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 2022

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 2022 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June **2022** *RMB'000* **(Unaudited)**	2021 *RMB'000* (Unaudited)
Revenue	4	**168,708**	246,998
Cost of inventories sold		**(83,898)**	(141,351)
		84,810	105,647
Other operating income	4	**52,629**	47,700
Selling and distribution costs		**(120,658)**	(135,001)
Administrative expenses		**(21,877)**	(24,375)
Finance costs	5	**(19,801)**	(21,765)
Other operating expenses		**(156)**	(1,459)
Loss before income tax	6	**(25,053)**	(29,253)
Income tax expense	7	**(1,282)**	(1,111)
Loss and total comprehensive income for the period and attributable to owners of the Company		**(26,335)**	(30,364)
Dividend	8	**–**	–
Loss per share for loss attributable to the owners of the Company during the period			
– Basic and diluted *(RMB cents)*	9	**(2.54)**	(2.93)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**184,424**	205,470
Investment properties		**274,200**	274,200
Right-of-use assets		**336,869**	366,418
Intangible assets		**5,435**	5,902
Deposits paid, prepayments and other receivables		**16,612**	16,525
Interests in an associate		**–**	–
		817,540	868,515
Current assets			
Inventories and consumables		**13,620**	24,431
Trade and loan receivables	10	**52,878**	52,631
Deposits paid, prepayments and other receivables		**50,998**	51,273
Restricted bank deposit		**2,000**	2,000
Cash and cash equivalents		**31,155**	26,113
Tax recoverable		**66**	388
		150,717	156,836
Current liabilities			
Trade payables	11	**45,807**	66,808
Deposits received, other payables and accruals		**90,409**	101,864
Contract liabilities		**18,068**	20,058
Lease liabilities		**57,727**	56,522
Amount due to a director		**59**	59
Borrowings		**4,284**	3,280
Provision for tax		**15,334**	10,266
		231,688	258,857
Net current liabilities		**(80,971)**	(102,021)
Total assets less current liabilities		**736,569**	766,494

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	**387,759**	416,954
Borrowings	**115,738**	90,133
Deferred tax liabilities	**20,101**	20,101
	523,598	527,188
Net assets	**212,971**	239,306
EQUITY		
Share capital	**10,125**	10,125
Reserves	**202,846**	229,181
Total equity	**212,971**	239,306

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 2022 (the "period") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Condensed Financial Statements have been prepared in accordance with the same accounting policies adopted in the audited financial information of the Company for the year ended 31 December 2021 (the "2021 Annual Financial Statements"), except for the accounting policy changes that are expected to be reflected in the 2022 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 2021.

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 2022. 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.

In addition, the Group has early adopted COVID-19-Related Rent Concessions beyond 30 June 2022 (Amendment to HKFRS 16) ahead of its effective date and applied the amendment from 1 January 2022. The adoption of this new amendment does not have a material impact to the Group's results of operations or financial position.

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 (2021: 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 2022			
Segment revenue	**165,934**	**2,774**	**168,708**
Segment results	**(25,541)**	**1,749**	**(23,792)**
Other unallocated corporate expenses			**(2,543)**
Loss before income tax			**(26,335)**
Other segment information			
Interest income	**(91)**	**(2)**	**(93)**
Additions to non-current assets	**5,721**	**–**	**5,721**
Amortisation of intangible assets	**417**	**49**	**466**
Depreciation of property, plant and equipment	**26,181**	**–**	**26,181**
Depreciation of right-of-use assets	**29,551**	**–**	**29,551**
Interest expense on lease liabilities	**17,126**	**–**	**17,126**
Loss on disposal of property, plant and equipment	**557**	**–**	**557**

	(Unaudited)	(Unaudited)	(Unaudited)
At 30 June 2022			
Segment assets	**887,538**	**39,853**	**927,391**
Tax recoverable			**66**
Other unallocated corporate assets			**40,800**
Total assets			**968,257**
Segment liabilities	**717,884**	**371**	**718,255**
Provision for taxation			**15,334**
Deferred tax liabilities			**20,101**
Other unallocated corporate liabilities			**1,596**
Total liabilities			**755,286**

