



顺客隆

Simple kind life

中國順客隆控股有限公司

CHINA SHUN KE LONG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 974

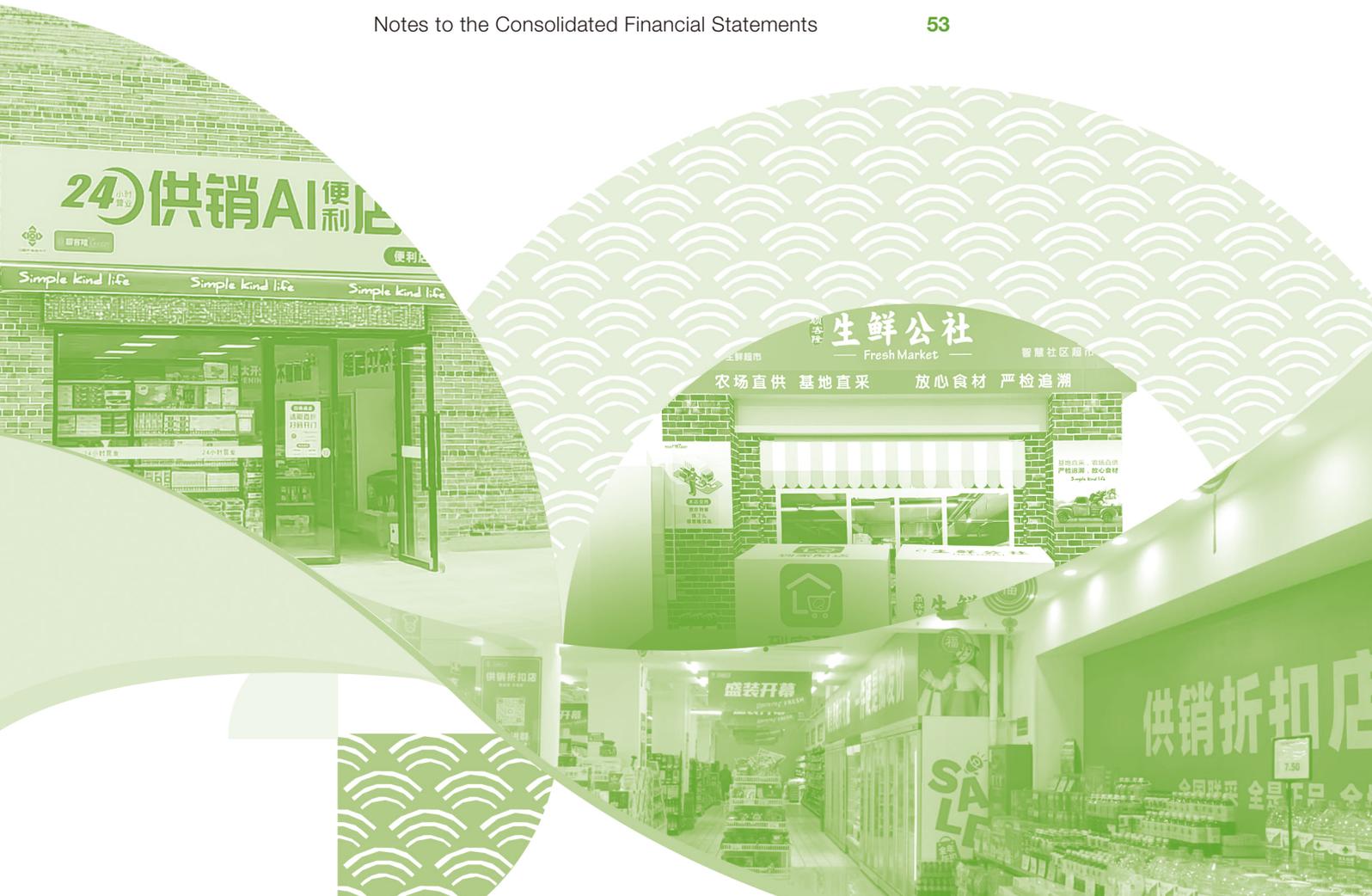


2024

ANNUAL REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Rengang (*Chairman*)
Ms. Wang Hui (*Chief Executive Officer*)

Non-Executive Director

Ms. Du Jing

Independent Non-Executive Directors

Mr. Cheng Hok Kai Frederick
Mr. Gao Jingyuan
Mr. Ng Hoi

AUDIT COMMITTEE

Mr. Cheng Hok Kai Frederick (*Chairman*)
Mr. Gao Jingyuan
Mr. Ng Hoi

REMUNERATION COMMITTEE

Mr. Gao Jingyuan (*Chairman*)
Mr. Wang Rengang
Mr. Ng Hoi

NOMINATION COMMITTEE

Mr. Wang Rengang (*Chairman*)
Mr. Gao Jingyuan
Mr. Ng Hoi

AUTHORISED REPRESENTATIVES

Ms. Wang Hui
Mr. Qiu Minghao

COMPANY SECRETARY

Mr. Qiu Minghao

COMPANY'S WEBSITE

www.skl.com.cn

STOCK CODE

974

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 60 Hebin North Road
Lecong Town, Shunde District, Foshan
Guangdong Province, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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REGISTERED OFFICE IN THE CAYMAN ISLANDS

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P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

PRINCIPAL BANKERS

Agricultural Bank of China Limited Shunde Lecong
sub-branch
Guangdong Shunde Rural Commercial Bank Company
Limited Lecong sub-branch
China Construction Bank Corporation, Shunde Huabin
sub-branch
Hang Seng Bank Limited

AUDITOR

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

HONG KONG LEGAL ADVISER

Iu, Lai & Li Solicitors & Notaries
Rooms 2201, 2201A & 2202
22nd Floor, Tower I, Admiralty Centre
No. 18 Harcourt Road, Admiralty
Hong Kong

FINANCIAL SUMMARY

Results	For the year ended 31 December				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	888,749	741,635	638,761	667,409	592,941
Gross profit	125,817	107,843	102,207	91,204	71,880
Loss from operation	2,702	27,273	18,697	22,393	38,328
Finance costs	11,483	10,590	4,641	4,404	4,505
Income tax expense (credit)	222	588	29	(772)	(289)
Loss for the year attributable to the owners of the Company	16,501	38,045	25,000	26,754	67,976
Total comprehensive expense attributable to the owners of the Company	18,162	38,409	24,155	26,415	67,835
Dividend paid	Nil	Nil	Nil	Nil	Nil

Assets and liabilities	As at 31 December				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	186,444	170,933	132,586	131,072	93,494
Current assets	413,838	310,652	257,233	234,434	211,206
Current liabilities	284,003	224,702	172,976	170,265	190,815
Net current assets	129,835	85,950	84,257	64,169	20,391
Total assets less current liabilities	316,279	256,883	216,843	195,241	113,885
Non-current liabilities	76,810	56,035	40,083	44,826	31,527
Net assets	239,469	200,848	176,760	150,415	82,358
Equity attributable to owners of the Company	238,160	199,751	175,596	149,181	81,346

CHAIRMAN'S STATEMENT

Dear Shareholders,

China Shun Ke Long Holdings Limited (the “Company”, collectively referred to as the “Group” with its subsidiaries) is an investment holding company, and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People’s Republic of China (the “PRC”). The Group maintains two distribution channels, retail and wholesale.

MARKET CONDITION

The retail sector is an important component of the national economy and a commercial form closely connected to people’s daily lives. In recent years, with the development of e-commerce and the transformation of the retail sector, an increasing number of innovative business formats have emerged. Particularly, in view of the ongoing impact from the adaptation of 5G, marketing forms such as live-streaming marketing and community group purchase, have emerged. Under the overall sluggish environment of the brick-and-mortar retail sector, some retail enterprises with shaky foundation, even large chain retail enterprises, have been eliminated by this wave of recession. A number of supermarket chain operators have closed their stores, which sounds an alarm for the brick-and-mortar retail industry. Business executives are adopting a variety of operational measures to enhance enterprise resilience, aiming to achieve sustainable development in an evolving market environment. On the whole, the retail sector in the PRC shows a trend with both opportunities and challenges co-existing and business models constantly evolving.

STRATEGIES

As one of the top-ranked players in the retail sector in Guangdong province, the Group strives hard and moves forward in the complicated and changing environment of the retail sector. The Group currently adopts the business model of “retail + wholesale + centralized procurement and distribution + franchise operation + online and offline integration + community marketing”, adheres to the market-oriented approach, takes fresh food as a point for breakthrough, and integrates technology online and offline to keep up with the pace of digitalisation. Through the reform of supply chain and business model, the Group enhances business strength, improves customer satisfaction, maintains brand value, and promotes the steady and healthy development of the enterprise. While actively exploring the market in Guangdong-Hong Kong-Macao Greater Bay Area, the Group also seeks business opportunities in other regions across the country to expand its business territory. In 2024, the Group’s operating company was awarded the title of March Eighth Red Banner Collective of Lecong Town, Shunde District, Foshan City; the title of Top 100 Chain Enterprises of Guangdong Province in 2023 issued by Guangdong Chain Store and Franchise Association; and was re-elected as the executive chairman unit of the Guangdong Chain Store and Franchise Association.

RESULTS

For the year ended 31 December 2024 (the “FY2024”), the Group’s revenue was approximately RMB592.9 million, representing a decrease of approximately RMB74.5 million as compared with the year ended 31 December 2023 (the “FY2023”). The decrease in revenue was mainly due to the reduction of the centralised procurement and sale business and closure of certain retail stores during the FY2024. For the FY2024, the net loss of the Group amounted to approximately RMB68.2 million, representing an increase in loss of approximately RMB41.5 million as compared with that for the FY2023. The increase in loss was mainly due to the decrease in overall gross profit amount as a result of the decline in sales revenue and gross profit margin, impairment of assets due to the impact of the business environment, as well as the decrease in promotion income from suppliers.

CHAIRMAN'S STATEMENT

OUTLOOK

In 2024, China's consumer market showed a steady growth trend overall. 2025 is not only the final year of the "14th Five-Year Plan", but also the planning year of the "15th Five-Year Plan". The basic trend of China's long-term economic growth has not changed, and the factors supporting China's high-quality economic development are constantly accumulating. Although China's economy and consumer market have been recovering positively, the brick-and-mortar retail industry still faces severe challenges due to increased economic pressure, changes in consumer attitudes, and insufficient spending by residents.

