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 2024

FINANCIAL HIGHLIGHTS

Revenue increased by 7.0% to approximately RMB378.9 million.

Gross profit of sales of goods decreased by 15.7% to approximately RMB24.5 million.

Loss attributable to the owners of the Company for the year amounted to approximately RMB55.7 million.

Basic loss per share was approximately RMB5.37 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 2024 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		Year ended 31 December	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**378,901**	353,966
Cost of inventories sold		**(151,121)**	(139,169)
		227,780	214,797
Other operating income and gains	6	**37,918**	35,213
Decrease in fair value of investment properties		**(19,500)**	(12,600)
Selling and distribution costs		**(215,734)**	(266,797)
Administrative expenses		**(35,123)**	(42,532)
Other operating expenses		**(2,156)**	(1,177)
Impairment loss on loan receivables		**–**	(36,377)
Finance costs	7	**(48,423)**	(46,859)
Loss before income tax	8	**(55,238)**	(156,332)
Income tax (expense)/credit	9	**(489)**	3,754
Loss and total comprehensive income for the year and attributable to owners of the Company		**(55,727)**	(152,578)
Loss per share for loss attributable to the owners of the Company during the year:			
Basic and diluted *(RMB cents)*	11	**(5.37)**	(14.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		As at 31 December	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**99,926**	112,204
Right-of-use assets		**300,251**	320,320
Investment properties		**226,500**	246,000
Intangible assets		**4,047**	6,306
Deposits paid		**19,520**	19,376
Interests in an associate		**–**	–
Deferred tax assets		**76,954**	87,223
		727,198	791,429
Current assets			
Inventories and consumables		**4,525**	6,436
Trade and loan receivables	12	**35,808**	30,514
Deposits paid, prepayments and other receivables		**15,059**	26,975
Tax recoverable		**71**	19
Pledged bank deposit		**2,000**	2,000
Cash and cash equivalents		**25,087**	40,002
		82,550	105,946
Current liabilities			
Trade payables	13	**48,283**	46,570
Contract liabilities		**10,629**	13,051
Deposits received, other payables and accruals		**143,331**	118,541
Amount due to a director		**59**	59
Lease liabilities		**39,761**	51,859
Borrowings		**7,827**	5,712
Provision for taxation		**8,900**	9,070
		258,790	244,862
Net current liabilities		**(176,240)**	(138,916)
Total assets less current liabilities		**550,958**	652,513

		As at 31 December	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Non-current liabilities			
Lease liabilities		**401,429**	429,161
Borrowings		**137,925**	145,752
Deferred tax liabilities		**80,499**	90,768
		619,853	665,681
Net liabilities		**(68,895)**	(13,168)
EQUITY			
Share capital	14	**10,125**	10,125
Reserves		**(79,020)**	(23,293)
Capital deficiency		**(68,895)**	(13,168)

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 HKFRS Accounting Standards including Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") 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 RMB55,727,000 for the year ended 31 December 2024, and as of 31 December 2024, the Group had net current liabilities and net liabilities of approximately RMB176,240,000 and RMB68,895,000, respectively, while the Group had cash and cash equivalents of approximately RMB25,087,000 only.

In assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the Directors have prepared a cash flow forecast covering a period from the end of the reporting period to June 2026 (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) The Group had undrawn loan facility of RMB50,000,000 with a related company, namely Shenzhen Baijiahua Group Company Limited ("BJH Group"), in which Mr. Zhuang Lu Kun and his spouse, Mrs. Zhuang Su Lan have beneficial interests.

(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 so as to enable the Group to operate in the foreseeable future. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, there are inherent uncertainties associated with the outcome of management's plans and measures that include whether (i) BJH Group would be able to provide timely access to funds when the Group draws down the loan; (ii) successfully obtaining continuing financial support from BJH Group; and (iii) successfully generating sufficient operating cash flows based on its Cash Flow Forecast. These indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 AMENDED HKFRS ACCOUNTING STANDARDS

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HK Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of these amended HKFRS Accounting Standards 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 Accounting Standards that is not yet effective for the current accounting period.