	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 2021			
Segment revenue	243,715	3,283	246,998
Segment results	(28,960)	2,042	(26,918)
Other unallocated corporate expenses			(2,335)
Loss before income tax			(29,253)
Other segment information			
Interest income	(324)	(7)	(331)
Additions to non-current assets	27,974	–	27,974
Amortisation of intangible assets	127	49	176
Depreciation of property, plant and equipment	28,581	2	28,583
Depreciation of right-of-use assets	39,413	–	39,413
Interest expense on lease liabilities	19,417	–	19,417
Loss on disposal of property, plant and equipment	57	–	57
	(Audited)	(Audited)	(Audited)
At 31 December 2021			
Segment assets	945,089	40,643	985,732
Tax recoverable			388
Other unallocated corporate assets			39,231
Total assets			1,025,351
Segment liabilities	753,505	70	753,575
Provision for taxation			10,266
Deferred tax liabilities			20,101
Other unallocated corporate liabilities			2,103
Total liabilities			786,045

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 2021 and 2022.

4. REVENUE AND OTHER OPERATING INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**89,672**	155,230
Commission from concessionaire sales	**11,630**	13,035
Rental income from sub-leasing of shop premises	**21,626**	31,136
Rental income from investment properties	**4,990**	4,753
Rental income from sub-leasing of shopping malls	**38,016**	39,560
Interest income from financing services	**2,774**	3,284
	168,708	246,998
Other operating income		
Interest income	**93**	331
Government grants	**2,300**	986
Administration and management fee income	**13,298**	15,502
Gain on exchange	**87**	–
COVID-19 related rent concessions	**10,022**	–
Others	**26,829**	30,881
	52,629	47,700

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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**17,126**	19,417
Interest on borrowings	**2,675**	2,348
	19,801	21,765

6. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss is arrived at after charging:		
Depreciation of property, plant and equipment	**26,181**	28,583
Depreciation of right-of-use assets	**29,551**	39,413
Interest expense on lease liabilities	**17,126**	19,417
Amortisation of intangible assets	**466**	176
Loss on disposal of property, plant and equipment	**557**	57
Operating lease rentals in respect of land and buildings	**5,401**	5,626
Staff costs, including directors' emoluments		
– salaries and other benefits	**29,960**	30,316
– contributions to pension scheme	**5,018**	4,819
and crediting:		
Rental income from investment properties	**4,990**	4,753
Sub-letting of properties		
– Base rents	**57,505**	66,637
– Contingent rents*	**2,137**	4,059
	59,642	70,696

* 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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	**1,282**	1,111

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 2021: 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 2021: 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% (2021: 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% (2021: 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 2021: Nil).

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

	Six months ended 30 June	
	2022	2021
	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 2021: 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 RMB26,335,000 (six months ended 30 June 2021: loss of approximately RMB30,364,000) and the weighted average number of approximately 1,037,500,002 (six months ended 30 June 2021: approximately 1,037,500,002) ordinary shares in issue during the period.

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

10. TRADE AND LOAN RECEIVABLES

All of the Group's sales are on cash basis except for trade receivables from certain bulk sales of merchandise to corporate customers, rental income receivables from tenants and loan receivables from provision of financing services. The credit terms offered to the customers from operation and management of retail stores are generally for a period of one to three months, while to customers from financing services are repayable on demand or one to seven months. Trade receivables were non-interest-bearing, except for loan receivables from provision of financing services.

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

	At 30 June 2022 *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Within 30 days	**12,982**	12,495
31 – 60 days	**900**	123
61 – 180 days	**1,254**	269
181 – 365 days	**71**	381
Over 365 days	**–**	133
	15,207	13,401

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

	At 30 June 2022 *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Repayable on demand or within one year	**37,671**	39,230
Total	**52,878**	52,631

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 2022 *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Within 30 days	**5,542**	39,793
31 – 60 days	**3,571**	12,913
61 – 180 days	**25,931**	4,692
181 – 365 days	**7,430**	3,506
Over 1 year	**3,333**	5,904
	45,807	66,808