Despite the overall sluggish brick-and-mortar retail industry, the Group will respond calmly by leveraging on the influence and resources of the All China Federation of Supply and Marketing Cooperatives to proactively accelerate breakthroughs to adapt to market changes, in a bid to steadily and sustainably expand the Group's business territory. The Group will reform and innovate its business model, and continue to create new business formats such as "Supply and Marketing Discount Stores", "Shun Ke Long Fresh Market", and "24-hour AI intelligent unmanned stores". At the same time, the Group will continue to promote supply chain reform, reduce intermediate links and improve gross profit margin through methods such as direct supply from manufacturers, national joint procurement, and direct procurement from production bases. In addition, the Group will increase the promotion of centralized procurement and distribution business, combined with the exclusive distribution rights of sixteen brands and more than 1,000 franchise stores in Foshan and Zhaoqing, to solidify the income. Furthermore, e-commerce platforms and community group purchase continue to seize market share, and the transformation and upgrade of "New Retail" has become another key focus of the Group's business. The Group realizes the online and offline traffic attraction through its own platforms "SKL Select" and "Yubangxing Mini APP", and at the same time strengthens cooperation with third-party e-commerce platforms such as "Meituan", "Ele.me" and "JD Home" to effectively increase sales. The Group will keep abreast of market trends, pay close attention to changes in customer needs, and on the basis of adjusting and consolidating existing business segments, actively explore other business development opportunities suitable for the Group, supplement the profit opportunities of existing business lines, and share business risks at the same time, strive to achieve the goal of turning losses into profits as soon as possible.

ACKNOWLEDGEMENT

I would like to take this opportunity to sincerely thank our shareholders and stakeholders for their consistent support and trust, and thank directors for their concerted efforts and profound insights over the years. I would also like to express my sincere gratitude to our management and employees for their efforts and commitment. I hope that the Group's performance will improve in the coming year and compose a new chapter to create better returns to the shareholders!

Wang Rengang

Chairman

14 April 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Shun Ke Long Holdings Limited (the “Company”, collectively referred to as the “Group” with its subsidiaries) is an investment holding company, and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People’s Republic of China (the “PRC”). During the year ended 31 December 2024 (the “FY2024” or the “Year”), the Group maintained both retail and wholesale distribution channels.

Retail Outlets

During the FY2024, the Group opened six retail outlets and closed or re-franchised sixteen retail outlets. As at 31 December 2024, the Group had fifty retail outlets located in Guangdong Province of the PRC and one retail outlet located in the Macau Special Administrative Region (“Macau”) of the PRC.

The following table sets forth the changes in the number of retail outlets of the Group during the FY2024 and the year ended 31 December 2023 (the “FY2023”):

	For the year ended 31 December	
	2024	2023
At the beginning of the year	61	67
Additions	6	4
Reductions	(16)	(10)
	<hr/>	<hr/>
At the end of the year	<u>51</u>	<u>61</u>

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2024:

Location	Number of retail outlets
Foshan	42
Zhaoqing	4
Zhuhai	1
Guangzhou	2
Shenzhen	1
	<hr/>
Guangdong Province	50
Macau	1
	<hr/>
Total	<u>51</u>

MANAGEMENT DISCUSSION AND ANALYSIS

General Wholesale

During the FY2024, the Group managed to keep the profitable sole and exclusive distribution rights that it gained prior to the FY2024. The Group maintained sole and exclusive distribution rights for sixteen brands covering Foshan and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those sixteen brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

The Group has a franchise scheme opened for application by interested parties to franchise retail outlets. The proceeds from selling goods to franchisees of the Group form part of its wholesale distribution revenue.

The following table sets forth the changes in number of franchise outlets of the Group during the FY2024 and FY2023:

	For the year ended 31 December	
	2024	2023
At the beginning of the year	1,008	823
Additions	173	185
At the end of the year	<u>1,181</u>	<u>1,008</u>

RECENT DEVELOPMENTS AND OUTLOOK

In recent years, online channels have penetrated into all walks of life, becoming essential for retail businesses, meanwhile, community group buying has emerged, impacting brick-and-mortar retailers. From 2023 to 2024, as offline consumption scenarios recover, consumer vitality is expected to be further unleashed. However, consumer confidence remains weak, and both consumption capacity and willingness require further enhancement. The top priority for retail and consumer goods companies is now to efficiently manage operations centered around consumers, promoting sustained consumption among existing customers. Traditional supermarkets need to adapt their business models for breakthroughs promptly to align with market changes, focusing on upgrading and transitioning towards more professional and refined operations. They are beginning to emphasize internal capabilities, detailed management, supply chain integration, and continuous improvement of store fundamentals.

MANAGEMENT DISCUSSION AND ANALYSIS

Faced with this challenging environment, the Group has responded calmly by taking following major measures in the FY2024: (i) establishing the Group's a number of "Supply and Marketing Discount Store" to enhance revenue with a new business model; (ii) closing unprofitable stores to cut losses and adjusting operations for profitable stores to stabilize income; (iii) continuing to expand "Shun Ke Long Fresh Market" stores and their profitability models, highlighting growth points in fresh produce; (iv) building "24-hour AI Smart Unmanned Stores" and integrating cloud monitoring functions in up to 27 existing stores to achieve instant consumption; (v) keeping pace with market dynamics by developing the "Tiktok Hourly Delivery" service through new media channels and continuously expanding our proprietary e-commerce platforms "SKL Select" and "Yubanghang Mini Program", thereby enhancing sales through online-offline integration; (vi) adjusting wholesale agency brands, while vigorously developing centralized procurement and distribution business to effectively enhance the profitability of the wholesale sector; (vii) improving employee efficiency, reducing labor costs, and achieving cost savings by thoroughly reviewing all operational aspects; (viii) continuing to improve the supply chain system through direct factory supply, nationwide joint sourcing, and direct sourcing from production bases to reduce intermediary steps and increase gross profit margins; and (ix) focusing on team building, enhancing the quality of the operation team through means, such as employee training and employee incentives, and emphasizing core functions in procurement and operations.

In the current complex and challenging retail environment, the Group will continue to focus on the supermarket chain business through reform, transformation, and innovation. The Group will adhere to the sales model of "Retail + Wholesale + Centralized Procurement and Sale + Franchise + Online-offline Integration + Community Marketing", constantly exploring and innovating new business models, and developing into an influential leading supermarket enterprise in the Guangdong-Hong Kong-Macao Greater Bay Area. In addition, we aim to explore opportunities outside Guangdong Province and even in Hong Kong, leveraging favorable policies in areas like the Hainan Free Trade Port to expand our import-export business territory. Furthermore, we will proactively adjust the direction of its business development by leveraging the influence and resources of the All China Federation of Supply and Marketing Cooperatives, vigorously developing centralized procurement and sale business, and striving to become a leading national urban-rural circulation operator. We aim to facilitate the bidirectional flow of industrial and agricultural products, facilitating urban-rural integrated development.

Besides continuing the aforementioned measures, the Group will focus on the following efforts in 2025: (i) further optimizing the supply chain system to significantly reduce product costs and enhance market competitiveness; (ii) continuing to develop new business operation models to achieve incremental growth, developing supply and marketing discount stores and centralized procurement and distribution business, improving revenue performance and making it a new highlight of the Group; (iii) expanding the business models of "24-hour AI Smart Unmanned Stores" and "Shun Ke Long Fresh Market" vigorously through direct or franchised operations to increase profitability; (iv) adopting a store-specific approach, closing unprofitable stores, upgrading and renovating stores with potentials, and adjust category structures to further optimize the store environment and shopping experience, thereby increasing profitability; (v) strengthening marketing efforts on new media platforms like Tiktok and video accounts, expanding the presence on online platforms, and vigorously developing our proprietary e-commerce platforms "SKL Select" and "Yubanghang Mini Program" for online-offline integration; (vi) leveraging the Group's comprehensive up-and-down stream supply and sales system and distribution and warehousing capacities, and capitalizing on favorable conditions in the Hainan Free Trade Port and the Greater Bay Area, to explore international market; (vii) focusing on hot-selling events and promotional campaigns, such as various e-commerce shopping festivals, Mid-Autumn Festival, National Day, Year-End 21% Off Promotions, and Member Day on Tuesdays; (viii) continuing to adjust operational processes, tightly controlling expenditures, and managing costs; (ix) continuing to strengthen employee training, improve after-sales service, and enhance customer satisfaction and loyalty; and (x) actively participating in social welfare undertakings and community activities to enhance social image and brand value.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY RISKS AND UNCERTAINTIES

The Group's financial position, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks identified by the Group. Save as those shown below, there may be other risks that are not known to the Group or that may not be material now but could turn out to be material in the future.

Fierce Competition in Expanding Retail Outlets Network

Under fierce competition in the retail industry, we are facing various local and foreign competitors. Our future growth and profitability depend in part on our ability to expand our new business presence and network and to implement our expansion plan. Particularly, it is subject to the risks and uncertainties as to our ability to identify suitable sites for new retail outlets, availability of resources and funding for expansion plan, our ability to attract management talents, and our ability to obtain government approvals, among others. If we fail to implement the expansion plan, our results of operations may be adversely affected.

Change in Consumer Preferences

Consumer preferences in the PRC are changing at a rapid pace and are affected by many factors such as economic conditions, disposable income, government policies, family structure, trend, and many other factors. The success of our business depends on our ability to provide products that meet the customer demands. If we fail to accurately forecast and adjust our product mix in time to meet the consumer demands and preferences, our results of operations may be adversely affected.

Thin Profit Margin

As the Group is facing keen competition from other players in the supermarket industry and online retailers, and due to the increase in the operating costs, the profit margin has been squeezed. If there is any occurrence of unfavourable event such as the outbreak of infectious disease, concern over safety of product, price advantage of our competitors etc., our volume of products sold, selling prices or costs of sales may be adversely affected.

Competition from Online Retailing Platform

Online retailing platform has been rising abruptly these years. Based on its inherent attributions such as efficiency, it has been threatening our retail outlets or slowing down our pace of expanding our retail outlets network before we establish our own robust online retailing channels. As such, this further the competition in this supermarket operation industry.

High Staff Turnover Rate

The Group is mainly engaged in the supermarket business, which has a high demand for staff. Shortage of manpower or higher employee turnover rate may adversely affect our business, operating results and expansion plans. In recent years, the turnover rate of younger people working in our business has been on the rise.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the FY2024, the Group's revenue amounted to approximately RMB592.9 million, representing a decrease of approximately RMB74.5 million or 11.2% over the revenue for the FY2023. The decrease in revenue was mainly due to the reduction of the centralised procurement and sale business and closure of certain retail stores during the Year.

For the FY2024, the Group's revenue from retail outlet operation was approximately RMB431.1 million, representing a decrease of approximately RMB101.3 million or 19.0% from the FY2023. The decrease in revenue was mainly due to the reduction of the centralised procurement and sale business and closure of certain retail stores during the Year.

For the FY2024, the Group's revenue from wholesale distribution operation was approximately RMB161.8 million, representing an increase of approximately RMB26.8 million or 19.9% from the FY2023. The increase in revenue was mainly due to the increase in revenue from distribution of Yili and Wahaha brands.

