佳華百貨控股有限公司

Jiahua Stores Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00602)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

Revenue increased by 5.6% to approximately RMB354.0 million.

Gross profit of sales of goods increased by 96.6% to approximately RMB29.0 million.

Loss attributable to the owners of the Company for the year amounted to approximately RMB152.6 million.

Basic loss per share was approximately RMB14.71 cents.

No final dividend is recommended.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Jiahua Stores Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
			(restated)
Revenue	4	**353,966**	335,272
Cost of inventories sold		**(139,169)**	(168,004)
		214,797	167,268
Other operating income	6	**35,213**	51,832
Decrease in fair value of investment properties		**(12,600)**	(15,600)
Selling and distribution costs		**(266,797)**	(231,177)
Administrative expenses		**(42,532)**	(40,127)
Other operating expenses		**(1,177)**	(2,266)
Impairment loss on loan receivables		**(36,377)**	(881)
Finance costs	7	**(46,859)**	(39,438)
Loss before income tax	8	**(156,332)**	(110,389)
Income tax credit	9	**3,754**	6,468
Loss and total comprehensive income for the year and attributable to owners of the Company		**(152,578)**	(103,921)
Loss per share for loss attributable to the owners of the Company during the year:			
Basic and diluted *(RMB cents)*	11	**(14.71)**	(10.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

				As at
		As at 31 December		1 January
		2023	2022	2022
	Notes	***RMB'000***	*RMB'000*	*RMB'000*
			(restated)	(restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment		**112,204**	150,870	205,470
Right-of-use assets		**320,320**	296,092	366,418
Investment properties		**246,000**	258,600	274,200
Intangible assets		**6,306**	6,463	5,902
Deposits paid, prepayments and other receivables		**19,376**	15,920	16,525
Interests in an associate		**–**	–	–
Deferred tax assets		**87,223**	79,453	92,294
		791,429	807,398	960,809
Current assets				
Inventories and consumables		**6,436**	12,460	24,431
Trade and loan receivables	12	**30,514**	53,267	52,631
Deposits paid, prepayments and other receivables		**26,975**	34,517	51,273
Tax recoverable		**19**	66	388
Restricted bank deposit		**2,000**	2,000	2,000
Cash and cash equivalents		**40,002**	66,171	26,113
		105,946	168,481	156,836
Current liabilities				
Trade payables	13	**46,570**	54,029	66,808
Contract liabilities		**13,051**	19,794	20,058
Deposits received, other payables and accruals		**118,541**	90,896	101,864
Amount due to a director		**59**	59	59
Lease liabilities		**51,859**	60,360	56,522
Borrowings		**5,712**	5,712	3,280
Provision for taxation		**9,070**	9,214	10,266
		244,862	240,064	258,857
Net current liabilities		**(138,916)**	(71,583)	(102,021)
Total assets less current liabilities		**652,513**	735,815	858,788

	Notes	As at 31 December **2023** ***RMB'000***	 2022 *RMB'000* (restated)	As at 1 January 2022 *RMB'000* (restated)
Non-current liabilities				
Lease liabilities		**429,161**	357,288	416,954
Borrowings		**145,752**	151,464	90,133
Deferred tax liabilities		**90,768**	87,653	108,370
		665,681	596,405	615,457
Net (liabilities)/assets		**(13,168)**	139,410	243,331
EQUITY				
Share capital	14	**10,125**	10,125	10,125
Reserves		**(23,293)**	129,285	233,206
(Capital deficiency)/total equity		**(13,168)**	139,410	243,331

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 September 2006 as an exempted company with limited liability. The address of its registered office and its principal place of business are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Level 4, Jiahua Ming Yuan, 246 Xinhu Road, Baoan Central District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC") respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are operation and management of retail stores and other related businesses and provision of financing services in the PRC.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which collectively includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. These consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

(b) Basis of measurement and going concern assumption

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

The Group incurred a loss of approximately RMB152,578,000 for the year ended 31 December 2023, and as of 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB138,916,000 and RMB13,168,000, respectively, while the Group had cash and cash equivalents of approximately RMB40,002,000.

In assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the directors of the Company (the "Directors") have prepared a cash flow forecast covering a period from the end of the reporting period to June 2025 (the "Cash Flow Forecast"). The Directors have given careful consideration to the future liquidity and performance of the Group and the Group's available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following considerations have been taken into account in the Cash Flow Forecast:

(i) On 14 March 2024, the Group has entered into a loan agreement with a related company, Shenzhen Baijiahua Group Company Limited ("BJH Group") in which Mr. Zhuang Lu Kun and Mrs. Zhuang Su Lan, the spouse of Mr. Zhuang Lu Kun have beneficial interests for an interest-free and unsecured loan facility of RMB50,000,000 for the period from 15 March 2024 to 31 December 2025. Pursuant to the loan agreement, the Group is able to draw down the loan anytime during the facility period and repay the outstanding amount at the end of facility period. Subsequent to 31 December 2023, the Group has not drawn down such loan facility;

(ii) The Group has also obtained the financial support from BJH Group to provide continuing financial support to the Company including but not limited to additional fund lending and defer lease payments to BJH Group and its subsidiary as and when needed, so as to enable the Group to meet its obligations and liabilities as and when they fall due and to continue its day-to-day business operations as a viable going concern notwithstanding any present or future financial difficulties; and

(iii) The management of the Group has been endeavouring to enhance its operation to improve its cash flow from operations to strengthen its working capital.