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2022, the pandemic situation has continued one after another. There were confirmed cases in Shanghai, Beijing, Tianjin, Guangzhou, Shenzhen, and Hong Kong successively and new wave large-scale of the pandemic in some areas. The consumer market has faced greater pressure. In the recent 618 (18 June) promotional event, major e-commerce companies have actively invested in improving consumers' shopping experience while injecting new impetus into the market with various sales gimmick. With the continuous integration of online and offline, the model has gradually matured. The weaknesses of offline physical retail, such as high rent and poor shopping experience, will disappear. It has been replaced by more enjoyable services and high-quality products in the new retail industry, with a focus on customer experience. Large-scale shopping malls and supermarket complexes will begin to integrate and reorganize. When large supermarkets began to rise, small supermarkets have been closed due to high competition. Now these large shopping complexes also face challenges from small community retailers and automatic vending machines. Reorganization and integration will be the general trend.

During the period, small stores with refined operation and vending machines with many features spread all over the communities and venue. Personalized and diversified services dominate the consumption pattern and become a new consumption trend, while experiential consumption and personalized services are becoming more popular among consumers. Under this trend, the purchasing power of consumers will be boosted, and the new retail industry will also grow rapidly. The functions provided by digitization enabled the new retail channel to be upgraded. This will impact the enterprises and brands by clarifying business needs, defining application scenarios, and promoting the coordinated promotion of business and data to stimulate the efficiency of enterprises. The three major elements of retailing – "people, goods, and venue" are connected in a single system, and with the support of point-to-point operations, online and offline are integrated. This will build a "public domain and private domain merging, online and offline integration, front desk and back up support integration, and consolidating of internal and external systems, with all-in-one business system managed" to create business growth for the enterprises.

For retail store operators, global economic changes, geopolitics, and ongoing uncertainties brought about by the pandemic have brought new challenges and pressures to the domestic economy and consumption. Retail companies have possessed resisting ability, especially for supermarket that serves people's livelihood, and their performance is slowly picking up. The effect of the pandemic, the diversion of online channels, industry competition, upfront investment, declining consumer demand, and increased costs caused by the new accounting standards are the reasons for the decline of retailers' performance. In addition, rising costs such as logistics due to maintaining a stable supply have also affected corporate profits. During the pandemic period, orders to supermarkets surged, and supermarkets formulated guidelines and protection mechanisms for home-delivery businesses. This ensured efficient linkage between the front and back ends of the business. The delivery capacity of store orders was greatly improved. In terms of smart warehousing and digital supply chain, logistics centers have been used as marketplace. By renovating or closing loss-making stores, enhancing the store lay out and optimizing the commodity matrix to accelerate digital construction. Retail operators tries to eliminate redundant staff and reduce wastage to minimize operating costs, increase efficiency, create products attractiveness and maintain growing dynamic.

For department stores, it was also affected by unfavorable factors such as the continuation of the pandemic, declining consumption power and rising costs. The performance of department stores recently has generally declined, and the industry operating pressure has increased. This was mainly due to the continuous rebound of the pandemic, which affected normal business activities. In response, the operators have strengthened customer loyalty program. This included increase in the proportion of member sales, expand the number of new members, and improve member promotion program; Then, the operators enhanced online operation capabilities, organized live broadcast sales, launched video challenge activities, and increased online live broadcast frequency, making full use of multi-platform and multi-channel marketing scenarios to increase sales channel. In addition, retailers have strengthened commodity management capabilities, optimized supply chain, and continuously increased the sales ratio of strategic brands, franchised products and key products to offset the impact of the pandemic. Finally, through continuous changes and accelerated full digitalization, costs are reduced and new products are explored. In terms of all-in-one business system, retail operators continued to promote the stores sales through various methods such as live broadcast, WeChat mall, WeChat group, corporate WeChat, and Xiaohongshu marketing, to provide strong support for the operation of stores during the pandemic.

In terms of shopping malls, the number of newly opened commercial projects nationwide in the first half of the year was 119, a year-on-year decrease of about 19%. The newly added commercial floor area was 9.54 million square meters, and the average floor area was about 80,000 square meters. In the past three years, the impact of the pandemic was substantial. In the first half of this year, new cases came out in many provinces and cities including Shanghai, Beijing, Xian, Jilin and city access control was enforced. Shanghai, Changchun and other cities were in a state of "static urban management" for a long time, which resulted in no new mall openings in these cities.