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	
	2024	2023
	RMB'000	*RMB'000*
Revenue from Contracts with Customers within the scope of HKFRS 15:		
Sales of goods	**175,592**	168,206
Commissions from concessionaire sales	**10,320**	14,543
	185,912	182,749
Revenue from other sources:		
Rental income from investment properties	**8,752**	9,360
Rental income from sub-leasing of shop premises	**44,718**	44,418
Rental income form sub-leasing of shopping malls	**139,519**	114,901
Interest income from financing services	**–**	2,538
	192,989	171,217
	378,901	353,966

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 2024			
Revenue from external customers	**378,901**	**–**	**378,901**
Inter-segment revenue	**–**	**–**	**–**
Reportable segment revenue	**378,901**	**–**	**378,901**
Segment results	**(49,155)**	**(624)**	**(49,779)**
Other unallocated corporate income			**114**
Other unallocated corporate expenses			**(5,573)**
Loss before income tax			**(55,238)**

	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 2024			
Other segment information			
Interest income	**(273)**	**(1)**	**(274)**
Additions to non-current assets (other than financial instruments)	**58,174**	**–**	**58,174**
Amortisation of intangible assets	**1,458**	**19**	**1,477**
Depreciation of right-of-use assets	**45,954**	**–**	**45,954**
Depreciation of property, plant and equipment	**42,393**	**–**	**42,393**
Written off of property,plant and equipment	**775**	**–**	**775**
Gain on disposal of property, plant and equipment	**(10)**	**–**	**(10)**
Obsolete inventories written-off	**48**	**–**	**48**
Reversal of impairment loss on property, plant and equipment, net	**(450)**	**–**	**(450)**
Impairment loss on right-of-use assets, net	**10,727**	**–**	**10,727**
Impairment loss on intangible assets	**2,341**	**–**	**2,341**
Decrease in fair value of investment properties	**19,500**	**–**	**19,500**

	Operation and management of retail stores and other related businesses *RMB'000*	Provision of financing services *RMB'000*	Consolidated *RMB'000*
At 31 December 2024			
Reportable segment assets	**700,624**	**342**	**700,966**
Tax recoverable			**71**
Deferred tax assets			**76,954**
Other unallocated corporate assets			**31,757**
Total assets			**809,748**
Reportable segment liabilities	**787,018**	**78**	**787,096**
Provision for taxation			**8,900**
Deferred tax liabilities			**80,499**
Other unallocated corporate liabilities			**2,148**
Total liabilities			**878,643**

	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			
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

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 2024 and 2023.

6. OTHER OPERATING INCOME AND GAINS

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Interest income	**274**	662
Government grants *(Note)*	**408**	1,000
Administration and management fee income	**22,895**	23,610
Gain on early termination of leases	**5,513**	–
Gain on disposal of property, plant and equipment	**10**	–
Net exchange gain	**212**	36
Others	**8,606**	9,905
	37,918	35,213

Note:

Various local government grants have been granted to subsidiaries of the Company during the years ended 31 December 2024 and 2023. 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 2024 and 2023. There were no unfulfilled conditions or contingencies attaching to these government grants.

7. FINANCE COSTS

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Interest on lease liabilities	**41,966**	40,311
Interest on borrowings	**6,457**	6,548
	48,423	46,859