In the opinion of the Directors, the Group will have sufficient financial resources to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the directors of the Company considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists related to the above conditions that may cast significant doubt on the Group's ability to continue as going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through (i) BJH Group would be able to provide the necessary funds upon drawdown by the Group; (ii) successfully obtaining continuing financial support from BJH Group; and (iii) successfully generating sufficient operating cash flows based on its forecasted revenue.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to provide for liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW OR AMENDED HKFRS

The Hong Kong Institute of Certified Public Accountants has issued a number of new/amended HKFRS that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts and related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as disclosed below, none of these new/amended HKFRS has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRS that is not yet effective for the current accounting period.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "Significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new amendments on temporary differences for transactions related to leases as at 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The effects of the changes in the accounting policies as a result of application of amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on the consolidated statement of comprehensive income, are as follow:

For the year ended 31 December 2023

	Amendments to HKAS 12
	RMB'000
Impact on loss for the year	
Increase in income tax credit	**1,505**
Decrease in loss and total comprehensive income for the year and attributable to owners of the Company	**1,505**
	RMB cents
Impact on basic and diluted loss per share	
Basic and diluted loss per share before adjustments	**14.85**
Adjustments	**(0.14)**
Reported basic and diluted loss per share	**14.71**

For the year ended 31 December 2022

	Amendments to HKAS 12
	RMB'000
Impact on loss for the year	
Increase in income tax credit	3,976
Decrease in loss and total comprehensive income for the year and attributable to owners of the Company	3,976
	RMB cents
Impact on basic and diluted loss per share	
Basic and diluted loss per share before adjustments	10.40
Adjustments	(0.38)
Reported basic and diluted loss per share	10.02

The effects of the changes in the accounting policies as a result of application of amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction on the consolidated statement of financial position at the end of the immediately preceding financial year, i.e. 31 December 2022 and the beginning of the comparative period, i.e. 1 January 2022, are as follows:

	31 December 2022 Originally stated *RMB'000*	Adjustments *RMB'000*	31 December 2022 Restated *RMB'000*
Deferred tax assets	–	79,453	79,453
Total non-current assets	727,945	79,453	807,398
Total assets less current liabilities	656,362	79,453	735,815
Deferred tax liabilities	16,201	71,452	87,653
Total non-current liabilities	524,953	71,452	596,405
Net assets	131,409	8,001	139,410
Reserves	121,284	8,001	129,285
Total equity	131,409	8,001	139,410

	1 January 2022 Originally stated *RMB'000*	Adjustments *RMB'000*	1 January 2022 Restated *RMB'000*
Deferred tax assets	–	92,294	92,294
Total non-current assets	868,515	92,294	960,809
Total assets less current liabilities	766,494	92,294	858,788
Deferred tax liabilities	20,101	88,269	108,370
Total non-current liabilities	527,188	88,269	615,457
Net assets	239,306	4,025	243,331
Reserves	229,181	4,025	233,206
Total equity	239,306	4,025	243,331

4. REVENUE

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.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue from Contracts with Customers within the scope of HKFRS 15:		
Sales of goods	**168,206**	182,773
Commissions from concessionaire sales	**14,543**	23,039
	182,749	205,812
Revenue from other sources:		
Rental income from investment properties	**9,360**	9,070
Rental income from sub-leasing of shop premises	**44,418**	42,459
Rental income form sub-leasing of shopping malls	**114,901**	72,660
Interest income from financing services	**2,538**	5,271
	171,217	129,460
	353,966	335,272

5. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There are two business components/operating segments in the internal reporting to the executive directors, which are operation and management of retail stores and other related businesses and provision of financing services.

	Operation and management of retail stores and other related businesses	**Provision of financing services**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
Year ended 31 December 2023			
Revenue from external customers	**351,428**	**2,538**	**353,966**
Inter-segment revenue	**–**	**–**	**–**
Reportable segment revenue	**351,428**	**2,538**	**353,966**
Segment results	**(116,092)**	**(34,986)**	**(151,078)**
Other unallocated corporate income			**19**
Other unallocated corporate expenses			**(5,273)**
Loss before income tax			**(156,332)**

	Operation and management of retail stores and other related businesses *RMB'000*	Provision of financing services *RMB'000*	Consolidated *RMB'000*
Year ended 31 December 2023			
Other segment information			
Interest income	**(661)**	**(1)**	**(662)**
Additions to non-current assets (other than financial instruments)	**156,337**	**–**	**156,337**
Amortisation of intangible assets	**1,184**	**98**	**1,282**
Depreciation of right-of-use assets	**59,191**	**–**	**59,191**
Depreciation of property, plant and equipment	**55,408**	**–**	**55,408**
Loss on disposal of property, plant and equipment	**86**	**–**	**86**
Obsolete inventories written-off	**97**	**–**	**97**
Impairment loss on property, plant and equipment	**11,404**	**–**	**11,404**
Impairment loss on right-of-use assets	**26,567**	**–**	**26,567**
Impairment loss on intangible assets	**1,839**	**–**	**1,839**
Impairment loss on loan receivables	**–**	**36,377**	**36,377**
Decrease in fair value of investment properties	**12,600**	**–**	**12,600**

	Operation and management of retail stores and other related businesses *RMB'000*	Provision of financing services *RMB'000*	Consolidated *RMB'000*
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**

	Operation and management of retail stores and other related businesses *RMB'000*	Provision of financing services *RMB'000*	Consolidated *RMB'000*
Year ended 31 December 2022			
Revenue from external customers	330,001	5,271	335,272
Inter-segment revenue	–	–	–
Reportable segment revenue	330,001	5,271	335,272
Segment results	(109,591)	3,589	(106,002)
Other unallocated corporate income			254
Other unallocated corporate expenses			(4,641)
Loss before income tax			(110,389)