Gross Profit Margin

For the FY2024 and the FY2023, the Group's gross profit margin was 12.1% and 13.7%, respectively. Such decrease was mainly due to the decrease in gross profit margin of wholesale distribution, the decrease in rental income from retail outlets and merchandise parity subsidy in the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the breakdowns of the revenue, cost of inventories sold and gross profit in respect of the two business segments of the Group for the FY2024 and the FY2023:

	For the year ended 31 December	
	2024 RMB'000,000	2023 RMB'000,000
Revenue		
Retail outlet operation	431.1	532.4
Wholesale distribution	161.8	135.0
Total	<u>592.9</u>	<u>667.4</u>
Cost		
Retail outlet operation	365.5	447.6
Wholesale distribution	155.5	128.6
Total	<u>521.0</u>	<u>576.2</u>
Gross profit		
Retail outlet operation	65.6	84.8
Wholesale distribution	6.3	6.4
Total	<u>71.9</u>	<u>91.2</u>
Gross Profit Margin		
Retail outlet operation	15.2%	15.9%
Wholesale distribution	3.9%	4.7%
Total	<u>12.1%</u>	<u>13.7%</u>

For the FY2024, the Group's other operating income was approximately RMB18.0 million, representing a decrease of approximately RMB6.4 million or 26.2% from the FY2023. Such decrease was mainly due to the decrease in promotion income from suppliers.

Selling and Distribution Costs

For the FY2024, the Group's selling and distribution costs were approximately RMB100.9 million, representing a decrease of approximately RMB11.0 million or 9.8% from the FY2023. This decrease was primarily due to lower labour costs, property costs, and utility costs as a result of the closure of certain retail outlets.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

For the FY2024, the Group's administrative expenses were approximately RMB27.3 million, representing an increase of approximately RMB1.2 million or 4.8% from the FY2023, which was mainly attributable to the increase in professional service fees.

Finance Costs

For the FY2024, the Group's finance costs were approximately RMB4.5 million, representing an increase of approximately RMB0.1 million or 2.3% from the FY2023. The increase was mainly due to increased interest expenses on short-term borrowings.

Impairment Losses Recognised in Property, Plant and Equipment and Right-of-use Assets

In the FY2024, the management performed an impairment assessment of property, plant and equipment and right-of-use assets of the Group. Accordingly, impairment loss has been incurred on the Group's property, plant and equipment and right-of-use assets, with a total amount of approximately RMB22.7 million. The recoverable amount of a cash generating unit is determined based on a discounted pre-tax cash flow projection, prepared in accordance with the financial budgets approved by management.

Income Tax Credit

For the FY2024, the Group's income tax credit amounted to approximately RMB289,000, as compared to approximately RMB772,000 for the FY2023. The change was mainly due to the recognition of current income tax expense for under-provision in prior year and changes in deferred tax assets arising from lease transactions.

Net Loss

For the FY2024, the net loss of the Group amounted to approximately RMB68.2 million, representing an increase in loss of approximately RMB41.5 million or 155.6% as compared with that of the FY2023. The increase in loss was mainly due to the decrease in overall gross profit amount as a result of the decline in sales revenue and gross profit margin, impairment of assets due to the impact of the business environment, as well as the decrease in promotion income from suppliers.

Total Comprehensive Expense

For the FY2024, the total comprehensive expense of the Group was approximately RMB68.1 million, representing an increase in loss of approximately RMB41.7 million or 158.3% from the FY2023. The change was mainly due to the increase in net loss as explained above.

Capital Expenditures

The Group's capital expenditures mainly relate to additions of its property, plant and equipment and right-of-use assets for the opening of new retail outlets and renovation of existing retail outlets. For the FY2024, the Group spent approximately RMB10.7 million and RMB19.1 million on the acquisition of property, plant and equipment and right-of-use assets, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

As at 31 December 2024, the Group had no significant capital commitments (31 December 2023: nil).

Liquidity and Financial Resources

As at 31 December 2024, the Group had cash and cash equivalents of approximately RMB21.2 million (31 December 2023: approximately RMB48.7 million), out of which approximately RMB20.0 million was denominated in RMB and approximately RMB1.2 million was denominated in HK\$, USD or MOP.

As at 31 December 2024, the Group had net current assets of approximately RMB20.4 million (31 December 2023: approximately RMB64.2 million) and net assets of approximately RMB82.4 million (31 December 2023: approximately RMB150.4 million). As at 31 December 2024, the Group had unutilised banking facilities of approximately RMB28.0 million (31 December 2023: RMB62.0 million).

In order to minimise credit risk, the management of the Group has assigned responsible staff to determinate credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management considered that risk of default in respect of trade and other receivables is low and thus the identified impairment loss was immaterial.

Significant Investments and Plans for Material Investments or Capital Assets

The Group did not hold any significant investments during the FY2024.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary during the FY2024.

Indebtedness and Pledge of Assets

As at 31 December 2024, the Group had bank borrowings denominated in RMB of approximately RMB62.0 million (31 December 2023: approximately RMB28.0 million) secured by:

- (i) the pledge of certain buildings of the Group with carrying amounts of approximately RMB10.6 million as at 31 December 2024 (31 December 2023: approximately RMB11.0 million);
- (ii) the pledge of certain right-of-use assets of the Group with carrying amounts of approximately RMB18.5 million as at 31 December 2024 (31 December 2023: approximately RMB19.2 million); and
- (iii) the pledge of certain investment properties of the Group with carrying amounts of approximately RMB8.4 million as at 31 December 2024 (31 December 2023: approximately RMB8.7 million).

All those bank borrowings were repayable within a year. During the year ended 31 December 2024, the interests of those loans were at fixed rates ranging from 3.45% to 3.60% per annum (2023: at fixed rate of 3.95% per annum).

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Ratios

The following table sets forth the key financial ratios of the Group for the FY2024 and the FY2023:

	For the year ended 31 December	
	2024	2023
Debtors turnover days	22.0	18.0
Inventory turnover days	54.0	60.1
Creditors turnover days	51.0	55.1
Return on equity	-83.6%	-17.9%
Return on total assets	-22.4%	-7.3%
Total loans (RMB'000,000)	62.0	28.0
Total equity (RMB'000,000)	82.4	150.4
Gearing ratio	75.3%	18.6%
Net debt to equity ratio	Net cash	Net cash
Current ratio	1.1x	1.4x
Quick ratio	0.7x	0.9x

Note: Gearing ratio is calculated as total loans divided by total equity.

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group's assets were denominated in HK\$. During the FY2024, the depreciation of RMB against HK\$ had slight impact from translation as the reporting currency of the Group was RMB. Apart from that, the management of the Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on the Group's financial position nor performance given that the functional currency of the Group was RMB. During the FY2024, the Group did not engage in any hedging activities and the Group had no intention to carry out any hedging activities in the near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Contingent Liabilities

As at 31 December 2024, the Group did not provide any guarantee for any third party and did not have any significant contingent liabilities.

Employees

The Group had a total of 784 employees as at 31 December 2024, of which 776 employees worked in the mainland of the PRC and 8 worked in Hong Kong. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training for staff and bonuses based upon staff performance and profit of the Group. During the FY2024, the Group had not caused any significant impact on its operation due to labour disputes nor had it experienced any difficulty in the recruitment of experienced staff. The Group maintains a good relationship with its employees.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Rengang (“Mr. Wang”), aged 53, has been appointed as the Chairman, an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company since 28 May 2024. He has been serving as the secretary of the Party Committee, a director and the president of the Company’s controlling shareholder, CCOOP Group Co., Ltd* (供銷大集集團股份有限公司) (“CCOOP”), a company listed on the Shenzhen Stock Exchange (stock code: 000564), since April 2024. He was a member of the Party Committee and the deputy general manager of New Cooperation Trade Chain Group Co., Ltd* (新合作商貿連鎖集團有限公司), an affiliate of All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社), CCOOP’s actual controller, from January 2014 to April 2024.

Mr. Wang Rengang graduated from Hubei Industrial Polytechnic* (湖北工業職業技術學院) (formerly known as Shiyan University* (十堰大學)) with a diploma’s degree in 1996.

Ms. Wang Hui (“Ms. Wang”), aged 50, has been redesignated as an executive Director and the chief executive officer of the Company since 28 May 2024. Ms. Wang has been appointed as a director of Hong Kong Shun Ke Long International Limited, Shun Ke Long International Limited, Ozone Supply Chain International Limited and Ozone Supply Chain Management Limited, all of which are wholly owned subsidiaries of the Company, since 25 March 2025. She served as the Chief Financial Officer of the Company from August 2020 to February 2022 and a non-executive Director of the Company from February 2022 to May 2024. Ms. Wang has been appointed as a member of the Party Committee of CCOOP since April 2024. Over the years, Ms. Wang held various positions in CCOOP including a director from March 2021 to April 2024, the president from February 2021 to April 2024, the financial controller from 2018 to 2021, a supervisor in 2018, and a general manager of the Planning and Finance Department from 2016 to 2018. Ms. Wang previously served as a supervisor of Haihang Commercial Holding Co., Ltd.* (海航商業控股有限公司) from December 2017 to March 2023, and a financial controller of Hainan HNA Airline Sales Ltd.* (海南海航航空銷售有限公司) from 2013 to 2016.

Ms. Wang graduated from the Party School of the Guizhou Provincial Committee of the Communist Party of China (中共貴州省委黨校) with a bachelor’s degree in economics and management in 1998. She has been a certified public accountant in China since 2003.

According to the Decision of Administrative Penalties ([2022] No. 52) (《行政處罰決定書》([2022]52號)) (the “2022 CSRC Decision”) published by China Securities Regulatory Commission (中國證券監督管理委員會) (the “CSRC”) in September 2022, the CSRC issued a warning and imposed a fine of RMB\$700,000 against, inter alia, Ms. Wang. Ms. Wang who was the then supervisor, chairman of board of supervisors and chief financial officer of CCOOP was found liable to the failure to disclose certain non-operating related party transactions and provision of guarantees in the 2017-2019 semi-annual and annual reports and 2020 semi-annual report of CCOOP. Based on the 2022 CSRC Decision, the Shenzhen Stock Exchange imposed a public reprimand against, among others, CCOOP and Ms. Wang pursuant to the decision on disciplinary actions against CCOOP Group Co., Ltd and relevant parties (Shenzhengshang [2022] No. 1142) (《關於對供銷大集集團股份有限公司及相關當事人給予紀律處分的決定》(深證上[2022]1142號)) in December 2022.