8. LOSS BEFORE INCOME TAX

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Cost of inventories sold recognised as expense	**151,121**	139,169
Auditor's remuneration:		
– Annual audit	**888**	917
– Other audit and non-audit services	**150**	183
Depreciation of property, plant and equipment	**42,393**	55,408
Depreciation of right-of-use assets:		
– Properties leased for own use	**45,693**	58,930
– Leasehold land for own use	**261**	261
Amortisation of intangible assets	**1,477**	1,282
(Gain)/loss on disposal of property, plant and equipment	**(10)**	86
Short term lease expense	**1,075**	1,705
Obsolete inventories written-off	**48**	97
(Reversal of impairment)/impairment loss on property, plant and equipment, net *(Note (i))*	**(450)**	11,404
Impairment loss on right-of-use assets, net *(Note (i))*	**10,727**	26,567
Impairment loss on intangible assets *(Note (ii))*	**2,341**	1,839
Written-off of property, plant and equipment	**775**	–
Net exchange gain	**(212)**	(36)
Staff costs, including directors' emoluments		
Salaries and other benefits	**58,980**	61,279
Contributions to retirement schemes	**11,021**	10,880
	70,001	72,159
Rental income from investment properties	**(8,752)**	(9,360)
Income from sub-leasing of right-of-use assets		
– Base rents	**(174,534)**	(155,494)
– Contingent rents *(Note (iii))*	**(9,703)**	(3,825)
	(184,237)	(159,319)
Total gross rental income	**(192,989)**	(168,679)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**2,535**	2,923
Less: Outgoings of sub-leasing of right-of-use assets	**18,970**	19,644
Net rental income	**(171,484)**	(146,112)

Notes:

(i) Net 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 EXPENSE/(CREDIT)

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current income tax		
– PRC enterprise income tax	**489**	901
Deferred tax	**–**	(4,655)
	489	(3,754)

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the year (2023: Nil).

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits in Hong Kong for the year (2023: 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% (2023: 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 2024 and 2023. 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% (2023: 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 2024 (2023: 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	
	2024	2023
Loss		
Loss for the purposes of basic and diluted loss per share *(RMB'000)*	**(55,727)**	(152,578)
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)*	**(5.37)**	(14.71)

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 2024 and 2023.

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 (2023: one to three months).

	2024	2023
	RMB'000	*RMB'000*
Trade receivables *(Note (i))*	**35,808**	30,514
Loan receivables	**38,054**	38,054
Less: loss allowance	**(38,054)**	(38,054)
	–	–
	35,808	30,514

As at 31 December 2024, included in trade receivables of approximately RMB32,686,000 (2023: RMB28,986,000) represented rental income receivables from tenants of which approximately RMB853,000 (2023: RMB210,000) was pledged to secure the banking facility.

As at 31 December 2024, included in trade receivables of approximately RMB3,354,000 (2023: RMB547,000) 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% (2023: 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:

	2024	2023
	RMB'000	*RMB'000*
Within 30 days	**34,635**	29,199
31–60 days	**140**	695
61–180 days	**490**	617
181–365 days	**537**	2
Over 365 days	**6**	1
	35,808	30,514

13. TRADE PAYABLES

The credit terms granted by suppliers are generally for a period of 30 to 60 days (2023: 30 to 60 days). The aging analysis of the trade payables, based on invoice dates, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 30 days	**21,790**	25,605
31–60 days	**9,245**	10,370
61–180 days	**9,957**	3,974
181–365 days	**1,166**	607
Over 365 days	**6,125**	6,014
	48,283	46,570

14. SHARE CAPITAL

	2024		2023	
	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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting 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 RMB55,727,000 for the year ended 31 December 2024, and as of 31 December 2024, the Group had net current liabilities and net liabilities of approximately RMB176,240,000 and RMB68,895,000, respectively, while the Group had cash and cash equivalents of approximately RMB25,087,000 only. As stated in Note 2(b), these conditions, along with other matters set forth in Note 2(b), 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

As the global economic situation changes, the retail industry is facing unprecedented opportunities and challenges. From the popularity of online shopping to changes in consumer shopping habits to the widespread application of digital technology, the landscape of the retail industry is changing rapidly.