	Operation and management of retail stores and other related businesses *RMB'000*	Provision of financing services *RMB'000*	Consolidated *RMB'000*
Year ended 31 December 2022			
Other segment information			
Interest income	(160)	(4)	(164)
Additions to non-current assets (other than financial instruments)	15,645	–	15,645
Amortisation of intangible assets	1,108	97	1,205
Depreciation of right-of-use assets	58,361	–	58,361
Depreciation of property, plant and equipment	60,127	–	60,127
Loss on disposal of property, plant and equipment	158	–	158
Written-off of property, plant and equipment	1	–	1
Obsolete inventories written-off	31	–	31
Impairment loss on property, plant and equipment	3,891	–	3,891
Impairment loss on right-of-use assets	12,915	–	12,915
Impairment loss on loan receivables	–	881	881
Decrease in fair value of investment properties	15,600	–	15,600

	Operation and management of retail stores and other related businesses *RMB'000*	Provision of financing services *RMB'000*	Consolidated *RMB'000* (restated)
At 31 December 2022			
Reportable segment assets	825,631	35,241	860,872
Tax recoverable			66
Deferred tax assets			79,453
Other unallocated corporate assets			35,488
Total assets			975,879
Reportable segment liabilities	737,486	83	737,569
Provision for taxation			9,214
Deferred tax liabilities			87,653
Other unallocated corporate liabilities			2,033
Total liabilities			836,469

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

No separate analysis of information by geographical 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 years ended 31 December 2023 and 2022.

6. OTHER OPERATING INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest income	**662**	164
Government grants *(Note)*	**1,000**	3,810
Administration and management fee income	**23,610**	24,617
COVID-19-related rent concessions	**–**	10,840
Net exchange gain	**36**	353
Others	**9,905**	12,048
	35,213	51,832

Note:

Various local government grants have been granted to subsidiaries of the Company during the years ended 31 December 2023 and 2022. The amounts mainly represented unconditional cash subsidies from government for subsidising enterprises as an encouragement for the contribution in specific industry in the region during the year ended 31 December 2023 and for the contribution in specific industry in the region and remedy for COVID-19 pandemic during the year ended 31 December 2022, respectively. There were no unfulfilled conditions or contingencies attaching to these government grants.

7. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**40,311**	33,229
Interest on borrowings	**6,548**	6,209
	46,859	39,438

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold recognised as expense	**139,169**	168,004
Auditor's remuneration:		
– Annual audit	**917**	916
– Other audit and non-audit services	**183**	–
Depreciation of property, plant and equipment	**55,408**	60,127
Depreciation of right-of-use assets:		
– Properties leased for own use	**58,930**	58,100
– Leasehold land for own use	**261**	261
Amortisation of intangible assets	**1,282**	1,205
Loss on disposal of property, plant and equipment	**86**	158
Short term lease expense	**1,705**	920
COVID-19-related rent concessions	**–**	(10,840)
Obsolete inventories written-off	**97**	31
Impairment loss on property, plant and equipment *(Note (i))*	**11,404**	3,891
Impairment loss on right-of-use assets *(Note (i))*	**26,567**	12,915
Impairment loss on intangible assets *(Note (ii))*	**1,839**	–
Written-off of property, plant and equipment	**–**	1
Net exchange gain	**(36)**	(353)
Staff costs, including directors' emoluments		
Salaries and other benefits	**61,279**	58,929
Contributions to retirement schemes	**10,880**	10,371
	72,159	69,300
Rental income from investment properties	**(9,360)**	(9,070)
Income from sub-leasing of right-of-use assets		
– Base rents	**(155,494)**	(112,959)
– Contingent rents *(Note (iii))*	**(3,825)**	(2,160)
	(159,319)	(115,119)
Total gross rental income	**(168,679)**	(124,189)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**2,923**	1,394
Less: Outgoings of sub-leasing of right-of-use assets	**19,644**	14,104
Net rental income	**(146,112)**	(108,691)

Notes:

(i) Impairment loss on property, plant and equipment and right-of-use assets had been included in selling and distribution costs.

(ii) Impairment loss on intangible assets had been included in administrative expenses.

(iii) Contingent rents are calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreements and do not depend on an index or a rate under operating lease.

9. INCOME TAX CREDIT

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(restated)
Current income tax		
– PRC enterprise income tax	**901**	1,408
Deferred tax	**(4,655)**	(7,876)
	(3,754)	(6,468)

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the year (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 year (2022: Nil).

For a subsidiary of the Company in Guangxi, its PRC Enterprise Income Tax has been provided at the preferential enterprise income tax rate of 15% (2022: 15%) for the year pursuant to the privilege under the China's Western Development Program.

A subsidiary of the Company in Shenzhen, namely 深圳市百佳華網絡科技有限公司, is qualified as a High and New Technology Enterprise and enjoys a preferential income tax of 15% as approved by the PRC tax authority for the years ended 31 December 2023 and 2022. The High and New Technology Enterprise qualification is subjected to be renewed every three years.

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

10. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2023 (2022: Nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on following data:

	Year ended 31 December	
	2023	2022
		(restated)
Loss		
Loss for the purposes of basic and diluted loss per share *(RMB'000)*	**(152,578)**	(103,921)
Number of shares		
Weighted average number of ordinary shares	**1,037,500,002**	1,037,500,002
Basic and diluted loss per share *(RMB cents)*	**(14.71)**	(10.02)

Diluted loss per share equals to basic loss per share, as there were no dilutive potential ordinary shares issued during the years ended 31 December 2023 and 2022.

12. 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 and other related businesses are generally for a period of one to three months (2022: one to three months).