NON-EXECUTIVE DIRECTOR

Ms. Du Jing (“Ms. Du”), aged 48, has been appointed as a non-executive Director of the Company since 28 May 2024. She has been serving as the secretary of the board of directors of CCOOP since May 2018 and has been appointed as a member of the Party Committee of CCOOP since April 2024. Ms. Du has been serving as a director of HNA Futures Co., Ltd* (海航期貨股份有限公司), which is listed on the National Equities Exchange and Quotation System (全國中小企業股份轉讓系統) (stock code: 834104) since July 2018. She was the vice president and the secretary of the board of directors of HNA Investment Group Co., Ltd.* (海航投資集團股份有限公司) from June 2015 to May 2018.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Du was accredited as intermediate economist from Ministry of Human Resources and Social Security of the People's Republic of China (中國人力資源和社會保障部) in October 2021 and obtained a master's degree in management from Tianjin University (天津大學) in June 2021. She obtained board secretary qualification from Shenzhen Stock Exchange in October 2004 and graduated from Zhongnan University of Economics and Law (中南財經政法大學) with a bachelor's degree in management in June 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hok Kai Frederick ("Mr. Cheng"), aged 61, was appointed as an independent non-executive Director and the chairman of the audit committee of the Company on 27 July 2020. Mr. Cheng has been serving as an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of JiaXing Gas Group Co., Ltd. (嘉興市燃氣集團股份有限公司), a company listed on the Stock Exchange (stock code: 9908) since 2019.

Mr. Cheng previously served various senior positions at other companies listed on the Stock Exchange or other stock exchange. Mr. Cheng served as an independent non-executive director and the chairman of the audit committee of CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301039) and The Stock Exchange (previous stock code: 1839 whose securities were listed on the main board of the Stock Exchange until 3 June 2024) between 2019 to 2024; served as an independent non-executive director, the chairman of the audit committee, and a member of each of the nomination and remuneration committees of Luzhou Xinglu Water (Group) Co., Ltd. (瀘州市興瀘水務(集團)股份有限公司), a company listed on the Stock Exchange (stock code: 2281) between 2017 to 2022; served as an executive director of Sanai Health Industry Group Company Limited (三愛健康產業集團有限公司), a company listed on the Stock Exchange (stock code: 1889) in 2019; and served as the chief financial officer, the company secretary, an authorised representative under Rule 3.05 of the Listing Rules and the managing director of corporate finance and investment of PuraPharm Corporation Limited (培力控股有限公司), a company listed on the Stock Exchange (stock code: 1498) between 2010 and 2018. Prior to that, Mr. Cheng served as the finance director of Asia Pacific and Japan of Autodesk Asia Pte Ltd. between 2006 and 2008, the finance director of Pacific Rim of Mentor Graphics Asia Pte Ltd. between 2004 and 2006, the finance director of Asia Pacific and Japan of LSI Logic Hong Kong Limited between 1997 and 2004, and an audit assistant and a senior accountant of PricewaterhouseCoopers (formerly known as Price Waterhouse) between 1985 and 1988.

Mr. Cheng graduated from the University of New South Wales in Australia with a master's degree in accounting in 1992, and from the University of Salford in the United Kingdom with a bachelor's degree in finance and accounting in 1985. Mr. Cheng was admitted as an associate member of (i) CPA Australia (formerly known as Australian Society of Certified Practising Accounts), (ii) the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants), (iii) Governance Institute of Australia (formerly known as Chartered Secretaries Australia) and (iv) The Chartered Governance Institute, U.K. (formerly known as Institute of Chartered Secretaries and Administrators, U.K.) in 1992, 1992, 1996 and 1995, respectively, and then as the fellow member of such professional bodies in 2004, 2003, 2013 and 2012, respectively.

Mr. Gao Jingyuan (former name: Gao Liqing) ("Mr. Gao"), aged 56, has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company since 27 March 2024. He has over 9 years of senior management experience with the China Cooperative Trade Enterprises Association (中國合作貿易企業協會) ("CCTEA"). During his tenure, he held the positions of Vice President and Secretary-General from June 2016 to December 2023 and from May 2018 to December 2023 respectively. Since December 2023, he has been serving as the President of CCTEA. Mr. Gao was Deputy Secretary-General and Secretary-General of Commercial Culture Association of China (中國商業文化研究會) from November 2008 to May 2015 and from May 2015 to January 2017 respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Gao completed the advanced training courses for postgraduates in business management in Beijing Technology and Business University (北京工商大學) in 2005, and obtained a bachelor's degree in economics from Shanxi University of Finance and Economics (山西財經大學) (formerly known as Shanxi Institute of Finance and Economics* (山西財經學院)) in 1992. He was accredited as Chief Editor by Economic Daily* (經濟日報社) in 2002.

Mr. Ng Hoi (“Mr. Ng”), aged 51, has been appointed as an independent non-executive Director, a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company since 28 May 2024. He has served as an executive director and the deputy chief executive officer of Hang Pin Living Technology Company Limited (杭品生活科技股份有限公司), a company listed on the Stock Exchange (stock code: 1682) since October 2024. He has been a director of Elite Champion Management Limited (銳勝管理有限公司) since September 2021. He was an executive director of Momentum Financial Holdings Limited (正乾金融控股有限公司), a company listed on the Stock Exchange (stock code: 1152), from November 2016 to August 2021, and a director of Wuhan Handa Real Estate Development Co., Ltd* (武漢漢達房地產開發有限公司) from November 2010 to October 2016.

Mr. Ng obtained a master's degree in business administration from Tsinghua University (清華大學) in July 2010 and a bachelor's degree in economics from Xiamen University (廈門大學) in July 1996.

SENIOR MANAGEMENT

Mr. Hui Guolu (“Mr. Hui”), aged 37, has been appointed as Chief Finance Officer of the Company since 28 May 2024. He has served as deputy general manager of Financial Planning Department of CCOOP since January 2025. He served as an assistant to general manager of Financial Planning Department of CCOOP from May 2022 to January 2025, and as a business manager of Financial Planning Department of CCOOP from May 2018 to May 2022. Mr. Hui previously served as an accounting center manager of Finance Department of Lucky Air Co., Ltd. (雲南祥鵬航空有限責任公司) from November 2012 to March 2017, and a finance manager of Easypay Co., Ltd.* (易生支付有限公司) from May 2010 to September 2012.

Mr. Hui graduated from Xi'an University of Finance and Economics (西安財經大學) with a bachelor's degree in economics in 2009 and was accredited as senior accountant from Human Resources and Social Security Department of Shaanxi Province (陝西省人力資源和社會保障廳) in February 2023 and intermediate accountant from Ministry of Human Resources and Social Security of the People's Republic of China (中國人力資源和社會保障部) and Ministry of Finance of the People's Republic of China (中國財政部) in September 2017.

COMPANY SECRETARY

Mr. Qiu Minghao (“Mr. Qiu”), aged 44, was appointed as Company Secretary of the Company on 31 October 2019. He is an associate of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). He has more than fourteen years of experience in handling company secretarial and compliance related matters to Hong Kong listed companies. Mr. Qiu received a Bachelor's degree of Administrative Studies with Honours in accounting from York University in Canada in 2005.

* For identification purpose only

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board (the “Board”) of directors (the “Directors”) of China Shun Ke Long Holdings Limited (the “Company”, with its subsidiaries, collectively, the “Group”) is committed to achieving high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework to safeguard the interests of shareholders of the Company (the “Shareholders”), to enhance corporate value and accountability, and to formulate its business strategies and policies for the development of the Group.

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Non-compliance with Rules 3.10(1), 3.21, 3.25 and 3.27A of the Listing Rules

Following the resignation of Mr. Wang Yilin as an independent non-executive Director on 26 October 2023, the Company is not in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that the Board must include at least three independent non-executive directors; (ii) Rule 3.21 of the Listing Rules, which stipulates that the audit committee must comprise a minimum of three members; (iii) Rule 3.25 of the Listing Rules, which stipulates that the remuneration committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors; and (iv) Rule 3.27A of the Listing Rules, which stipulates that the nomination committee must comprise a majority of independent non-executive directors.

To identify suitable candidate(s) to fill the vacancy and comply with the Listing Rules requirements, the Company had actively sought referrals of potential candidates from its Board, senior management, CCOOP Group Co., Ltd (“CCOOP”) (a controlling shareholder of the Company) and Hainan HNA No.2 Trust Management Service Co., Ltd. (the then controlling shareholder of CCOOP). In addition, the Company broadened its search channels, including but not limited to various industrial associations, other regions within the People’s Republic of China, and individuals with diverse backgrounds and talents.

Following the appointment of Mr. Gao Jingyuan as an independent non-executive Director on 27 March 2024, the number of independent non-executive Directors had satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also met the requirements set out in Rules 3.21, 3.25 and 3.27A of the Listing Rules with regard to the composition of the audit committee, the remuneration committee and the nomination committee.

Save as those mentioned above and in the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2024.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code for the year ended 31 December 2024 and they all confirmed that they have fully complied with the required standards as set out in the Model Code.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Directors during the year ended 31 December 2024 and up to the date of this annual report were as follows:

Executive Directors

Mr. Shang Duoxu (*Chairman*) (*resigned on 28 May 2024*)

Mr. Han Wei (*Chief Executive Officer*) (*resigned on 28 May 2024*)

Mr. Wang Rengang (*Chairman*) (*appointed on 28 May 2024*)

Ms. Wang Hui (*Chief Executive Officer*) (*redesignated from a non-executive Director to an executive Director on 28 May 2024*)

Non-Executive Directors

Ms. Du Jing (*appointed on 28 May 2024*)

Independent Non-Executive Directors

Mr. Cheng Hok Kai Frederick

Mr. Ma Ren (*resigned on 28 May 2024*)

Mr. Gao Jingyuan (*appointed on 27 March 2024*)

Mr. Ng Hoi (*appointed on 28 May 2024*)

An updated list of the Directors identifying their roles and functions is maintained on the websites of the Company and the Hong Kong Exchanges and Clearing Limited (the “HKEx”). Independent non-executive Directors are identified as such in all corporate communications containing the name of the Directors.

None of the members of the Board has any relationship with one another (including financial, business, family or other material/relevant relationship(s)).

Mr. Gao Jingyuan has obtained legal advice in accordance with Rule 3.09D on 21 March 2024, and Mr. Wang Rengang, Ms. Wang Hui, Ms. Du Jing and Mr. Ng Hoi have obtained legal advice in accordance with Rule 3.09D on 21 May 2024. They all confirmed that they understood their obligations as a director of the Company.

BOARD DIVERSITY

The Company adopted a board diversity policy (the “Board Diversity Policy”). The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board’s composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT

The Board consists of a diverse mix of Board members in terms of age, gender and tenure of office. Currently, the Board has two female Director out of six Directors, and the Directors come from a variety of different backgrounds and have a diverse range of business, financial services and professional experience. The Company is committed to improving the diversity of the Board based on its needs and as and when suitable candidates are identified. The Directors' biographical information is set out on "Directors and Senior Management" section of this annual report.