In recent years, digital transformation has become a core strategy in the retail industry. Especially in the post-pandemic era, online retail has grown rapidly, and traditional retail has gradually transitioned to a new retail model of "online and offline integration". According to statistics, the global retail e-commerce market size is estimated to exceed US$5 trillion in 2024, and e-commerce platforms will continue to have large share of the retail market. With the popularization of mobile payments and the optimization of logistics and distribution, consumers are increasingly inclined to shop through online channels. At the same time, e-commerce platforms such as Alibaba and JD.com are also constantly innovating, providing consumers with personalized recommendations and precise services through big data analysis and artificial intelligence technology. The application of intelligent and automated technologies is changing the operating model of the retail industry. Technologies such as smart shelves, unmanned retail stores, and robot delivery are beginning to move towards commercial applications. Unmanned convenience stores use advanced sensors and computer vision technology to allow consumers to shop themselves and check out automatically, saving the time of payment. In China, smart retail is also developing rapidly. Unmanned supermarkets and unmanned convenience stores have been launched in some major cities. Consumers pay through mobile applications, making the shopping experience more convenient. In addition, technologies such as artificial intelligence customer service and smart shopping guides have also begun to be used in some retail scenarios, improving user experience and merchants' operational efficiency. As Generation Z and Millennials gradually become the main consumers, consumption patterns in the retail industry have changed. This generation of consumers focuses on the personalization and experience of shopping. They like customized products and tend to get shopping information through social media. Social e-commerce and live streaming have become hot trends. With the help of live streaming platforms and social networks, brands can interact directly with consumers and promote their products. Especially in China, live streaming e-commerce has achieved huge success in the past few years. Many brands have achieved rapid promotion of their products and explosive sales by cooperating with Internet celebrities.

Although the digital transformation of the retail industry has brought many conveniences, it relates to high technology investment costs and equipment upgrades. Especially for some small and medium-sized retailers, how to balance technology investment and profitability has become their main challenge. Logistics costs, labor costs and rising rents have also put considerable pressure on retailers. Especially in the field of bulk commodities and fresh food retail, ensuring the freshness of goods, the timeliness of delivery and cost control are still difficult problems that retailers face. Competition in the retail industry is becoming increasingly fierce, especially with price wars and frequent promotional activities among e-commerce platforms, retailers' profit margins are further compressed. In order to attract consumers, many retailers have to offer price discounts and promotions, but this often leads to short-term sales growth, but in the long run, it may affect brand image and consumer loyalty. In addition, cross-industry competition is also intense. Many technology companies, logistics companies and even financial institutions have entered the retail industry, using their technological and financial advantages to challenge traditional retailers. Technology companies such as TikTok and Tencent have penetrated into the retail industry by building social platforms and e-commerce ecosystems. As consumer demands become increasingly diverse, retailers must respond quickly to market demands and provide personalized and customized products and services. However, consumers' brand loyalty has decreased, and the diversity of choices requires retailers to grasp consumers' mentality and needs more accurately.

According to the "Overview of China's Shopping Center (including outlets) Industry in 2024" released by the China Chain Store & Franchise Association, the outlook for China's shopping mall industry in 2024 is mixed: 77% of sample projects achieve full-year sales growth, while 21% of projects face declines to varying degrees. The sample projects participating in the survey demonstrated diversified development models of shopping malls. Urban, regional and community shopping centers account for the majority, showing that various types of projects can perform well in different market environments. This diversity not only represents the complexity of consumer demand, but also reflects the gradual evolution of business models. With the mature of online and offline integration, the operation mode of shopping malls is also undergoing changes. According to the report, projects with year-on-year sales growth in 2024 account for 73% of the total sample. This is the positive sign for the commercial center industry in the past few years. However, market changes not only require flexible business strategies, but also require businesses to establish closer ties between working teams and consumers. The increase in online sales has become an inevitable trend. More than half of the sample projects showed that online sales have shown an upward trend. For traditional shopping malls, this is not only an expansion of sales channels, but also an improvement in consumers' shopping experience. In this era of rapid digital development, the traditional model that simply relies on physical shelves is no longer applicable. To shape brand image and customer relationships through innovative marketing and online platforms has become a core element of business success. This coincides with the current investment strategy. Investors focus on high-performed and innovative companies. The transformation of shopping malls will definitely create more investment opportunities.