For the year ended 31 December 2023, loan receivables from provision of financing services of RMB5,000,000, RMB7,000,000 and RMB8,000,000 are repayable within the second quarter, third quarter and last quarter of 2023, respectively and the remaining balances are repayable on demand.

For the year ended 31 December 2022, loan receivables from provision of financing services are repayable on demand.

	2023	2022
	RMB'000	*RMB'000*
Trade receivables *(Note (i))*	**30,514**	19,581
Loan receivables *(Note (ii))*	**38,054**	34,567
Less: loss allowance	**(38,054)**	(881)
	–	33,686
	30,514	53,267

As at 31 December 2023, included in trade receivables of approximately RMB28,986,000 (2022: RMB17,658,000) represented rental income receivables from tenants of which approximately RMB210,000 (2022: RMB28,000) was pledged to secure the banking facility.

As at 31 December 2023, included in trade receivables of approximately RMB547,000 (2022: RMB682,000) represented trade receivables due from related companies.

Trade receivables were non-interest-bearing. Loan receivables from provision of financing services which bore interest at fixed rates with effective interest rates at 15% (2022: 15%) per annum. The loan receivables are secured by the borrower's right over the trade receivables of the sales contract with its customer and with recourse.

Notes:

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

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**29,199**	12,585
31–60 days	**695**	1,657
61–180 days	**617**	4,438
181–365 days	**2**	862
Over 365 days	**1**	39
	30,514	19,581

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

	2023	2022
	RMB'000	*RMB'000*
Repayable on demand or within one year	**–**	33,686

13. TRADE PAYABLES

The credit terms granted by suppliers are generally for a period of 30 to 60 days (2022: 30 to 60 days). The aging analysis of the trade payables, based on invoice dates, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**25,605**	27,020
31–60 days	**10,370**	13,020
61–180 days	**3,974**	5,858
181–365 days	**607**	2,071
Over 365 days	**6,014**	6,060
	46,570	54,029

14. SHARE CAPITAL

	2023		2022	
	Number of shares ('000)	***RMB'000***	*Number of shares ('000)*	*RMB'000*
Authorised:				
Ordinary shares of Hong Kong Dollars ("HK$") 0.01 each				
At 1 January and 31 December	**10,000,000**	**97,099**	10,000,000	97,099
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	**1,037,500**	**10,125**	1,037,500	10,125

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the consolidated financial statements, which indicates that the Group incurred a loss of approximately RMB152,578,000 for the year ended 31 December 2023, and as of 31 December 2023, the Group had net current liabilities and net liabilities of approximately RMB138,916,000 and RMB13,168,000, respectively, while the Group had cash and cash equivalents of approximately RMB40,002,000. As stated in Note 2(b), these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

(A) INDUSTRY REVIEW

In 2023, China's retail industry has undergone significant changes. Hypermarkets continue to be in a difficult situation, using discounts to develop on discount stores and warehouse membership stores. The downgrade of consumption has led traditional e-commerce companies to launch low-price strategies. However, in the field of membership stores, traditional retailers such as Sam's Club and Costco Warehouse are bucking the trend and accelerating store openings. Consumers in the same business circle will purchase identical products intensively through similar channels, forming a relatively fixed consumption pattern. In addition, the snack industry is growing rapidly across the country, and it is expected that the number of snack discount stores will reach 30,000 by 2025. Merchants in the snack industry began to cut prices in order to survive. Competition, integration, survival and development are taking place throughout the retail industry.

In 2023, the development speed of membership stores slowed down significantly. First, it is the change in consumers' attitude towards membership stores. China's family structure and the consumption habits of young people are changing, which is driving the membership store format to gradually become more sophisticated. Consumers are more inclined to rational and practical consumption methods, which makes the "less variety and large packaging" strategy adopted by member stores in the past gradually becoming focus point for consumers. Meanwhile, paid membership stores require 200,000 to 300,000 members to support a store. In China, it is estimated that there are only 50 cities that can support member supermarkets, and the total demand may only be 60 to 80. Therefore, market limitations are a major challenge facing member stores. Then, from the perspective of operation and management, local membership stores also have problems. The operating model of membership stores is significantly different from that of traditional hypermarkets. The core lies in inventory turnover, supply chain management, product selection and target group positioning. This unique way of operating puts new requirements on the supply chain, and it also takes time to adapt. Furthermore, the core of membership is to build consumer loyalty and enhance member experience through a rich variety of products and private brands. The key lies not only in the speed of opening stores and the number of stores, but more importantly, the strength of supply chain capabilities. Third, the limitations of location and the human resources are also problems faced by member stores. In first-tier cities, suitable property resources are scarce, which limits the speed of new store openings. At the same time, new store openings require experienced employees and time spent on training new employees. Therefore, member stores face challenges in market positioning, operating model exploration and resource allocation.

In the second half of this year, mergers and acquisitions in the snack industry have been frequent. Wanchen Group continued its acquisition strategy and announced the acquisition of the management team of LAOPODAREN. This is another move after the integration of the four major brands: Lu Xiaochan, Laiyoupin, Haoxianglai, and Acidi Aidi. At the same time, Snacks is very busy investing in Snacker Store, and Love Snacks announced its controlling stake in the local Chengdu brand "Konglong and Taidi". In addition, Snacks Busy also invested in Henan Wangfoufou and Shaanxi Xixi, while Yummy Snacks integrated Yutaitai. These mergers and acquisitions show that leading companies in the snack industry are rapidly expanding in the market through capital operations to occupy an important position in the market.