The Board believes that the balance between executive and non-executive Directors (including independent non-executive Directors) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the shareholders and the Group. Non-executive Director and independent non-executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgment and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, and ensure that the interests of the shareholders are taken into account.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee of the Company will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The nomination committee will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

As at 31 December 2024, around 67.6% of the Group's workforce (including senior management) was female. The Group treats employees of different nationalities, races, ages, genders, religious beliefs, and cultural backgrounds fairly and equitably and protects the legitimate rights and interests of female employees. More information regarding the gender ratio and other information about the Group's workforce, and the Group's plan for achieving diversity will be included in the Company's Environmental, Social and Governance Report which will be provided by a stand-alone report on the websites of the Company and the HKEx.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman and the Chief Executive Officer to ensure a balance of power and authority. Currently, the positions of Chairman and Chief Executive Officer are held by Mr. Wang Rengang and Ms. Wang Hui respectively. Their respective responsibilities are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD MEETINGS

The Board meets regularly, and at least four times a year. For regular Board meetings, the Directors receive written notice of the meeting generally about 14 days in advance. For other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. All the Directors have full and timely access to all the information of the Group as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company and they are at liberty to propose appropriate matters for inclusion in Board agendas. Pursuant to the Articles of Association of the Company, the Directors may participate in Board meetings in person, by phone or by other communication means.

CORPORATE GOVERNANCE REPORT

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be dealt with by a physical meeting rather than by written resolution. Pursuant to the Articles of Association of the Company, a Director who is considered to be materially interested in the matter shall abstain from voting on the resolution approving such matter.

During the year ended 31 December 2024, the Board held four meetings. The attendance record of individual Director is set out below. Figure in brackets indicates the total number of meeting held in the period in which the individual was a Director.

Directors	Attendance
Executive Directors	
Mr. Wang Rengang (<i>Chairman</i>)	2/(2)
Ms. Wang Hui (<i>Chief Executive Officer</i>) (<i>redesignated from a non-executive Director to an executive Director on 28 May 2024</i>)	4/(4)
Non-executive Director	
Ms. Du Jing (<i>appointed on 28 May 2024</i>)	2/(2)
Independent Non-executive Directors	
Mr. Cheng Hok Kai Frederick	4/(4)
Mr. Gao Jingyuan (<i>appointed on 27 March 2024</i>)	3/(3)
Mr. Ng Hoi (<i>appointed on 28 May 2024</i>)	2/(2)
Former Directors	
Mr. Shang Duoxu (<i>Chairman</i>) (<i>resigned on 28 May 2024</i>)	2/(2)
Mr. Han Wei (<i>Chief Executive Officer</i>) (<i>resigned on 28 May 2024</i>)	2/(2)
Mr. Ma Ren (<i>resigned on 28 May 2024</i>)	1/(2)

Draft and final versions of minutes of each Board meeting are sent to all Directors for their comments and records respectively within a reasonable time. The Company also keeps detailed minutes of each Board meeting, which are available for inspection by all Directors.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance in respect of possible legal actions taken against the Directors and officers of the Group arising out the corporate activities.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's business, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

CORPORATE GOVERNANCE REPORT

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has not established a corporate governance committee. To comply with the requirements under the CG Code, the Board is also responsible for performing the corporate governance duties. During the year ended 31 December 2024, the Board has performed the corporate governance duties set out in A.2.1 of the CG Code, including but not limited to reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Directors shall keep abreast of responsibilities as director of the Company and of the conduct, business activities and development of the Group.

Every newly appointed director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with C.1.4 of the CG Code with regard to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors and senior management are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2024, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Directors	Attending conferences/ courses/seminars	Reading articles/ books/journals
Mr. Wang Rengang (<i>Chairman</i>) (<i>appointed on 28 May 2024</i>)	✓	✓
Ms. Wang Hui (<i>Chief Executive Officer</i>) (<i>redesignated from a non-executive Director to an executive Director on 28 May 2024</i>)	✓	✓
Ms. Du Jing (<i>appointed on 28 May 2024</i>)	✓	✓
Mr. Cheng Hok Kai Frederick	✓	✓
Mr. Gao Jingyuan (<i>appointed on 27 March 2024</i>)	✓	✓
Mr. Ng Hoi (<i>appointed on 28 May 2024</i>)	✓	✓
Former Directors		
Mr. Shang Duoxu (<i>Chairman</i>) (<i>resigned on 28 May 2024</i>)		✓
Mr. Han Wei (<i>Chief Executive Officer</i>) (<i>resigned on 28 May 2024</i>)		✓
Mr. Ma Ren (<i>resigned on 28 May 2024</i>)		✓

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

As at the date of this annual report, each of the Directors entered into a service agreement or letter of appointment for a term of three years. All Directors of the Company are subject to retirement by rotation once every three years, and any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the first annual general meeting after appointment pursuant to the Articles of Association of the Company.

The Company has received all independent non-executive Directors' confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent. None of them has served the Company for more than nine years.

BOARD COMMITTEES

The Board has established three director committees, namely, the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the HKEx's website and are available to the Shareholders upon request. Each of the committees is provided with sufficient resources to perform its duties.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules. As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Cheng Hok Kai Frederick (Chairman), Mr. Gao Jingyuan and Mr. Ng Hoi. They are all independent non-executive Directors.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management systems of the Group; to oversee the audit process and the relationship with external auditor; to review arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company; and to perform other duties and responsibilities as assigned by our Board.

During the year ended 31 December 2024, the Audit Committee reviewed the interim and annual results of the Group, and discussed and approved the relevant financial reports. It also reviewed and discussed the risk management and internal control systems of the Group. It also considered the appointment of the external auditors and discussed with external auditors the nature and scope of audit before any audit commences.

The Audit Committee held four meetings during the year ended 31 December 2024. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Audit Committee.

CORPORATE GOVERNANCE REPORT

Members	Attendance
Mr. Cheng Hok Kai Frederick (<i>Chairman</i>)	4/(4)
Mr. Gao Jingyuan (<i>appointed on 27 March 2024</i>)	2/(2)
Mr. Ng Hoi (<i>appointed on 28 May 2024</i>)	2/(2)
Former committee member	
Mr. Ma Ren (<i>resigned on 28 May 2024</i>)	2/(2)

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules. As at the date of this annual report, the Remuneration Committee comprises three members, namely Mr. Gao Jingyuan (Chairman), Mr. Wang Rengang and Mr. Ng Hoi. Mr. Wang Rengang is the Chairman of the Board and an executive Director, while Mr. Gao Jingyuan and Mr. Ng Hoi are independent non-executive Directors.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration; to make recommendations to the Board on the remuneration packages of executive Directors and senior management; and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year ended 31 December 2024, the Remuneration Committee has reviewed the remuneration policy and remuneration of all Directors, and assessed performance of executive Directors.

During the year ended 31 December 2024, two Remuneration Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Remuneration Committee.

Members	Attendance
Mr. Gao Jingyuan (<i>Chairman</i>) (<i>appointed on 27 March 2024</i>)	1/(1)
Mr. Wang Rengang (<i>appointed on 28 May 2024</i>)	N/A
Mr. Ng Hoi (<i>appointed on 28 May 2024</i>)	N/A
Former committee member	
Mr. Shang Duoxu (<i>resigned on 28 May 2024</i>)	2/(2)
Mr. Ma Ren (<i>resigned on 28 May 2024</i>)	1/(2)

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules. As at the date of this annual report, the Nomination Committee has three members, namely Mr. Wang Rengang (Chairman), Mr. Gao Jingyuan and Mr. Ng Hoi. Mr. Wang Rengang is the Chairman of the Board and an executive Director, while Mr. Gao Jingyuan and Mr. Ng Hoi are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the issuer's corporate strategy, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, and to assess the independence of independent non-executive Directors.

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the transparent and formal selection criteria and procedure of appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, such candidate's academic background and professional qualifications, relevant experience in the industry, availability, independence etc. When it is necessary to fill a casual vacancy or appoint an additional director, the nomination committee identifies or selects candidates pursuant to the criteria set out in the Nomination Policy. Based upon the recommendation of the Nomination Committee, the Board deliberates and decides on the appointment.

During the year ended 31 December 2024, the Nomination Committee reviewed the structure, composition and diversity of the Board of the Company; assessed the independence of the independent non-executive Directors; and recommended the Directors to be re-elected at the 2024 annual general meeting and new Directors before putting forth for discussion and approval by the Board.

During the year ended 31 December 2024, two Nomination Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Nomination Committee.

Members	Attendance
Mr. Wang Rengang (<i>Chairman</i>) (<i>appointed on 28 May 2024</i>)	N/A
Mr. Gao Jingyuan (<i>appointed on 27 March 2024</i>)	1/(1)
Mr. Ng Hoi (<i>appointed on 28 May 2024</i>)	N/A
Former committee member	
Mr. Shang Duoxu (<i>resigned on 28 May 2024</i>)	2/(2)
Mr. Ma Ren (<i>resigned on 28 May 2024</i>)	1/(2)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period and confirmed that the consolidated financial statements contained herein give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of the consolidated financial performance and the consolidated cash flows of the Group for the year ended 31 December 2024.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

Statement of the external auditor's responsibilities in respect of the consolidated financial statements is set out in "Independent Auditor's Report" of this annual report.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The Company appointed SHINEWING (HK) CPA Limited as the external auditor for the year ended 31 December 2024. During the year ended 31 December 2024, the total fees paid/payable, excluding disbursements and taxes, in respect of audit and non-audit services provided by SHINEWING (HK) CPA Limited (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) are set out below:

	<i>RMB'000</i>
Annual audit fee charged by SHINEWING (HK) CPA Limited	750
Interim review fee charged by SHINEWING (HK) CPA Limited	100

INTERNAL CONTROLS AND RISK MANAGEMENT

The Group strives to maintain the integrity of its business, results of operations and reputation by strictly adhering to an effective internal control and risk management systems in respect of its business. The Group has therefore implemented internal control procedures and manuals covering a number of key control areas such as tendering, purchase and procurement management, financial management, human resources and payroll management, fixed asset management and safety and environment compliance management with a view to ensuring compliance by the Group with applicable laws, rules and regulations. The Board acknowledges that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, is responsible for overseeing and monitoring the key measures adopted by the Group under the risk management and internal control systems relating to the business operations of the Company and assess the effectiveness annually. Review on the risk management and internal control systems relating to the Group's business operations has been conducted for the year ended 31 December 2024.