In the fiercely market, business invitation among enterprises is becoming important. Affected by the large differences in leasing inquiry activity, shopping malls are facing unprecedented challenges in business invitation. The report points out that actively participating in various negotiation activities is one of the keys to solving the problem. The acquisition of brand resources and the adjustment of business invitation strategies will directly affect the operating efficiency of the shopping center. The state of China's shopping malls in 2024 shows that the market is at a transition period. Although overall sales performance has improved, it is also facing the pressures of insufficient brand loyalty and fierce online competition. While continuing to develop their main business, merchants must focus on customer operations and maintenance, business invitation and adjustments, especially in-depth operations and marketing innovation.

The online retail market continues to maintain a steady growth momentum, the market size continues to expand, and consumption trends show the characteristics of diversified and quality products and services. The online retail has achieved remarkable results in policy support, technological innovation and global positioning. According to the National Bureau of Statistics, the national online retail sales reached RMB15.5 trillion in 2024, a year-on-year (YOY) increase of 7.2%. Among them, the online retail sales of physical goods were RMB13.1 trillion, a YOY increase of 6.5%, accounting for 26.8% of the total retail sales of consumer goods. The potential of service consumption continued to be released, with non-physical online retail sales reaching RMB2.4 trillion, a YOY increase of 11.1%. Consumption scenarios such as catering and tourism maintained a relatively high growth rate. In terms of consumer products, consumer upgrading products such as oil and foodstuff, sports and entertainment supplies, furniture, and communication equipment performed outstandingly. In addition, the instant retail market has accelerated its development, with online retail sales increasing by more than 12% YOY, and non-food categories such as medicines, communication equipment, and household appliances growing rapidly.

In 2024, the barriers between e-commerce platforms will gradually be broken down, Taobao and Tmall will be connected to WeChat Pay, JD.com will be connected to Alipay, etc., further improving user experience. At the same time, the local and central government have introduced spending subsidy policies, such as replacement policies and energy-saving home appliances subsidies, which have stimulated the consumer market. Among them, energy-saving home appliances and organic food are favored by consumers, with sales increasing significantly YOY. During the year, industrial Internet platforms have made overseas expansion, industrial belt upgrading and artificial intelligence applications. Data shows that many companies have reached Southeast Asia, Europe and the Middle East overseas regions. The international market has been further expanded through cross-border strategies, overseas production capacity and supply chain services.

The application of artificial intelligence technology in the e-commerce field continues to deepen, becoming a highlight of the online retail market in 2024. Data shows that artificial intelligence procurement is widely used in smart sourcing, smart bidding, and smart pricing. Artificial intelligence technology not only improves procurement efficiency, but also optimizes consumer experience through functions such as smart customer service and smart recommendations.

According to the National Bureau of Statistics, the gross domestic product in 2024 reached approximately RMB134.9 trillion, an increase of approximately 5.0% over the same period last year.