In 2023, retail giants such as Hema, Yonghui Supermarket and Hyper-mart adopted a "discount offering" strategy, which represents the retail industry's in-depth exploration of low prices and discounts. Under the influence of economic pressure and market diversity, consumers prefer high-quality and low-priced products when shopping. By launching low-price discounted products, supermarkets can attract price-sensitive consumers and at the same time enhance their market competitiveness. Hema announced to expand the variety of discounted products and cut prices by an average of 20%; Hyper-mart reopened its stores and announced a low-price strategy and price cut by 15%. Secondly, optimizing inventory management and reducing waste is another reason why supermarkets adopt low-price discount strategies. Offline supermarkets are facing the challenge of product expiry date and freshness. They often need to remove products that are close to the expiry date but are still consumable. This not only leads to the waste of products, but also affects inventory turnover efficiency. Through the discount store model, supermarkets can handle these goods more efficiently, thereby reducing losses and increasing inventory turnover. For example, Yonghui Supermarket optimizes its stores across the country and launches "genuine discount stores", mostly for discounted or expiring products.

In the first half of 2023, the pattern of the community group buying market has undergone significant changes. The "old three groups" that once occupied an important position in the market have shown a trend of weakening. Xingsheng Youxuan went through a period of struggle and gradually withdrew from many provinces, shrinking its business scope to Hunan, Hubei and Jiangxi provinces. Under the new model, the group leader is no longer just a seller, but has transformed into a "franchise". This approach strengthens the connection with the platform through the store format. At the same time, the profit model has also changed from relying solely on sales commissions to profits based on the difference between the purchase and sale of goods. The group store model also has unique advantages. It can concentrate a large number of orders, stabilize sales, and is conducive to brand promotion; at the same time, by concentrating orders, group stores can effectively manage inventory and reduce backlog and waste. In the second half of this year, the popularity of the community group buying market will heat up again. Both Alibaba and JD.com hope to enter or reposition themselves in the community group buying market through low-price strategies. They take advantage of low prices to find new development opportunities. However, achieving this goal is not easy, especially when existing community group buying market leaders such as Meituan and Pinduoduo still face profitability problems.

In 2023, Costco has significantly accelerated its expansion in the Chinese market, opening a total of 4 new stores. At the same time, Sam's Club also opened four new stores this year. The acceleration of foreign-owned warehouse membership stores in China is no accident. First, through the education of Sam's and local membership stores, the entire industry is on the rise and development stage. Chinese consumers are increasingly accepting the membership model and have a certain degree of loyalty to high-quality goods. Membership discount stores specialize in selling high-end goods. core, more attractive to consumers. Second, Wal-Mart and Costco's mature supply chains and strong purchasing capabilities, coupled with their global resource systems, provide strong support for the development of member stores. As the number of stores in China increases, Costco and Sam's can further optimize their supply chains, reduce operating costs and improve efficiency. Third, the acceleration of warehouse membership stores is actually a trend issue in the development of the retail market. Currently, hypermarkets have entered a low ebb and their performance is not ideal. Originally, hypermarkets mainly relied on the influence of business districts to survive. However, in the Internet era, business districts are more with communitization, the business format will be "dismantled". Taking Sam's as an example, its current layout strategy is somewhat related to its previous development of supermarket business. Among the company's total revenue growth year-on-year, Sam's Club contributed the most, with a year-on-year growth of 4.5%. Walmart Supermarket has previously deployed a large number of supermarket stores in China, and the resources accumulated over the years can help the project to be implemented quickly. In addition, there is still a lot of land space in the core urban areas of most second-tier cities, which can meet the positioning plans of Sam's and Costco to build large-area stores in relatively core areas of the city.

The e-commerce platform declared war on all fronts and collectively started a price war. Jack Ma proposed returning to Taobao. JD.com also plays the low-price card and launches channels such as "Ten Billion Subsidies". They all claim to have the lowest prices on the entire Internet, and even offer ultra-low discounts. Under such circumstances, although low prices seem to be a good strategy, Pinduoduo was the first to fully implement the magic weapon of low prices, but now various home appliances All businesses have received tens of billions of subsidies. In recent years, consumers from all walks of life have begun to focus on reverse consumption. With an obvious consumption mentality, coupled with the overall sluggish consumption, they have higher requirements for cost-effective products. Secondly, in the past few years, although Double Eleven sales have been growing, the growth rate has been slowing down year by year, and consumers have become fatigued. With the increase of e-commerce platforms, various shopping festivals are also emerging one after another. Consumers "see through" the routines and promote festivals with the lowest prices, but the prices are not low. What's more, there are too many various festivals and it has become Normally, consumers have become numb to various promotional activities. Therefore, this year's Double Eleven, although various e-commerce companies have begun to fully play up their price cards, how to highlight their own advantages has become the biggest problem. At the same time, the rise of emerging models such as short video e-commerce and membership-based e-commerce has had a huge impact on traditional e-commerce. These new models not only provide more shopping options, but also improve the shopping experience. For traditional e-commerce giants, continuous innovation and change are needed to maintain market leadership. In the long run, price war is only the starting point for e-commerce competition. Although the low-price strategy may stimulate consumers' desire to buy, how to truly attract consumers and prompt them to place orders in a price war is a major test.