For the year ended 31 December 2024, the Company did not have an internal audit function. The Company engaged an independent consultant to perform a review on the internal control and the risk management systems. The Board considers that it is more cost and result-effective to engage an external independent consultant instead of establishing an internal audit team. The results of the review were reported to the Audit Committee and measures and procedures were seriously considered by the Audit Committee after taking into account of the findings and recommendations of the independent consultant.

The Company has a policy on inside information in place setting out the principles and procedures for handling and disclosing inside information of the Group in compliance with the relevant requirements under Part XIVA of the Securities and Futures Ordinance and the Listing Rules, and such policy has been communicated to the relevant senior executives of the Group. To prevent inadvertent disclosure of inside information, the policy also prescribes certain measures in place, including restricting access to inside information to employees on a need-to-know basis, requiring documents and files containing inside information to be kept in a safe place, and requiring that confidentiality agreements be made with external parties in appropriate cases.

CORPORATE GOVERNANCE REPORT

The Company has adopted an Anti-Corruption and Bribery Policy since 2022 which provides guidance to our employees on how to recognize and deal with bribery and corruption. Every employee has a duty to report any potential violations of the policy to the Company through the channels set out therein. The Company also established a whistleblowing policy in 2022 for our employees to raise concerns in confidence about suspected misconducts, malpractices or fraudulent activities relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

Based on the above, for the year ended 31 December 2024, the Board considered the Group's risk management and internal control systems as adequate and effective.

COMPANY SECRETARY

The Board appointed Mr. Qiu Minghao as the Company Secretary on 31 October 2019. During the year ended 31 December 2024, Mr. Qiu Minghao had taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Articles of Association of the Company, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition; such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The written requisition shall be deposited at the principal place of business of the Company in Hong Kong at 5/F., Lincoln House, 979 King's Road, Taikoo Place, Hong Kong, or in the event the Company ceases to have such place of business, the registered office of the Company at Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The requisition must state clearly the name of the requisitionist(s), his/her/their shareholding in the Company, the reason(s) to convene the EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionist(s).

The Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at 5/F., Lincoln House, 979 King's Road, Taikoo Place, Hong Kong by post or by email at ir@skl.com.cn for the attention of the Company Secretary of the Company. The Company Secretary will be responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and enquiries, to the Chief Executive Officer of the Company. The Shareholders may also raise their enquiries in general meetings.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company has established a Shareholder Communication Policy (the "Shareholder Communication Policy"). According to the Shareholder Communication Policy, information would be communicated to the Shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company. Interim reports, annual reports and circulars are sent or mailed to the Shareholders in a timely manner and are also available on the website of the Company. Moreover, the Company designated a dedicated mailbox (ir@skl.com.cn) for receiving shareholder correspondence.

The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings (the "AGM") and other general meetings. At the AGM, the Directors (or their delegates as appropriate) are available to meet the Shareholders and answer their enquiries. The chairman of the AGM proposes separate resolutions for each issue to be considered. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website and HKEx's website on the day of the AGM.

The Company implemented the Shareholder Communication Policy effectively during the year ended 31 December 2024. During the year ended 31 December 2024, the Company held one general meeting. The attendance record of individual Directors is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a Director of the Company.

Directors	Attendance
Executive Directors	
Mr. Wang Rengang (<i>Chairman of the Board</i>) (<i>appointed on 28 May 2024</i>)	1/(1)
Ms. Wang Hui (<i>redesignated from a non-executive Director to an executive Director on 28 May 2024</i>)	1/(1)
Non-executive Director	
Ms. Du Jing (<i>appointed on 28 May 2024</i>)	1/(1)
Independent Non-executive Directors	
Mr. Cheng Hok Kai Frederick	1/(1)
Mr. Gao Jingyuan (<i>appointed on 27 March 2024</i>)	1/(1)
Mr. Ng Hoi (<i>appointed on 28 May 2024</i>)	1/(1)
Former Directors	
Mr. Shang Duoxu (<i>resigned on 28 May 2024</i>)	N/A
Mr. Han Wei (<i>resigned on 28 May 2024</i>)	N/A
Mr. Ma Ren (<i>resigned on 28 May 2024</i>)	N/A

CONSTITUTIONAL DOCUMENT

The Company has adopted the Amended and Restated Articles of Association of the Company at the annual general meeting of the Company held on 6 June 2023, and during the year ended 31 December 2024, the Company has not made any changes to the Articles of Association of the Company. An up-to-date version of the Memorandum and Articles of Association is available on the Company's website and the HKEx's website.

DIRECTORS' REPORT

The board (the “Board”) of the China Shun Ke Long Holdings Limited (the “Company”) is pleased to present this directors' report along with the audited consolidated financial statements (the “Financial Statements”) of the Company for the year ended 31 December 2024 (the “FY2024”).

DIRECTORS

The directors of the Company (the “Directors”) during the year ended 31 December 2024 and up to the date of this annual report were as follows:

Executive Directors

Mr. Shang Duoxu (*Chairman*) (*resigned on 28 May 2024*)

Mr. Han Wei (*Chief Executive Officer*) (*resigned on 28 May 2024*)

Mr. Wang Rengang (*Chairman*) (*appointed on 28 May 2024*)

Ms. Wang Hui (*Chief Executive Officer*) (*redesignated from a non-executive Director to an executive Director on 28 May 2024*)

Non-Executive Directors

Ms. Du Jing (*appointed on 28 May 2024*)

Independent Non-Executive Directors

Mr. Cheng Hok Kai Frederick

Mr. Ma Ren (*resigned on 28 May 2024*)

Mr. Gao Jingyuan (*appointed on 27 March 2024*)

Mr. Ng Hoi (*appointed on 28 May 2024*)

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) is a supermarket chain store operator with geographical focus in Guangdong province of the People's Republic of China (the “PRC”) and maintains both retail and wholesale distribution channels.

BUSINESS REVIEW

A fair business review of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion and analysis of the Group's performance during the year ended 31 December 2024, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred after 31 December 2024 (if any) as well as an indication of likely future development in the business of the Group are provided in the sections “Chairman's Statement” and “Management Discussion and Analysis” on pages 4 to 14 of this annual report. Discussions on the Group's environmental policies and performance, and an account of the Group's key relationships with its stakeholders are provided in the “Environmental, Social and Governance Report”, which will be provided by a stand-alone report on the websites of the Company and the Hong Kong Exchanges and Clearing Limited (“HKEx”).

DIRECTORS' REPORT

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which, the Board considers the following factors to decide whether to announce a dividend, including but not limited to:

- the general financial performance of the Group;
- availability of sufficient retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Company's shareholders' interests as a whole;
- the actual and future operations and liquidity positions of the Group;
- the Group's expected working capital requirements, capital expenditure requirements, investment plans and business expansion plans;
- the Group's financing requirements;
- legal and other restrictions on the payment of dividends by the Company;
- possible financial effects on the Company's cashflow and financial condition;
- statutory, regulatory and contractual restrictions on the Company and its subsidiaries;
- the general market conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- Any other factor that the Board deems appropriate and relevant.

The Board has resolved not to declare any final dividend for the year ended 31 December 2024.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five years is set out in the section headed "Financial Summary" on page 3 of this annual report.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment, and investment properties of the Group during the year ended 31 December 2024 are set out in notes 13 and 16 to the Financial Statements of this annual report.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 31 December 2024 are set out in note 27 to the Financial Statements of this annual report.

DIRECTORS' REPORT

RESERVES

Movements in the reserves of the Group for the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 50 of this annual report.

LISTING

The shares of the Company (the “Shares”) were successfully listed (the “Listing”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 September 2015 (the “Listing Date”) through an offering of Shares (the “Global Offering”). For the details of the Global Offering, please refer to the prospectus issued by the Company (the “Prospectus”) on 28 August 2015. In the Global Offering, 75,600,000 Shares were issued at HK\$2.88 each and the total gross proceeds received amounted to approximately HK\$217.7 million (equivalent to approximately RMB178.9 million).

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and related expenses, amounted to approximately HK\$188.6 million (equivalent to approximately RMB155.0 million), was intended to be applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

On 24 October 2016, due to the slowdown in economic growth in the PRC, the Board resolved to re-allocate a portion of the unutilised net proceeds from “opening of new retail outlets” to “upgrading existing retail outlets” and “repayment of bank borrowings”, so as to enhance the Group’s competitiveness as one of the major market players in Guangdong province and reduce the Group’s finance costs. For further details, please refer to the announcement of the Company dated 24 October 2016.

Up to 19 June 2024, other than the RMB12.5 million as described below, the net proceeds have been applied according to the disclosure in the Prospectus and the announcement of the Company dated 24 October 2016. On that day, the Board further resolved to change the use of the remaining RMB12.5 million unutilised net proceeds from “upgrading and expanding the existing two distribution centres” to “upgrading existing retail outlets”, as the existing distribution centres adequately met market demand and upgrading existing retail outlets aligned with the Group’s ongoing efforts to optimize the store environment and enhance the shopping experience. For further details, please refer to the announcement of the Company dated 19 June 2024.

DIRECTORS' REPORT

An analysis of the utilisation of the net proceeds as at 31 December 2024 is set out below:

	Revised allocation of the net proceeds as disclosed in the announcement dated 19 June 2024 RMB million	Utilisation up to 31 December 2024 RMB million	Actual use of net proceeds during FY2024 RMB million	Remaining balance of net proceeds as at 31 December 2024 RMB million	Expected timeline for utilising the remaining net proceeds
Opening of new retail outlets	74.4	74.4	–	–	
Upgrading existing retail outlets	27.1	18.3	3.7	8.8	Expected to be utilised by 31 December 2026 (Note)
Repayment of bank borrowings	27.9	27.9	–	–	
Information systems upgrades	11.2	11.2	–	–	
Upgrading and expanding the existing two distribution centres	0.8	0.8	–	–	
General working capital	13.6	13.6	–	–	
Total	<u>155.0</u>	<u>146.2</u>	<u>3.7</u>	<u>8.8</u>	

Note: The Board expected that the unutilised balance will be used as disclosed in the announcement of the Company dated 19 June 2024. The expected timeline for utilising the net proceeds is based on the Group's existing business plans and subject to changes based on the business needs of the Group and market conditions.

COMPETING BUSINESS

CCOOP Group Co. Limited* ("CCOOP") (供銷大集集團股份有限公司), an indirect controlling shareholder of the Company (as defined in the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), is principally engaged in the retail chain and department store businesses in the PRC and hence was interested in the businesses which competed or were likely to compete, either directly or indirectly, with the Group's businesses during the year ended 31 December 2024.