Overall, the number of shopping mall openings in the past five years has shown a decreasing trend. This reflects that both large companies and new participants are still entering the market, but the market development has become more cautious than in the golden times. Especially in the new consumption era, business focused on experience, personality and innovative sales methods, which has higher requirements. The traditional repetitive style was difficult to gain market favor. This lengthened the construction and inauguration cycle of the project. The number of openings in East China is high, but there was no mall in Shanghai. Medium-sized shopping malls dominated. From the distribution of business scales, the largest number is between 50,000 and 100,000 square meters, accounting for 39%. "520", "618" and other domestic special days become the popular opening occasions. In the first half of the year, there are statutory holidays such as New Year's Day, Lunar New Year, Labor Day, Dragon Boat Festival, Ching Ming Festival, etc., which are often the concentrated period of inauguration dates. Compared with these traditional holidays, non-traditional holidays such as "214", "520", "61", "618" and other young people's favorite dates are popular. At present, festival marketing, which is favored by young people, has also become the main choice for business entry and marketing.

Recently, major new business highlights for shopping malls. China Resources's highest-end product, CR Mixc Life, opened 3 malls in Wuhan, Fuzhou, and Haikou in half a year; Aegean Group's new mall, Nantong Star City, was unveiled; KWG Group opened the first U Fun in South China. In addition to the characteristics of the project itself, there are also many highlights in the company's strategy. Guangzhou Knowledge City U Fun is committed to starting from the aesthetics and needs of trendy young people, elite white-collar and quality families, combining LOHAS social space with quality life, depicting a new urban business model, and creating a new commercial landmark in eastern Guangzhou. According to the diverse needs of the customer base, the project carefully plans the business mix. At present, the city and regional high-quality brands have been introduced. Combined with architectural design and business planning, the project has also created a bar street that includes bars, cafes, tea and stylish catering, which not only meets the needs of trendy youth and urban white-collar workers, but also provides night life venue; the startup stores and chain brands can not only accurately match the pursuit of trendy youth, elite white-collar workers and quality families for full high-quality cultural life and attractive consumption experience, but also lay the foundation for more high-quality brands in the future. A good foundation has been established to jointly build a more complete consumer brand matrix and lead the development of regional business.

In the first half of 2022, the pandemic has affected Guangzhou and Shenzhen to varying degrees. Shopping malls originally planned to open in the first half of the year have been postponed to the second half of the year. According to statistics, in the first half of 2022, only three commercial projects opened in Shenzhen: Pingdi Chuangcheng • CCone Shopping Center in Longgang District, Shenye Taifu Plaza in Sungang Luohu District, and L.Gem Zoll Mangrove Shopping Mall in Futian District. The commercial volume is approximately 200,000 square meters. It is estimated that, a total of approximately 25 shopping malls with more than 30,000 square meters each are planned to open in Shenzhen in 2022, with a total volume of about approximately 1.98 million square meters. Nanshan COMORROW Shopping mall is a first specialty store, flagship store, creative store, etc., to create a social scene for urban upstarts. The main brands that have been announced to enter include Hoyts Cinema, Fangsuo bookstore, Olè Elite Supermarket, and Meland club playground, Michelin three-star Chinese restaurant Xin Rongji, etc., redefine the business life experience. Moofun is the first commercial complex project launched by Manjinghua Commercial, with a total volume of about 300,000 square meters. The project includes a variety of commercial forms such as box malls, popular-themed blocks, and community stores. Futian Zhongzhou Bay C Future City is a large urban complex consisting of a centralized shopping mall and an open park block. Longgang Renheng Dream Center has a volume of about 100,000 square meters. It is positioned as a trendy dream center in eastern Shenzhen, targeting diverse consumer groups such as young urban white-collar workers, high-quality small families, and college youth. With the concept of "Boundless forest", the project connects the planned municipal park and children's park through covered bridges. Voluminous green plants covered inside and outside the building. Through multi-layer and multi-angle natural scenes such as setback design, sky terrace, and sunken canyon, a shopping, leisure and social scene in the forest is constructed.