At the beginning of this year, after Douyin Supermarket was officially launched, "hourly delivery" also appeared in the Douyin Supermarket interface. Douyin Supermarket focuses on next-day delivery, but it has both hourly and next-day delivery capabilities. For Douyin, the layout of real-time retail will undoubtedly become a new growth curve for Douyin e-commerce to increase total merchandise transactions. Analogous to the development trajectory of e-commerce, local life and other businesses, Douyin can also develop instant retail through the huge traffic in its hands. Coupled with the delivery scenarios and interest recommendations on the platform, it can be quickly promoted and attract more users to place orders. The competition among online supermarkets mainly tests the supply chain and logistics capabilities of the platform. On the supply chain side, in the supermarket category, many brands are already quite mature. Consumers mainly value price. In the short term, platforms can increase market share through subsidies, but in the long term, the level of price will test the relationship between the platform and the brand. Bargaining power and inventory turnover speed. From the perspective of contract fulfillment capabilities, the key shortcoming of Douyin's hourly delivery is that compared to other platforms, Douyin does not have its own distribution system. Currently, it still chooses to cooperate with third-party logistics. Douyin Supermarket products are shipped by SF Express. This cannot form a complete closed loop from sales to distribution. In addition, major platforms in the online supermarket field have been deployed for many years, including the well-established Alibaba Supermarket and JD Supermarket, and the lower-priced Meituan Selection and Duoduo Maicai.

According to the National Bureau of Statistics, the gross domestic product in 2023 reached approximately RMB126.1 trillion, an increase of approximately 5.2% over the same period last year.

During the year, the total retail sales of consumer goods were approximately RMB47.1 trillion, a YOY increase of approximately 7.2%. Among them, the retail sales of consumer goods of enterprises above threshold were approximately RMB17.8 trillion, a YOY increase of approximately 6.5%. According to the location of the business unit, the retail sales of consumer goods in urban areas was approximately RMB40.7 trillion, a YOY increase of approximately 7.1%; the retail sales of consumer goods in rural areas was approximately RMB6.4 trillion, a YOY increase of approximately 8.0%. In terms of consumption patterns, catering revenue was approximately RMB5.3 trillion, an increase of approximately 20.4%; commodity retail was approximately RMB41.9 trillion, an increase of approximately 5.8%. In retail sales of goods, the retail sales of enterprises above threshold were approximately RMB16.5 trillion, an increase of approximately 5.5%. During the year, national online retail sales were approximately RMB15.4 trillion, a YOY increase of approximately 11.0%. Among them, the online retail sales of physical goods were approximately RMB13.0 trillion, an increase of approximately 8.4%, accounting for approximately 27.6% of the total retail sales of consumer goods. In the online retail sales of physical goods, food, clothing and consumer goods increased by approximately 11.2%, 10.8% and 7.1% 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 8.8%, 7.5%, 4.9% and 4.5% YOY respectively, while supermarket decreased by approximately 0.4%.

In 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 continued to be expanded. The business activity 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 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, market vitality has gradually recovered, and urban and rural consumer markets have become 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.

(B) BUSINESS REVIEW

For the year ended 31 December 2023, the Group's total revenue was approximately RMB354.0 million, an increase of approximately 5.6% YOY; gross profit of sales of goods was approximately RMB29.0 million, a YOY increase of approximately 95.6%. Loss attributable to owners of the Company was approximately RMB152.6 million, a YOY increase of approximately 46.9%. At the end of the year, there were 9 retail stores and 3 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 year, 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 RMB14.6 million, commissions from concessionaire sales decreased by approximately RMB8.6 million, rental income from sub-leasing of shop premises increased by approximately RMB2.0 million, rental income from investment properties increased by approximately RMB0.4 million, rental income from sub-leasing of shopping malls increased by approximately RMB42.2 million, and interest income from financing services decreased by approximately RMB2.7 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 year 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 year, the Group actively prepared for the new shopping mall. 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. 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 2023, 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 Baoan", 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, Baoan, 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, 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. Commodity mix is enhanced by detailed description. For food display upgrades, modifications are made according to the 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 and customer needs are considered; 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, supermarket guidelines have 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 main 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. There were 20 projects have been concluded for the upgrade service of the benchmark store in Shiyan store, which has been promoted on the Baijiahua applet; the enhanced 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, inhouse drainage repairs, etc. In addition, service reward and punishment system are formulated to improve service quality and customer satisfaction.

(4) Launch marketing activities to stimulate customer spending

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 incorporated 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.

(C) 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

The Group's revenue amounted to approximately RMB354.0 million for the year ended 31 December 2023, representing an increase of 5.6% as compared to approximately RMB335.3 million in the corresponding period of 2022. The increase was principally attributable from the increase in rental income from sub-leasing of shopping malls of approximately RMB42.2 million, the increase in rental income from sub-leasing of shop premises of approximately RMB2.0 million, and the increase in rental income from investment properties of approximately RMB0.4 million. However, the decrease in sales of goods of approximately RMB14.6 million, the decrease in commissions from concessionaire sales of approximately RMB8.6 million, and the decrease in interest income from financing services of approximately RMB2.7 million partly offset the overall increase in revenue.

Sales of goods decreased by 8.0% to RMB168.2 million for the year ended 31 December 2023 from RMB182.8 million in the corresponding period of 2022, 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. Sales of goods as a percentage of the Group's total revenue was 47.5% for the year ended 31 December 2023 as compared to 54.5% in the corresponding period of 2022.

Commissions from concessionaire sales dropped by 37.2% to RMB14.5 million for the year ended 31 December 2023 from RMB23.1 million in the corresponding period of 2022, 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. Commissions from concessionaire sales as a percentage of the Group's total revenue was 4.1% for the year ended 31 December 2023 as compared to 6.9% for the corresponding period of 2022.

Rental income from sub-leasing of shop premises up by 4.7% to RMB44.5 million for the year ended 31 December 2023 from RMB42.5 million for the corresponding period in 2022, mainly due to reduction of vacant rental units after the pandemic. Rental income from subleasing of shop premises as a percentage of the Group's total revenue was 12.6% for the year ended 31 December 2023 as compared to 12.7% for the corresponding period of 2022.