Mr. Shang Duoxu, who was the Chairman and an executive Director of the Company prior to his resignation on 28 May 2024, was also a director of CCOOP and held 243,000 shares of CCOOP. Mr. Han Wei, who was an executive Director and Chief Executive Officer of the Company prior to his resignation on 28 May 2024, was also a director of CCOOP and held 248,087 shares of CCOOP. Ms. Wang Hui, being redesignated from a non-executive Director to an executive Director and appointed as the Chief Executive Officer of the Company with effect from 28 May 2024, is also a member of the Party Committee of CCOOP and currently holds 50,000 shares of CCOOP. Mr. Wang Rengang, who serves as the Chairman and an executive Director of the Company, is the secretary of the Party Committee, a director, and president of CCOOP. Ms. Du Jing, a non-executive Director of the Company, is the secretary of the board of directors and a member of the Party Committee of CCOOP and currently holds 99,100 shares of CCOOP. Pursuant to Rule 8.10(2) of the Listing Rules, all of them are considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' REPORT

The Directors are fully aware of, and have been discharging, their fiduciary duty to the Company with the belief that the Group's interests are adequately protected by good corporate governance practices and the involvement of the independent non-executive Directors.

Save as disclosed above, during the year ended 31 December 2024 and up to the date of this report, none of the Directors and their respective close associates were considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme of the Company (the "Share Option Scheme") conditionally adopted by the resolutions in writing of the Shareholders passed on 19 August 2015. All conditions, to which the Share Option Scheme was subject to, had been fulfilled on or before the Listing Date. The maximum number of shares in respect of which options may be granted under the Share Option Scheme was 28,647,700 Shares (or approximately 9.86% of the issued Shares as at the date of this annual report) as at the beginning and end of the FY2024. As at the date of this annual report, no option has been granted under the Share Option Scheme and the Company does not have any other share option scheme.

1 Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2 Eligible Participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 8 below to the following (the "Eligible Participants"):

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

3 Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares immediately following the completion of Global Offering (excluding the Shares issued upon the partial exercise of the over-allotment option relating to the Global Offering), being 28,647,700 Shares (or approximately 9.86% of the issued Shares as at the date of this annual report). Subject to the issue of a circular by the Company, the approval of the Shareholders in a general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. As at the date of this annual report, the Company does not have any other share option scheme.

4 Maximum entitlement

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company, the approval of the Shareholders in a general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting.

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial Shareholder or any Independent Non-Executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon the exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in a general meeting on a poll at which all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

DIRECTORS' REPORT

5 Exercisable Period

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

6 Vesting Period

There is no minimum period for which an option must be held before it can be exercised.

7 Consideration

Upon acceptance of the option, the grantee shall pay HK\$1.0 to the Company as the consideration for the grant. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

8 Exercise Price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

9 Life Span

No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

CONNECTED TRANSACTIONS

During the year ended 31 December 2024, there were no connected transaction and continuing connected transaction which were required to be disclosed in accordance with the requirements of the Listing Rules.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the normal course of business are set out in notes 24 and 30 to the Financial Statements of this annual report. All related party transactions set out in note 30(i) to the Financial Statements constituted connected transactions or continuing connected transactions under Charter 14A of the Listing Rules. They are de minimis transactions under Rule 14A.76(1) of the Listing Rules and therefore all of them are fully exempt from the independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities or sold any treasury shares during the year ended 31 December 2024. As of 31 December 2024, the Company did not hold any treasury shares.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers all of the independent non-executive Directors are independent in accordance with rule 3.13 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at the 31 December 2024, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix C3 to the Listing Rules were as follows:

Long positions in the ordinary shares of the associated corporations

Name of Directors	Name of associated corporation(s)	Capacity/ Nature of interests	Number of shares held	Approximate percentage of the total number of issued shares of the associated corporation(s)
Ms. Wang Hui	CCOOP Group Co., Ltd* (Note)	Beneficial owner	50,000	0.00%
Ms. Du Jing	CCOOP Group Co., Ltd* (Note)	Beneficial owner	99,100	0.00%

Note: CCOOP Group Co., Ltd is an indirect controlling shareholder holding approximately 70.42% of the issued shares of the Company.

Save as the above, as at 31 December 2024, none of the Directors and the chief executive of the Company nor their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, the interests or short position of persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company which would be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholders	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
All China Federation of Supply and Marketing Cooperatives* (中華全國供銷合作總社) ("ACFSMC")	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
Beijing Zhonghe Nongxin Enterprise Management Consulting Co., Ltd.* (北京中合農信企業管理諮詢有限公司) ("Zhonghe Nongxin") (Note 1)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
China Co-op Group Co., Ltd.* (中國供銷集團有限公司) (“China Co-op Group”) (Note 2)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
China Supply and Trade Group Co., Ltd.* (中國供銷商貿流通集團有限公司) (“China Supply and Trade”) (Note 3)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
Zhonghelian Investment Co., Ltd.* (中合聯投資有限公司) (“Zhonghelian”) (Note 4)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
New Cooperation Trade Chain Group Co., Ltd.* (新合作商貿連鎖集團有限公司) (“New Cooperation”) (Note 5)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
CCOOP Group Co., Ltd.* (供銷大集團股份有限公司) (“CCOOP”) (Note 6)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
Hainan Gongxiao Daji Holding Ltd.* (海南供銷大集控股有限公司) (“Hainan Gongxiao Daji Holding”) (Note 6)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
Hainan Gongxiao Daji Supply Chain Network Technology Ltd.* (海南供銷大集供銷鏈網絡科技有限公司) (“Hainan Gongxiao Daji”) (Note 6)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
Green Industrial (HK) Holding Co., Limited (綠色實業(香港)有限公司) (“Green Industrial”) (Note 6)	Interest of a controlled corporation	204,558,317 (Note 7)	70.42%
CCOOP International Holdings Limited (供銷大集國際控股有限公司) (“CCOOP International”)	Beneficial owner	204,558,317	70.42%
Infini Capital Management	Beneficial owner	27,600,000	9.50%

Notes:

- Zhonghe Nongxin is owned as to 69.97% by China Supply and Marketing Asset Management Co., Ltd.* (中國供銷資產管理有限公司), which in turn is an indirect wholly-owned subsidiary of ACFSMC. China Supply and Trade, Zhonghelian and New Cooperation have entrusted their voting rights in the shares of CCOOP (including the voting rights held by Zhonghe Nongxin, totaling 21.28%) to Zhonghe Nongxin.
- China Co-op Group is a wholly-owned subsidiary of ACFSMC.
- China Supply and Trade is a wholly-owned subsidiary of China Co-op Group.
- Zhonghelian is owned as to 87.97% by New Supply and Marketing Industry Development Fund Management Co., Ltd.* (新供銷產業發展基金管理有限責任公司), which in turn is owned as to 80.17% by China Co-op Group.

DIRECTORS' REPORT

5. New Cooperation is owned as to 57.45% by China Co-op Group.
6. CCOOP holds 100% equity interests in Hainan Gongxiao Daji Holding, which in turn holds 100% equity interests in Hainan Gongxiao Daji. Hainan Gongxiao Daji holds 100% equity interests in Green Industrial, which in turn holds 100% equity interests in CCOOP International.
7. These parties were deemed to have interests in 204,558,317 Shares by virtue of their equity interests in CCOOP International.

Shareholders are advised to refer the Company's announcements dated 4 January 2024, 19 January 2024, 6 March 2024, 18 March 2024, 22 March 2024 and 7 April 2024, and the Corporate Substantial Shareholder Notices (Forms 2) filed by ACFSMC and Zhonghe Nongxin on 9 April 2024 for matters relating to the Company's relevant controlling shareholders and substantial shareholders.

DIRECTORS' SERVICE CONTRACTS

No Director has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the Financial Statements of this annual report headed "Related Party Transactions", the Group did not have any transaction, arrangement, or contract of significance subsisting as at 31 December 2024 or during the year ended 31 December 2024 in which a Director or an entity connected with a Director was, either directly or indirectly, materially interested.

DIRECTORS' RIGHTS IN ACQUIRING SHARES AND DEBENTURES

During the year ended 31 December 2024, the Company or any of its subsidiaries had no arrangements to enable the Directors or executives of the Company (including their spouse and children under 18 years of age) to have the rights to acquire securities of the Company or its associated companies (as defined in the SFO), or to acquire benefits by means of acquisition of securities of the Company or any other body corporate.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B (1) OF THE LISTING RULES

Ms. Wang Hui, an executive Director and Chief Executive Officer of the Company, has been appointed as a director of Hong Kong Shun Ke Long International Limited, Shun Ke Long International Limited, Ozone Supply Chain International Limited and Ozone Supply Chain Management Limited, all of which are wholly owned subsidiaries of the Company, since 25 March 2025.

Mr. Cheng Hok Kai Frederick, an independent non-executive Director of the Company, has not been served as an independent non-executive director and the chairman of the audit committee of CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301039) and the Stock Exchange (previous stock code: 1839 whose securities were listed on the main board of the Stock Exchange until 3 June 2024), since September 2024.

Mr. Ng Hoi, an independent non-executive Director of the Company, has served as an executive director and the deputy chief executive officer of Hang Pin Living Technology Company Limited (杭品生活科技股份有限公司), a company listed on the Stock Exchange (stock code: 1682), since October 2024.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in note 9 to the Financial Statements of this annual report.

The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management members of the Group in reference to the Group's operating results and individual performance.

The Company also adopted a share option scheme on 19 August 2015. Details of which are set out in the section headed "Share Option Scheme" of this directors' report.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in note 30 to the Financial Statements of this annual report headed "Related Party Transactions", no contract of significance was entered into between the Company, or any of its subsidiaries, and any controlling shareholder or any its subsidiaries during the year ended 31 December 2024.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

PERMITTED INDEMNITY PROVISION

According to Article 164 of the Articles of Association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and senior management arising out of corporate activities for the year ended 31 December 2024 and up to date of this annual report, and such permitted indemnity provision is currently in force.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or applicable laws of the Cayman Islands where the Company is incorporated.

TAX RELIEF

The Company is not aware of any tax relief available for the Shareholders by reason of their holding of the Shares.

DIRECTORS' REPORT

EMOLUMENT POLICY

Employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications, competence and contribution to the Group. The Company also has adopted the Share Option Scheme as a long-term incentive scheme of the Group.

PROPERTY HELD

As at 31 December 2024, there was no property held for development and/or sale or for investment purpose for which the percentage ratios, as defined under Rule 14.04(9) of the Listing Rules, exceeded 5%.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the Shareholders as at 31 December 2024 amounted to approximately RMB169.9 million.

AUDITOR

SHINEWING (HK) CPA Limited has been auditor of the Company since 29 December 2017. The consolidated financial statements for the year ended 31 December 2024 have been audited by SHINEWING (HK) CPA Limited. SHINEWING (HK) CPA Limited will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the percentages of purchases from the Group's largest supplier and the five largest suppliers were 7.31% and 24.94% respectively. For the year ended 31 December 2024, the percentage of revenue attributable to the Group's largest customer and five largest customers were 3.01% and 8.26% respectively.