From the perspective of developers and operators of commercial projects, many giant leaders have new projects, such as CR Mixc Lifestyle, Horoy Uniland, Wanda, Vanke, Tishman Speyer, Tianhe City, Logan, Yanlord, and Excellence Group are actively expanding their market share. In addition, two major highlights, including Tishman Speyer South China-Nanshan Houhai Harbour and Shenzhen Teemall (Luohu District), are pending to operate. From the perspective of supply area, Shenzhen's commercial territory expands in three directions. (1) The Qianhai expansion area will gradually develop from the Qianhai-Shajing-Songgang-Guangming Shenzhen western area. Qianhai Inli, Manjinghua Commercial's first project Moofun, Guangming Nth Square Park, and Guangming Wanda Plaza are expected to add about 550,000 square meters of commercial volume to the west of Shenzhen. Breaking the dominance of Baoan commercial circle, it will drive the rise of Songgang business district and Guangming business district to the west. (2) Shenzhen's eastward strategy continues to advance, and the eastern regions range from Luohu Shuibei-Longgang Central City-Pingshan have huge potential. The eastern city has always been a potential area for commercial development, and has also been an incremental supply area for expansion. (3) Due to the favorable planning policies of the subway and the headquarters base, business will rise from the Liuxiandong-Shenzhen Bay Super Headquarters Base ("Shenzhen Super Headquarters") area. In 2022, Metro Line 13 of the north-south corridor connecting Liuxiandong Headquarters Base-Houhai-Science and Technology Park will be opened. At the same time, Liuxiandong Headquarters Base and Shenzhen Super Headquarters will be developed and constructed, and the business of the two areas will also enter an accelerated period.

According to the National Bureau of Statistics, the gross domestic product in the first half of 2022 reached approximately RMB56.3 trillion, an increase of approximately 2.5% over the same period last year.

In the first half of the year, the total retail sales of consumer goods were approximately RMB21.0 trillion, a year-on-year decrease of approximately 0.7%. Among them, the retail sales of consumer goods of enterprises above threshold were approximately RMB8.1 trillion, a year-on-year increase of approximately 0.8%. According to the location of the business unit, the retail sales of consumer goods in urban areas was approximately RMB18.3 trillion, a year-on-year decrease of approximately 0.8%; the retail sales of consumer goods in rural areas was approximately RMB2.8 trillion, a year-on-year decrease of approximately 0.3%. In terms of consumption patterns, catering revenue was approximately RMB2.0 trillion, a decrease of approximately 7.7%; retail merchandise was approximately RMB19.0 trillion, an increase of approximately 0.1%. In the retail sales of goods, the retail sales of enterprises above threshold were approximately RMB7.6 trillion, an increase of approximately 1.4%. In the first half of the year, national online retail sales were approximately RMB6.3 trillion, a year-on-year increase of approximately 3.1%. Among them, the online retail sales of physical goods were approximately RMB5.4 trillion, an increase of approximately 5.6%, accounting for approximately 25.9% of the total retail sales of consumer goods. In the online retail sales of physical goods, food, clothing and consumer goods increased by approximately 15.7%, 2.4% and 5.1% respectively. Classified by retail format, the retail sales of supermarkets and specialty stores in retail units above threshold during the period increased by approximately 4.2% and 2.8% year-on-year respectively. Department stores and discount stores decreased by approximately 8.4% and 4.1% year-on-year respectively.

In the first half of 2022, the downward pressure on China's economy has increased, and the outbreak of new wave of the pandemic in many places. The commercial real estate industry has been impacted. In addition, Generation Z has become a main consumer group, and consumer behavior and consumption patterns have changed. At the same time, domestic commercial real estate competition is fierce, the industry needs to explore new development models, and the development direction of enterprises is gradually changing from the pursuit of high-scale growth to the pursuit of high-quality operations, and more refined operations are required.

BUSINESS REVIEW

For the six months ended 30 June 2022, the Group's total revenue was approximately RMB169.0 million, a decrease of approximately 31.7% year-on-year; gross profit was approximately RMB5.8 million, a year-on-year decrease of approximately 58.4%; operating loss was approximately RMB25.1 million, a year-on-year decrease of approximately 14.4%; the loss attributable to equity holders of the parent company was approximately RMB26.3 million, a year-on-year decrease of approximately 13.3%. At the end of the period, there were 7 retail stores and two shopping malls. The decrease in revenue was mainly due to the general decline in consumption spirit in the society during the pandemic, the enhancement work of the some of our stores, and the closure of three stores last year. During the period, it was mainly for upgrading 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 RMB66.0 million, commissions from concessionaire sales decreased by approximately RMB1.4 million, rental income from sub-leasing of shop premises decreased by approximately RMB9.5 million, investment property income increased by approximately RMB0.2 million, and rental income from sub-leasing of shopping malls decreased by approximately RMB1.5 million, and interest income from financing services decreased by approximately RMB0.5 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 2022, the Group has made the following major highlights in terms of operations.