During the year, the total retail sales of consumer goods were approximately RMB48.8 trillion, a YOY increase of approximately 3.5%. Among them, the retail sales of consumer goods of enterprises above threshold were approximately RMB19.3 trillion, a YOY increase of approximately 2.7%. According to the location of the business unit, the retail sales of consumer goods in urban areas was approximately RMB42.1 trillion, a YOY increase of approximately 3.4%; the retail sales of consumer goods in rural areas was approximately RMB6.7 trillion, a YOY increase of approximately 4.3%. In terms of consumption patterns, catering revenue was approximately RMB5.6 trillion, an increase of approximately 5.3%; commodity retail was approximately RMB43.2 trillion, an increase of approximately 3.2%. In retail sales of goods, the retail sales of enterprises above threshold were approximately RMB17.7 trillion, an increase of approximately 2.7%. During the year, national online retail sales were approximately RMB15.5 trillion, a YOY increase of approximately 7.2%. Among them, the online retail sales of physical goods were approximately RMB13.1 trillion, an increase of approximately 6.5%, accounting for approximately 26.8% of the total retail sales of consumer goods. In the online retail sales of physical goods, food, clothing and consumer goods increased by approximately 16.0%, 1.5% and 6.3% respectively. Classified by retail format, the retail sales of convenience stores, specialty stores, and supermarket in retail units above threshold during the year increased by approximately 16.0%, 1.5%, and 6.3% YOY respectively, while department stores and brand name stores decreased by approximately 2.4% and 0.4% respectively.

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

(B) BUSINESS REVIEW

For the year ended 31 December 2024, the Group's total revenue was approximately RMB378.9 million, an increase of approximately 7.0% YOY; gross profit of sales of goods was approximately RMB24.5 million, a YOY decrease of approximately 15.7%. Loss attributable to owners of the Company was approximately RMB55.7 million, a YOY decrease of approximately 63.5%. At the end of the year, there were 10 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 increased by approximately RMB7.4 million, commissions from concessionaire sales decreased by approximately RMB4.2 million, rental income from sub-leasing of shop premises increased by approximately RMB0.2 million, rental income from investment properties decreased by approximately RMB0.6 million, rental income from sub-leasing of shopping malls increased by approximately RMB24.6 million, and interest income from financing services decreased by approximately RMB2.5 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 Year 2024, the Group has made the following major highlights in terms of operations.

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

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

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

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

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

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

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

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

(C) OUTLOOK

During the year, the Group has formulated a series of measure to enhance sales turnover and to avoid unnecessary costs, so as to achieve management target. Moreover, the Group aimed to consolidate the existing stores by reform and innovation. By this, improvement in sales mix, upgrade brand name, enhance shopping experience to provide new shopping experience to customers.

In addition, the Group has explored new commercial retail mode, including shopping mall, trial experience, internet plus, and catering business. With the online resource and shopping outlets, and the synergy of online offline capacity, the Group is able to provide a one-stop shopping experience to customers.

The year 2025 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 macroeconomic 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.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB378.9 million for the year ended 31 December 2024, representing an increase of 7.0% as compared to approximately RMB354.0 million in the corresponding period of 2023. The increase was principally attributable from the increase in sales of goods of approximately RMB7.4 million, the increase in rental income from sub-leasing of shop premises of approximately RMB0.2 million, and the increase in rental income from sub-leasing of shopping malls of approximately RMB24.6 million. However, the decrease in commission from concessionaire sales of approximately RMB4.2 million, the decrease in rental income from investment property of approximately RMB0.6 million and the decrease in interest income from financing services of approximately RMB2.5 million partly offset the overall increase in revenue.

Sales of goods increased by 4.4% to RMB175.6 million for the year ended 31 December 2024 from RMB168.2 million in the corresponding period of 2023, mainly due to (i) the addition of a new store – Jiangnan Times Square located at Banxuegang Avenue, Bantian Street, Longgang District, Shenzhen in July this year; and (ii) the change of fresh goods counters from concessionaire to self-operation. Sales of goods as a percentage of the Group's total revenue was 46.3% for the year ended 31 December 2024 as compared to 47.5% in the corresponding period of 2023.

Commission from concessionaire sales dropped by 29.0% to RMB10.3 million for the year ended 31 December 2024 from RMB14.5 million in the corresponding period of 2023, mainly due to the change of fresh goods counters from concessionaire to self-operation. Commission from concessionaire sales as a percentage of the Group's total revenue was 2.7% for the year ended 31 December 2024 as compared to 4.1% for the corresponding period of 2023.