Rental income from investment properties slightly up by 4.4% to RMB9.4 million for the year ended 31 December 2023 from RMB9.0 million for the corresponding period in 2022, mainly due to the increase in letting of rentable area. Rental income from investment properties as a percentage of the Group's total revenue was 2.6% for the year ended 31 December 2023 as compared to 2.7% for the corresponding period of 2022.

Rental income from sub-leasing of shopping malls increased by 58.0% to RMB114.9 million for the year ended 31 December 2023 as compared with RMB72.7 million for the corresponding period in 2022 mainly due to the reduction of vacant properties after the pandemic and the new opening of Shajing shopping mall in July 2023. Rental income from subleasing of shopping malls as a percentage of the Group's total revenue was 32.5% for the year ended 31 December 2023 as compared to 21.7% for the corresponding period of 2022.

Interest income from financing services down by 51.9% to RMB2.5 million for the year ended 31 December 2023 from RMB5.2 million for the corresponding period in 2022, mainly due to the default repayment from a major customer. Interest income from financing services as a percentage of the Group's total revenue was 0.7% for the year ended 31 December 2023 as compared to 1.5% for the corresponding period of 2022.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB139.2 million for the year ended 31 December 2023, representing a decrease of 17.1% as compared with RMB168.0 million in the corresponding period of 2022, mainly due to decrease in sales of goods. As a percentage of sales of goods, purchase of and changes in inventories was 82.7% for the year ended 31 December 2023 as compared with 91.9% in the same period of 2022.

Other operating income

Other operating income down by 32.0% to RMB35.2 million for the year ended 31 December 2023 from RMB51.8 million in the corresponding period in 2022. The decrease in government grants of approximately RMB2.8 million was due to tightening of local government budget. The decrease in administration and management fee income of approximately RMB1.0 million was corresponding to the drop in commissions from concessionaire sales. The decrease in rent concession from some of the retail stores and shopping malls of approximately RMB10.8 million were due to the lessen of pandemic condition.

Staff costs

Staff costs increased by 4.2% to RMB72.2 million for the year ended 31 December 2023 from RMB69.3 million in the corresponding period of 2022, primarily due to due to new recruitment of staffs for the Shajing new shopping mall opened in July 2023.

Depreciation of right-of-use assets

Depreciation of right-of-use assets increased only by 1.4% to RMB59.2 million for the year ended 31 December 2023 from RMB58.4 million in the corresponding period of 2022, primarily due to mainly due to the additions of Shajing shopping mall opened in July 2023. However, due to provision of impairment loss of right-of-use assets for loss-making retail stores of approximately RMB12.9 million as at 31 December 2022, the depreciation expenses have been sharply decreased for the current year.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment slightly decreased by 7.8% to RMB55.4 million for the year ended 31 December 2023 from RMB60.1 million in the corresponding period in 2022. The addition was mainly related to Shajing shopping mall opened in July 2023, but provision of impairment loss of plant property and equipment for loss-making retail stores of approximately RMB3.9 million as at 31 December 2022 has reduced the depreciation charge for the current year.

Impairment loss on loan receivables

Impairment loss on loan receivables of approximately RMB36.4 million for the year ended 31 December 2023 represented expected credit loss on loan receivables from financing services business during the year. Impairment loss on loan receivables was approximately RMB0.9 million for the year ended 31 December 2022. This was mainly attributable to the default repayment from a major customer.

Other operating expenses

Other operating expenses decreased by approximately RMB1.1 million, from RMB2.3 million in the corresponding period of 2022 to RMB1.2 million for the year ended 31 December 2023. This was mainly due to tight cost control.

Finance costs

Finance costs arising from lease liabilities increased by approximately RMB7.1 million, from approximately RMB33.2 million for the year ended 31 December 2022 to approximately RMB40.3 million in the corresponding period of 2023, primarily due to addition of lease liabilities resulting from Shajing shopping mall opened in July 2023. Finance costs arising from bank borrowings increased by approximately RMB0.3 million, from approximately RMB6.2 million for the year ended 31 December 2022 to approximately RMB6.5 million in the corresponding period of 2023 due to decrease in repayment of bank borrowings compared to last year.

Income tax credit

Income tax credit amounted to approximately RMB3.8 million for the year ended 31 December 2023, decreased from approximately RMB6.5 million (restated) in the corresponding period of 2022, mainly due to decrease of taxable profit of subsidiaries during the year of approximately RMB0.5 million and the decrease arising from application of the new amendments to HKAS 12 on temporary differences for transactions related to lease of approximately RMB3.2 million. The effective tax rate applicable to the Group for the year ended 31 December 2023 were 25% for general subsidiaries (15% for Guangxi subsidiary and subsidiary qualified as High and New Technology Enterprise). In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by subsidiaries established in China. The applicable tax rate is 10%.

Loss attributable to Shareholders of the Company

As a result of the aforementioned, loss attributable to Shareholders amounted to approximately RMB152.6 million for the year ended 31 December 2023 as compared with loss of approximately RMB103.9 million (restated) in corresponding period of 2022.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

RISK MANAGEMENT

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

(i) Foreign exchange risk

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

(ii) Credit risk

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

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

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

(iii) Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank balances, borrowings, loan receivables and lease liabilities. 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 did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding during the year ended 31 December 2023.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

EMPLOYEE INFORMATION, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31 December 2023, the Group had 647 full-time employees (year ended 31 December 2022: 618). The salaries of the Group's employees were determined by the individual performance, professional qualification, industry experience of the employee and relevant market trends. The management reviews the remuneration policy of the Group on a regular basis and evaluates the working performance of the employees. The remuneration of the employees includes salaries, allowances, year-end bonus, social insurance or mandatory pension etc.