(1) Improve performance of operation of the shopping malls and win honor from the industry association

The Group currently operates two shopping malls located in mid-to-high-end new residential areas in Shenzhen to cater for the new retail era. BJH Linghui shopping mall is located at Bantian Street, Longgang District, Shenzhen. It is a demonstration base for the integration of technology industry and urban development in the Guangdong-Hong Kong-Macao Greater Bay Area. It has been awarded as “Guangdong Province Smart Manufacturing Demonstration Base” and “Shenzhen’s First Batch of Innovation and Entrepreneurship Bases”. BJH Lingyu shopping mall is located at Guanlan Street, Shenzhen, as a pilot demonstration street for the development of circular economy in Shenzhen and Baoan District. Guanlan’s economy has maintained a good development trend, and the circular economy, original prints, Mission Hills Golf Club, and Yongfengyuan ceramics have become four outstanding businesses of Guanlan. There are many large enterprises such as Foxconn in the area. The performance of shopping malls has continued to improve, and the operating model has also been consolidated. Shenzhen BJH Shajing shopping mall, which is expected to be opened in the second half of the year, has also undergone active preparations. Shenzhen BJH Shajing Max City Plaza won the “China Shopping Alliance 2021 Shopping Center Star Show Award – Pending operation” during the period due to its continuous optimization of brand portfolio and design content, laying a solid foundation for future openings.

(2) Create a marketing attraction label and increase the customer flow to the store

In order to increase the attractiveness of the stores, the Group signed a licensing exhibition cooperation agreement with the licensor during the period to hold online and offline licensing exhibition activities in its shopping malls and commercial arcades. Walnut Duck, a trendy intellectual property from the UK, has attracted large number of young people with its "British duck" attributes and vibrant image. Walnut Duckling is a keen Sherlock Holmes fan. Bravery, action-oriented and erudition are the labels of Walnut Duckling's unique personality. "All My Best, Be Myself" is its motto. Relying on this authorization exhibition, the group will extend a series of cute and interesting check-in points and beautiful art display with the theme of "Beach Fun in Summer" combined with the intellectual property rights of Walnut Duckling: Giant Inflatable Duck, Ten-Layer Duck Cake Tower, Camping Duck, Swimming Pool Duck, Fruit Duck, Cone Duck, and Hula Duck, etc. The showcase period is from June to August this year, using the summer period to attract family customers and young trendy groups to the store to interact and punch in, and to co-launch with the promotion activities of commercial arcades and shopping malls, including live broadcasting, point redemption activities, and shopping gifts. During the event, passenger flow and sales increased, the number of new members also rose, and media exposure increased.

(3) Strengthen corporate culture to promote unity and caring spirit

The Group supports the establishment of a good work team, develops the potential of employees and fosters a sense of belonging to the company. In addition to the annual events, including sports day, birthday parties, and travel activities, employee talent competitions are held during the period. Temporary competition stages are set up in stores to allow employees to participate in specific competition events, provide relaxing time beyond work duty, and enhance employees' self-confidence and demonstrate their performance skills. In addition, the Group expressed care and responsibility to the community. During the period, Shenzhen was unblocked after the pandemic lessened, and special community activities were organized to present gift packs to the medical staff, delivery workers, public cleaners and volunteers as a gift. In addition, in response to the tense situation of the pandemic, district shut down was implemented. During the period, the Group cooperated with suppliers, linked the surrounding communities, provided community-friendly life services, set up temporary stalls, and selected "high-value", "high-quality" and "high-performance" products. This allows residents to experience affordable and convenient shopping services without going far away.

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

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

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

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

OUTLOOK AND FUTURE PROSPECTS

The year 2022 has both opportunity and challenge existed, the Group has prepared to cope with all difficulties, to make use of our core competency in the industry.