Rental income from sub-leasing of shop premises slightly up by 0.4% to RMB44.7 million for the year ended 31 December 2024 from RMB44.5 million for the corresponding period in 2023, with no significant change. Rental income from subleasing of shop premises as a percentage of the Group's total revenue was 11.8% for the year ended 31 December 2024 as compared to 12.5% for the corresponding period of 2023.

Rental income from investment properties down by 6.4% to RMB8.8 million for the year ended 31 December 2024 from RMB9.4 million for the corresponding period in 2023, mainly due to the early termination of certain lease tenant. Rental income from investment properties as a percentage of the Group's total revenue was 2.3% for the year ended 31 December 2024 as compared to 2.7% for the corresponding period of 2023.

Rental income from sub-leasing of shopping malls increased by 21.4% to RMB139.5 million for the year ended 31 December 2024 as compared with RMB114.9 million for the corresponding period in 2023 mainly due to full year operation of Shajing shopping mall. Rental income from sub-leasing of shopping malls as a percentage of the Group's total revenue was 36.9% for the year ended 31 December 2024 as compared to 32.5% for the corresponding period of 2023.

Interest income from financing services down by 100.0% to RMB Nil for the year ended 31 December 2024 from RMB2.5 million for the corresponding period in 2023, mainly due to the cessation of business by a major customer. Interest income from financing services as a percentage of the Group's total revenue was Nil for the year ended 31 December 2024 as compared to 0.7% for the corresponding period of 2023.

Purchase of and changes in inventories

Purchase of and changes in inventories amounted to RMB151.1 million for the year ended 31 December 2024, representing an increase of 8.5% as compared with RMB139.2 million in the corresponding period of 2023, mainly due to the addition of a new store – Jiangnan Times Square and change of fresh goods counters from concessionaire to self-operation. As a percentage of sales of goods, purchase of and changes in inventories was 86.1% for the year ended 31 December 2024 as compared with 82.7% in the same period of 2023.

Other operating income

Other operating income up by 7.7% to RMB37.9 million for the year ended 31 December 2024 from RMB35.2 million in the corresponding period in 2023. The decrease in government grants of approximately RMB0.6 million was due to tightening of local government budget. The decrease in administration and management fee income of approximately RMB0.7 million was corresponding to the drop in commission from concessionaire sales. However, there was a gain on early termination of portion of leases of Guanlan and staff quarter in Gongming of approximately RMB5.5 million which offset the decrease.

Staff costs

Staff costs decreased by 3.0% to RMB70.0 million for the year ended 31 December 2024 from RMB72.2 million in the corresponding period of 2023, primarily due to due to streamlining of manpower.

Depreciation of right-of-use assets

Depreciation of right-of-use assets decreased by 22.3% to RMB46.0 million for the year ended 31 December 2024 from RMB59.2 million in the corresponding period of 2023, primarily due to decrease in depreciation charges after provision of impairment loss in previously years for loss making stores. The provision of impairment loss on right-of-use assets (net) of approximately RMB10.7 million compared with approximately RMB26.6 million in 2023 has been decreased due to adequate provision of impairment loss in prior years.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by 23.5% to RMB42.4 million for the year ended 31 December 2024 from RMB55.4 million in the corresponding period in 2023 primarily due to decrease in depreciation charges after provision of impairment loss in previously years for loss making stores. The reversal of impairment loss on property, plant and equipment (net) of approximately RMB0.5 million compared with provision of impairment loss of approximately RMB11.4 million in 2023 was due to adequate provision of impairment loss in prior years.

Impairment loss on loan receivables

No impairment loss on loan receivables this year as compared with approximately RMB36.4 million for the year ended 31 December 2023 which represented expected credit loss on loan receivables from financing services business.

Other operating expenses

Other operating expenses increased by approximately RMB1.0 million, from RMB1.2 million in the corresponding period of 2023 to RMB2.2 million for the year ended 31 December 2024. This was mainly due to disposal of certain motor vehicle.

