Retailer positions market accurately, through in-depth understanding of local market needs and consumer preferences, to provide goods and services that meet the needs of local consumers. The second is to provide quality customer service and an unconditional refund policy. This policy has enhanced consumers' shopping confidence and satisfaction. A one-for-all service system provides many value-added services such as free parking, pumping, and repair tools borrowing, allowing consumers to feel warm care. The third is the care and motivation of employees, providing generous welfare benefits, salary, vacation, working hours and employee welfare policies, which improves employees' job satisfaction and belongingness. Comprehensive training and development opportunities, regular skills improvement classes, and management training classes and activities are held to provide employees with abundant training and development opportunities. The fourth is social responsibility and charity activities, which has made significant contributions to community caring. Actively participating in various disaster relief and social welfare activities demonstrates the company's social and moral responsibility.

OUTLOOK AND FUTURE PROSPECTS

The year 2024 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 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 2024, the Group's revenue was approximately RMB207.8 million, representing an increase of approximately 30.5% from approximately RMB159.2 million in the same period in 2023. The increase in revenue was mainly due to an increase of approximately RMB9.0 million in sales of goods, and an increase of approximately RMB43.2 million in rental income from sub-leasing shopping malls. However, there was a decrease of approximately RMB1.4 million in commissions from concessionaire sales, a decrease of approximately RMB1.7 million in interest income from financing business, a decrease of approximately RMB0.1 million in rental income from investment properties, and a decrease of approximately RMB0.4 million in rental income from sub-leasing shop premises, partly offsetting the overall increase in revenue.

Sales of goods increased by approximately 11.2% from approximately RMB80.6 million in the same period in 2023 to approximately RMB89.6 million for the six months ended 30 June 2024, mainly due to commencement of business of Shajing Jiayanghui in July 2023. However, there was continuous inauguration of shopping malls in Shenzhen and Baoan districts which has impact on the result of some stores. In addition, 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 2024 was approximately 43.1%, compared with approximately 50.7% in the same period in 2023.

Commissions from concessionaire sales decreased by approximately 20.3% from approximately RMB6.9 million in the same period in 2023 to approximately RMB5.5 million for the six months ended 30 June 2024. 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 in Guangdong and the increase in unemployment rate. For the six months ended 30 June 2024, commissions from concessionaire sales accounted for approximately 2.6% of the Group's total revenue, compared with approximately 4.3% for the same period in 2023.

Rental income of sub-leasing shop premises slightly decreased by approximately 1.7% from approximately RMB23.9 million in the same period in 2023 to approximately RMB23.5 million for the six months ended 30 June 2024, mainly due to reduction of rent of some of the reverse rental units to attract tenants. The rental income of sub-leasing shop premises accounted for approximately 11.3% of the Group's total revenue for the six months ended 30 June 2024, compared with approximately 15.0% for the same period in 2023.

Rental income from investment properties slightly decreased by approximately 2.1% from approximately RMB4.8 million in the same period in 2023 to approximately RMB4.7 million for the six months ended 30 June 2024, mainly due to reduction of rent of some of the tenants. Rental income from investment properties accounted for approximately 2.3% of the Group's total revenue for the six months ended 30 June 2024, compared to approximately 3.0% for the same period in 2023.

Rental income of sub-leased shopping mall for the six months ended 30 June 2024 was approximately RMB84.5 million, a sharp increase of approximately 104.6% from approximately RMB41.3 million in the same period in 2023. This was mainly due to commencement of business of Shajing Jiayanghui in July 2023. The rental income from sub-leasing shopping mall accounted for approximately 40.7% of the Group's total revenue for the six months ended 30 June 2024, compared with approximately 26.0% for the same period in 2023.

Interest income from financing services decreased by 100.0% from approximately RMB1.7 million in the same period in 2023 to approximately RMB Nil million for the six months ended 30 June 2024, mainly due to the termination of business by customer. Interest income from financing services accounted for approximately Nil of the Group's total revenue for the six months ended 30 June 2024, compared with approximately 1.0% for the same period in 2023.