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

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

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group's revenue was approximately RMB169.0 million, representing a decrease of approximately 31.7% from approximately RMB247.0 million in the same period in 2021. The drop in revenue was mainly due to a decrease of approximately RMB65.0 million in sales of goods, a decrease of approximately RMB1.0 million in commissions from concessionaire sales, a decrease of approximately RMB10.0 million in rental income from sub-leasing shop premises, a decrease of approximately RMB2.0 million in rental income from sub-leasing shopping malls, and a decrease of approximately RMB0.5 million in interest income from factoring business. However, there was an increase of approximately RMB0.2 million in rental income from investment properties, partly offsetting the overall decrease in revenue.

Sales of goods decreased by approximately 42.2% from approximately RMB155.0 million in the same period in 2021 to approximately RMB90.0 million for the six months ended 30 June 2022, mainly due to the closure of three retail stores, namely Shajing Shenzhen, Yanbu Foshan, and Toayuan Guangxi stores ("the closure stores") last year, the divestment of foreign enterprise resulting in closure of factory, and the persistent of the pandemic. Besides, divestment of foreign enterprise led to reduction of resident population. Lastly, the pandemic has caused resident spending more cautious and adversely affected the consumption spirit. The percentage of sales of goods to the total revenue of the Group for the six months ended 30 June 2022 was approximately 53.2%, compared to approximately 62.8% in the same period in 2021.

Commissions from concessionaire sales decreased by approximately 10.8% from approximately RMB13.0 million in the same period in 2021 to approximately RMB12.0 million for the six months ended 30 June 2022. This was mainly due to the closure stores, the divestment of foreign enterprise resulting in closure of factory, and the persistent of the pandemic. For the six months ended 30 June 2022, commissions from concessionaire sales accounted for approximately 6.9% of the Group's total revenue, compared to approximately 5.3% for the same period in 2021.

The rental income of sub-leasing shop premises decreased by approximately 30.5% from approximately RMB31.0 million in the same period in 2021 to approximately RMB22.0 million for the six months ended 30 June 2022, mainly due to the closure stores, the divestment of foreign enterprise resulting in closure of factory, and the persistent of the pandemic. The rental income of sub-leasing shop premises accounted for approximately 12.8% of the Group's total revenue for the six months ended 30 June 2022, compared to approximately 12.6% for the same period in 2021.

Rental income from investment properties increased by approximately 5.0% from approximately RMB4.8 million in the same period in 2021 to approximately RMB5.0 million for the six months ended 30 June 2022, mainly due to the rent-out of one tenant premises who has early terminated its lease contract last year. Rental income from investment properties accounted for approximately 3.0% of the Group's total revenue for the six months ended 30 June 2022, compared to approximately 1.9% for the same period in 2021.

Rental income of sub-leased shopping mall for the six months ended 30 June 2022 was approximately RMB38.0 million, a decrease of approximately 3.9% from approximately RMB40.0 million in the same period in 2021. It was mainly due to the persistent of the pandemic. The rental income from sub-leasing shopping mall accounted for approximately 22.5% of the Group's total revenue for the six months ended 30 June 2022, compared to approximately 16.0% for the same period in 2021.

Interest income from financing services decreased by 15.5% from approximately RMB3.3 million in the same period in 2021 to approximately RMB2.8 million for the six months ended 30 June 2022, mainly due to the decrease in business from a major customer. Interest income from financing services accounted for approximately 1.6% of the Group's total revenue for the six months ended 30 June 2022, compared to approximately 1.3% for the same period in 2021.

Other operating income

Other operating income increased by approximately 10.3% from approximately RMB47.7 million in the same period in 2021 to approximately RMB52.6 million for the six months ended 30 June 2022, mainly due to increase in government subsidy by approximately RMB1.3 million and the increase of COVID-19 related rent concession by approximately RMB10.0 million. However, the decrease in both administrative and management fee income from suppliers and the reimbursement of utility expenses from tenants by approximately RMB2.2 million and RMB3.3 million partly offset the increase.