Finance costs

Finance costs, arising from the effect of adoption of HKFRS 16, from lease liabilities increased by approximately RMB1.7 million, from approximately RMB40.3 million for the year ended 31 December 2023 to approximately RMB42.0 million in the corresponding period of 2024, primarily due to full year interest on lease liabilities from Shajing shopping mall in current year. Finance costs arising from bank borrowings decreased by approximately RMB0.1 million, from approximately RMB6.5 million for the year ended 31 December 2023 to approximately RMB6.4 million in the corresponding period of 2024 due to the decrease in bank borrowings interest rate and principal balances.

Income tax expense/(credit)

Income tax expense amounted to approximately RMB0.5 million for the year ended 31 December 2024, compared with interest tax credit of approximately RMB3.7 million in the corresponding period of 2023, mainly due to decrease of taxable profit of subsidiaries during the year and change in policy in provision in deferred tax according to HKAS 12. The effective tax rate applicable to the Group for the year ended 31 December 2024 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 RMB55.7 million for the year ended 31 December 2024 as compared with loss of approximately RMB152.6 million in corresponding period of 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 2024.

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 2024, the Group had 582 full-time employees (year ended 31 December 2023: 647). 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 2024, 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 2023: 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 2024, approximately HK$240,082,000 of the proceeds so raised was used, and the unused proceeds of approximately HK$24,918,000 was deposited with banks, the security of which was adequately ensured.

Details of the used proceeds raised of approximately HK$240,082,000 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$8,670,000 for opening of a new supermarket in Gangxia Longgang (Jiangnan Times), 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 2024, the Group had cash and cash equivalents of approximately RMB25.1 million (31 December 2023: approximately RMB40.0 million), while the pledged bank deposits amounted to approximately RMB2.0 million (31 December 2023: RMB2.0 million). Total borrowings of the Group included bank loans of approximately RMB145.8 million as at 31 December 2024 (31 December 2023: RMB151.5 million).

As at 31 December 2024, the Group had a net current liabilities of approximately RMB176.2 million, as compared to amount of approximately RMB138.9 million as at 31 December 2023. As at 31 December 2024, the gearing ratio of the Group was negative as the Group's equity was in deficit position (31 December 2023: equity in deficit position), 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 RMB31.8 million and RMB1.6 million, respectively for the year (2023: approximately RMB28.4 million and RMB3.0 million, respectively).

CHARGES OF ASSETS

As at 31 December 2024, the carrying amount of investment properties amounted to approximately RMB212.5 million (2023: RMB230.8 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 2024, the Group has no significant contingent liabilities (2023: 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 2024 as contained in Appendix C1 of the Listing Rules, except for the following deviations:

Code provision F.2.2 of the Code requires that the chairman of the board should attend the annual general meeting. Mr. Zhuang Lu Kun, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 11 June 2024 due to his other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board of the Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Listing Rules as the Company's own code for securities transactions by its Directors. Following specific 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 2024.

ANNUAL GENERAL MEETING

The 2025 Annual General Meeting of the Company will be held on 11 June 2025, Wednesday 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 2025, the register of members of the Company will be closed from 5 June 2025 to 11 June 2025, 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 2025, HK time.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2024, 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 2024. There are proper arrangements for employees, in confidential, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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 2024 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 2024 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 2024 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.

EVENTS AFTER THE REPORTING YEAR

Save as disclosed in this announcement and/or other announcements of the Company, there were no other important events affecting the Group that had occurred after 31 December 2024 and up to the date of this announcement.

ANNUAL REPORT

The annual results announcement of the Company is published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.szbjh.com). The annual report for the year 2024 will be available on the above websites and despatched 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 2025

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; and (c) the independent non-executive Directors are Mr. Chin Kam Cheung, Mr. Sun Ju Yi, Mr. Ai Ji and Madam Ying Chi Kwan.