As at 31 December 2023, no share in respect of which options had been granted under the share option scheme (the "Scheme") adopted by the Company and remained outstanding (year ended 31 December 2022: Nil).

USE OF PROCEEDS FROM THE IPO

The net proceeds raised from the Company's newly issued and listed shares on the Stock Exchange in May 2007 (after deduction of related issuance expenses) amounted to approximately HK$265,000,000. As of 31 December 2023, 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 Baoan Shenzhen, the PRC;
- as to approximately HK$10,400,000 for opening of a new store in Luohu Shenzhen, the PRC;
- as to approximately HK$15,800,000 for opening of a new store in Buji Shenzhen, the PRC;
- as to approximately HK$14,300,000 for opening of another new store in Nanning Guangxi, the PRC;
- as to approximately HK$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 restaurant and two beverage kiosks in Shenzhen, the PRC;
- as to approximately HK$3,600,000 for opening of a theme restaurant and a Chinese restaurant in Baoan and Longgang Shenzhen, the PRC respectively;
- as to approximately HK$9,200,000 for setting up of a procurement centre in Shiyan Shenzhen, the PRC;
- as to approximately HK$12,919,000 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had cash and cash equivalents of approximately RMB40.0 million (31 December 2022: approximately RMB66.2 million), while the restricted bank deposits amounted to approximately RMB2.0 million (31 December 2022: RMB2.0 million). Total borrowings of the Group included bank loans of approximately RMB151.5 million as at 31 December 2023 (31 December 2022: RMB157.2 million).

As at 31 December 2023, the Group had a net current liabilities of approximately RMB138.9 million, as compared to amount of approximately RMB71.6 million as at 31 December 2022. As at 31 December 2023, the gearing ratio of the Group was negative as the Group's equity was in deficit position (31 December 2022: 3.86), which was calculated on the basis of the net debt divided by total equity. Net debt was calculated as total borrowings (including current and non-current bank loans and lease liabilities) less total cash (including cash and cash equivalents and restricted bank deposit).

CAPITAL EXPENDITURE

The total spending on the additions of property, plant and equipment and intangible assets amounted to approximately RMB28.4 million and RMB3.0 million, respectively for the year (2022: approximately RMB9.6 million and RMB1.8 million, respectively).

CHARGES OF ASSETS

As at 31 December 2023, the carrying amount of investment properties amounted to approximately RMB230.8 million (2022: RMB242.7 million) was pledged as security for the Group's bank loans granted in relation to the Group's retail business.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group has no significant contingent liabilities (2022: Nil).

CORPORATE GOVERNANCE

The Company is committed to achieve a high standard of corporate governance practice, such that the interests of our shareholders, customers, employees as well as the long term development of the Company can be safeguarded. To this end, the Company has established the Board of Directors (the "Board"), audit committee ("Audit Committee"), remuneration committee ("Remuneration Committee") and nomination committee ("Nomination Committee") ensuring that we are up to the requirements as being diligent, accountable and professional.

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code during the year ended 31 December 2023 as contained in Appendix 14 of the Listing Rules, except for the following deviations:

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 of the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the Company's own code for securities transactions by its Directors. Following specific enquiry made with all Directors, the Company has confirmed that all Directors had been in compliance with the required standard mentioned above for the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The 2024 Annual General Meeting of the Company will be held on 11 June 2024, Tuesday and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 11 June 2024, the register of members of the Company will be closed from 5 June 2024 to 11 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on 4 June 2024, HK time.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee consists of four Independent Non-executive Directors, namely Mr. Chin Kam Cheung (Chairman of the Committee), 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) 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. The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 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.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company on 30 April 2007 with specific written terms of reference which set out clearly its authority and duties. The Remuneration Committee currently comprises one Executive Director, namely, Mr. Zhuang Pei Zhong; and four Independent Non-executive Directors, namely, Mr. Chin Kam Cheung, Mr. Sun Ju Yi (Chairman of the Committee), Mr. Ai Ji and Madam Ying Chi Kwan, is responsible for advising the Board on the remuneration policy and framework and determining the remuneration packages of Directors and senior management with reference to the Company's objectives from time to time.

NOMINATION COMMITTEE

A Nomination Committee was established by the Company on 30 April 2007 with specific written terms of reference which set out clearly its authority and duties. The Nomination Committee currently comprises four Independent Non-executive Directors, namely, Mr. Chin Kam Cheung, Mr. Sun Ju Yi, Mr. Ai Ji (Chairman of the Committee) and Madam Ying Chi Kwan, is responsible for making recommendations to the Board on appointment of Directors and management of the succession of the Board.

REVIEW OF FINANCIAL STATEMENTS

A meeting of the audit committee was held to review the Group's annual results for the year ended 31 December 2023 before they presented the same to the board of directors of the Company for approval. The audit committee has reviewed with the senior management of the Company the accounting principles and practice adopted by the Group, discussed auditing, financial reporting matters and has reviewed the annual results for the year ended 31 December 2023 before they presented the same to the board of directors of the Company for approval.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the announcement have been agreed by the Group's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on this preliminary announcement.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report of the Company for the year ended 31 December 2023 containing all information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange and dispatched to shareholders in due course.

ACKNOWLEDGMENT

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

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

Shenzhen, the PRC, 27 March 2024

As at the date of this announcement, (a) the executive Directors are Mr. Zhuang Lu Kun, Mr. Zhuang Pei Zhong and Mr. Zhuang Xiao Xiong; (b) the non-executive director is Madam Yan Xiao Min; (c) the independent non-executive Directors are Mr. Chin Kam Cheung, Mr. Sun Ju Yi, Mr. Ai Ji and Madam Ying Chi Kwan.