Other operating income

Other operating income decreased by approximately 23.4% from approximately RMB30.3 million in the same period in 2023 to approximately RMB23.2 million for the six months ended 30 June 2024, mainly due to decrease in other revenue of approximately RMB6.9 million.

Inventory purchases and changes

For the six months ended 30 June 2024, the amount of inventory purchases and changes was approximately RMB83.2 million, an increase of approximately 21.6% from approximately RMB68.4 million in the same period in 2023, mainly due to increase in sales of goods and purchase costs. For the six months ended 30 June 2024, inventory purchases and changes accounted for approximately 92.9% of sales of goods, compared with approximately 84.9% in the same period in 2023.

Staff costs

Staff costs increased by 10.4% from approximately RMB31.9 million in the same period in 2023 to approximately RMB35.2 million for the six months ended 30 June 2024. This was mainly due to commencement of business of Shajing Jiayanghui in July 2023.

Amortization of ROU assets

The amortization of ROU assets decreased by approximately 8.2% from approximately RMB29.1 million in the same period in 2023 to approximately RMB26.7 million for the six months ended 30 June 2024, mainly due to the expiry of some of staff quarters leases and downsizing of procurement centre.

Depreciation of property, plant and equipment

Depreciation on property, plant and equipment increased by 0.4% to approximately RMB27.0 million for the six months ended 30 June 2024 from approximately RMB26.9 million in the corresponding period in 2023, mainly due to minor change in fixed assets.

Operating lease rental expenses

Operating lease rental expenses decreased from approximately RMB6.6 million in the same period in 2023 to approximately RMB6.1 million for the six months ended 30 June 2024, mainly due to provision of short-term leases related to provision of new staff quarters for Shajing Shopping Mall last year.

Other operating expenses

Other operating expenses for the six months ended 30 June 2024 were approximately RMB1.1 million, as compared with approximately RMB0.2 million in the same period in 2023, increased by approximately RMB0.9 million, mainly due to penalty related to early termination of the lease of part of shopping mall.

Financial costs

Interest on lease liabilities was approximately RMB21.7 million and interest on bank borrowings was approximately RMB3.3 million for the six months ended 30 June 2024, compared with approximately RMB16.9 million and approximately RMB3.5 million respectively in the same period in 2023, which was up by approximately RMB4.8 million and down by approximately RMB0.2 million respectively. The increase in interest on lease liabilities was mainly due to commencement of business of Shajing Jiayanghui in July 2023, while the decrease in interest on bank borrowings was mainly due to decrease in bank interest rate.

Operating loss

For the above reasons, the Group's operating loss for the six months ended 30 June 2024 was approximately RMB24.9 million. The Group's operating losses for the six months ended 30 June 2023 was approximately RMB33.0 million.

Income tax expenses

Income tax expenses decreased by 44.4% from approximately RMB0.9 million in the same period in 2023 to approximately RMB0.5 million in the six months ended 30 June 2024. This was mainly due to decrease of taxable profit of subsidiaries during the period. For the six months ended 30 June 2024, 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 2024 was approximately RMB25.4 million, which was decreased from the loss of approximately RMB33.9 million for the same period in 2023.

SUBSEQUENT EVENTS

The Group did not have any other significant events taken place subsequent to 30 June 2024.

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 2024, the Group had 623 full-time employees (as at 30 June 2023: 640). 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 2024, approximately HK$231,412,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$33,588,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$231,412,000 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$23,578,000 for opening of a new shopping mall in Shajing, Shenzhen, 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 2024, 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 C1 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 F.2.2 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 11 June 2024 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 C3 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 2024.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 30 April 2007. The remuneration committee, which comprises the four 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 four 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 four non-executive Directors, namely Mr. Chin Kam Cheung, Mr. Sun Ju Yi, Mr. Ai Ji and Madam Ying Chi Kwan. Mr. Chin Kam Cheung, who holds the appropriate professional qualifications as required under Rule 3.10(2) 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 2024. 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 2024 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.

The interim result and interim report have not been reviewed or audited by the external auditors.

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

Shenzhen, the PRC, 29 August 2024

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

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

Non-executive Director:
Yan Xiao Min

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