Inventory purchases and changes

For the six months ended 30 June 2022, the amount of inventory purchases and changes was approximately RMB83.9 million, a decrease of approximately 40.6% from approximately RMB141.4 million in the same period in 2021, mainly due to decrease in sales of goods. For the six months ended 30 June 2022, inventory purchases and changes accounted for approximately 93.6% of sales of goods, compared to approximately 91.1% in the same period in 2021.

Staff costs

Staff costs decreased by 0.4% from approximately RMB35.1 million in the same period in 2021 to approximately RMB35.0 million for the six months ended 30 June 2022. This was mainly due to the closure stores and the streamlining of manpower.

Amortization of ROU assets

The amortization of ROU assets decreased by approximately 25.0% from approximately RMB39.4 million in the same period in 2021 to approximately RMB29.6 million for the six months ended 30 June 2022, mainly due to the closure stores.

Depreciation of property, plant and equipment

Depreciation on property, plant and equipment decreased by 8.4% to approximately RMB26.2 million for the six months ended 30 June 2022 from approximately RMB28.6 million in the corresponding period in 2021, mainly due to decrease in newly additions to fixed assets.

Operating lease rental expenses

Operating lease rental expenses decreased from approximately RMB5.6 million in the same period in 2021 to approximately RMB5.4 million for the six months ended 30 June 2022, mainly due to the absence of new short-term leases during the period.

Other operating expenses

Other operating expenses for the six months ended 30 June 2022 were approximately RMB0.2 million, representing a decrease of approximately RMB1.3 million from approximately RMB1.5 million in the same period in 2021, mainly due to cost control.

Financial costs

Interest on lease liabilities was approximately RMB17.1 million and interest on bank borrowings was approximately RMB2.7 million for the six months ended 30 June 2022, compared with approximately RMB19.4 million and approximately RMB2.3 million respectively in the same period in 2021, which was down by approximately RMB2.3 million and up by approximately RMB0.4 million respectively. The decrease in interest on lease liabilities was mainly due to reduction of lease liabilities resulting from closure stores, while the increase in interest on bank borrowings was mainly due to new bank loans.

Operating loss

For the above reasons, the Group's operating loss for the six months ended 30 June 2022 was approximately RMB25.0 million. The Group's operating losses for the six months ended 30 June 2021 was approximately RMB29.3 million.

Income tax expenses

Income tax expenses increased by 15.4% from approximately RMB1.1 million in the same period in 2021 to approximately RMB1.3 million in the six months ended 30 June 2022. This was mainly due to one withholding tax paid during the period. For the six months ended 30 June 2022, 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 2022 was approximately RMB26.3 million, which was decreased from the loss of approximately RMB30.4 million for the same period in 2021.

Subsequent Events

The Group did not have any other significant events taken place subsequent to 30 June 2022.

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 currency 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 2022, the Group had 635 full-time employees (as at 30 June 2021: 757). 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 2022, approximately HK$207,834,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$57,166,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$207,834,000 are set out as follows:

- as to approximately HK$29,000,000 for acquisition of the business of a retail chain in Shenzhen, the PRC;

- as to approximately HK$28,300,000 for opening of new stores in Yanbu Foshan and Ronggui Foshan, the PRC;

- as to approximately HK$8,750,000 for opening of a new store in Nanning Guangxi, the PRC;

- as to approximately HK$4,350,000 for opening of two new stores in Xinan 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$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 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 and subsequent announcements related to the adjustment of use of IPO proceeds.

Contingent Liabilities

As at 30 June 2022, the Group has no significant contingent liabilities.

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

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

CORPORATE GOVERNANCE CODE

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

Code provision E.1.2 of the Code requires that the chairman of the board should attend the annual general meeting. Mr. Zhuang Lu Kun, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 9 June 2022 due to his other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Mode Code") as set out in Appendix 10 to the Listing Rules as the Company's own code for securities transactions by its Directors. Following specific detailed enquiries made with all Directors, the Company confirms that all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 June 2022.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

The Audit Committee consists of three non-executive Directors, namely Mr. Chin Kam Cheung, Mr. Sun Ju Yi and Mr. Ai Ji. Mr. Chin Kam Cheung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors. The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed the unaudited interim result for the six months ended 30 June 2022. 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 2022 Interim Report will be despatched to shareholders and published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.szbjh.com) in due course.

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

Shenzhen, the PRC, 30 August 2022

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

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

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