During the year ended 31 December 2024, none of the Directors or any of their close associates, or any Shareholders of the Company (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest suppliers or customers.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 28 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules for the year ended 31 December 2024 and up to the date of this annual report.

DIRECTORS' REPORT

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters. The consolidated financial statements and final results of the Group for the year ended 31 December 2024 have been reviewed by the Audit Committee and have been audited by the Group's auditor, Messrs. SHINEWING (HK) CPA Limited. The Audit Committee is of the opinion that the consolidated financial statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2024 and up to the date of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") will be held on Friday, 6 June 2025 at Conference Room, 7/F, Wheelock House, 20 Pedder Street, Central, Hong Kong. The register of members of the Company will be closed from Tuesday, 3 June 2025 to Friday, 6 June 2025, both days inclusive, during which period no transfer of shares will be effected.

In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, 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 Monday, 2 June 2025.

By order of the Board

Wang Rengang

Chairman and Executive Director

Hong Kong, 14 April 2025

* *For identification purpose only*

INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road, Causeway Bay,
Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE MEMBERS OF CHINA SHUN KE LONG HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Shun Ke Long Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 47 to 116, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on retail outlet operation cash generating units

Refer to notes 13, 14 and 15 to the consolidated financial statements.

The key audit matter

The Group's retail outlet operation cash generating units ("Retail Outlet CGUs") consisted of certain property, plant and equipment and right-of-use assets with carrying values of RMB23,449,000 and RMB54,785,000 respectively as at 31 December 2024. During the year ended 31 December 2024, an aggregate impairment loss of RMB22,464,000 was recognised against property, plant and equipment and right-of-use assets in relation to Retail Outlet CGUs in the People's Republic of China.

We have identified the impairment assessment of the Retail Outlet CGUs as a key audit matter because of its significance to the consolidated financial statements and the determination of the recoverable amounts of the relevant cash generating units required significant management judgement and assumptions made for the profit and cash flow forecasts.

How the matter was addressed in our audit

Our audit procedures were designed to assess the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information together with other external available information. In particular, we have tested the future cash flow forecast prepared by management on whether it is agreed to the budget approved by the directors of the Company and compared the budget with actual results available up to the report date. We have also evaluated the appropriateness of the assumptions, including the future revenue, the future expenses and profit margin, against latest market expectations.

We have also assessed the discount rate employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources.

As any changes in these assumptions and input to valuation model may result in significant financial impact, we have tested management's sensitivity analysis in relation to the key inputs to the impairment assessment which included changes in future revenue and expenses.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS – CONTINUED

Impairment of trade receivables

Refer to note 19 to the consolidated financial statements.

The key audit matter

As at 31 December 2024, the Group's trade receivables amounted to RMB35,042,000, net of allowance for impairment of trade receivables of RMB3,069,000.

Allowance for impairment of trade receivables is based on expected credit losses ("ECL"), which is estimated by taking into account the credit loss experience and forward-looking information including both current and forecast general economic conditions.

We have identified impairment of trade receivables as a key audit matter because the impairment assessment of trade receivables involved a significant degree of management judgement and may be subject to management bias.

How the matter was addressed in our audit

Our audit procedures were designed to assess the estimation, assumptions and judgements of the Group's ECL model on impairment assessment of trade receivables.

We have assessed the reasonableness of management's estimates for impairment allowance by examining the information used by management to form such judgements, including testing accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information.

We have also inspected cash received from debtors after year end relating to trade receivables balance as at 31 December 2024 on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Hon Kei, Anthony

Practising Certificate Number: P05591

Hong Kong

27 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	5	592,941	667,409
Cost of inventories sold		(521,061)	(576,205)
Gross profit		71,880	91,204
Other operating income	5	18,021	24,416
Selling and distribution costs		(100,919)	(111,945)
Administrative expenses		(27,310)	(26,068)
Finance costs	7	(4,505)	(4,404)
Impairment losses recognised in respect of property, plant and equipment	13	(5,933)	–
Impairment losses recognised in respect of right-of-use assets	14	(16,796)	–
Impairment losses recognised in respect of trade receivables	19	(2,104)	(629)
(Impairment losses recognised) impairment losses reversed in respect of other receivables	17	(751)	138
Impairment losses recognised in respect of amounts due from related companies	24	(70)	(168)
Loss before tax	8	(68,487)	(27,456)
Income tax credit	10	289	772
Loss for the year		(68,198)	(26,684)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		141	339
Total comprehensive expense for the year		(68,057)	(26,345)
(Loss) profit for the year attributable to:			
Owners of the Company		(67,976)	(26,754)
Non-controlling interests		(222)	70
		(68,198)	(26,684)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(67,835)	(26,415)
Non-controlling interests		(222)	70
		(68,057)	(26,345)
Loss per share	11		
Basic (RMB)		(0.23)	(0.09)
Diluted (RMB)		(0.23)	(0.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	13	23,452	28,095
Right-of-use assets	14	54,785	87,204
Investment properties	16	8,370	8,697
Deposits paid	17	5,760	6,304
Deferred tax assets	26	1,127	772
		<u>93,494</u>	<u>131,072</u>
Current assets			
Inventories	18	77,535	77,762
Trade and bills receivables	19	35,088	36,971
Deposits paid, prepayments and other receivables	17	77,229	70,741
Amounts due from related companies	24	202	277
Cash and cash equivalents	20	21,152	48,683
		<u>211,206</u>	<u>234,434</u>
Current liabilities			
Trade payables	21	66,591	78,384
Deposits received, receipts in advance, accruals and other payables	22	21,503	25,900
Lease liabilities	14	24,303	24,336
Contract liabilities	23	16,417	13,622
Bank borrowings	25	62,000	28,000
Tax payable		1	23
		<u>190,815</u>	<u>170,265</u>
Net current assets		<u>20,391</u>	<u>64,169</u>
Total assets less current liabilities		<u>113,885</u>	<u>195,241</u>
Non-current liability			
Lease liabilities	14	31,527	44,826
Net assets		<u>82,358</u>	<u>150,415</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Capital and reserves			
Share capital	27	2,387	2,387
Reserves		78,959	146,794
Equity attributable to owners of the Company		81,346	149,181
Non-controlling interests		1,012	1,234
Total equity		82,358	150,415

The consolidated financial statements on pages 47 to 116 were approved and authorised for issue by the board of directors on 27 March 2025 and are signed on its behalf by:

Mr. Wang Rengang
Director

Ms. Wang Hui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Merger reserve	Capital reserve	Statutory reserve	Capital contribution reserve	Translation reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note a)	(Note b)	(Note c)	(Note d)	(Note e)					
Balance at 1 January 2023	2,387	169,904	84	(6,200)	200	15,790	873	5,383	(12,825)	175,596	1,164	176,760
Loss (profit) for the year	-	-	-	-	-	-	-	-	(26,754)	(26,754)	70	(26,684)
Other comprehensive income for the year												
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	-	339	-	339	-	339
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	339	(26,754)	(26,415)	70	(26,345)
Transfer to statutory reserve	-	-	-	-	-	46	-	-	(46)	-	-	-
Balance at 31 December 2023 and 1 January 2024	2,387	169,904	84	(6,200)	200	15,836	873	5,722	(39,625)	149,181	1,234	150,415
Loss for the year	-	-	-	-	-	-	-	-	(67,976)	(67,976)	(222)	(68,198)
Other comprehensive income for the year												
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	-	141	-	141	-	141
Total comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	141	(67,976)	(67,835)	(222)	(68,057)
Balance at 31 December 2024	2,387	169,904	84	(6,200)	200	15,836	873	5,863	(107,601)	81,346	1,012	82,358

Notes:

(a) Special reserve

Special reserve represents the investment cost of a subsidiary which has been carved out of the Group as part of the reorganisation and the proceeds from disposal of that subsidiary.

(b) Merger reserve

The merger reserve of the Group arose as a result of the reorganisation. As at 31 December 2024 and 2023, the balance of merger reserve included the deemed distribution upon the acquisition of a subsidiary from the controlling shareholders as part of the reorganisation.

(c) Capital reserve

Capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.

(d) Statutory reserve

In accordance with the People's Republic of China ("PRC") Company Law, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 25% of the registered capital after such usages.

(e) Capital contribution reserve

Capital contribution reserve represented the capital contribution upon acquisition of the net assets of a subsidiary pursuant to a group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(68,487)	(27,456)
Adjustments for:		
Interest income from bank deposits	(197)	(291)
Depreciation of property, plant and equipment	8,739	7,843
Depreciation of right-of-use assets	26,096	31,267
Depreciation of investment properties	327	327
Impairment losses recognised in respect of property, plant and equipment	5,933	–
Impairment losses recognised in respect of right-of-use assets	16,796	–
Impairment losses recognised in respect of trade receivables	2,104	629
Impairment losses recognised (impairment losses reversed) in respect of other receivables	751	(138)
Impairment losses recognised in respect of amounts due from related companies	70	168
Government grants	(1,604)	(411)
Gain on early termination of leases	(421)	(1,174)
Finance costs	4,505	4,404
Loss on disposal of property, plant and equipment	240	26
Obsolete inventories written off	1,016	728
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(4,132)	15,922
Increase (decrease) in inventories	(789)	33,347
Increase in trade and bills receivables	(221)	(8,856)
(Decrease) increase in amounts due from related companies	5	(5)
Increase (decrease) in deposits paid, prepayments and other receivables	(6,695)	188
Decrease in trade payables	(11,793)	(17,101)
Decrease in deposits received, receipts in advance, accruals and other payables	(4,462)	(2,753)
Increase (decrease) in contract liabilities	2,795	(4,210)
	<hr/>	<hr/>
Cash generated from operations	(25,292)	16,532
Income tax paid	(88)	–
	<hr/>	<hr/>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(25,380)	16,532
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(10,691)	(5,250)
Interest received	197	420
Proceeds on disposal of property, plant and equipment	422	591
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(10,072)	(4,239)
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
FINANCING ACTIVITIES		
Bank borrowings raised	62,000	28,000
Bank borrowings repaid	(28,000)	(8,000)
Repayment of capital element of lease liabilities	(23,384)	(28,951)
Interest paid on lease liabilities and bank borrowings	(4,440)	(4,404)
Government grants received	1,604	411
	<hr/>	<hr/>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	7,780	(12,944)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,672)	(651)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	48,683	48,972
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	141	362
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21,152	48,683
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL

China Shun Ke Long Holdings Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group”) was incorporated as an exempted company with limited liability in the Cayman Islands on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s registered office is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, the Cayman Islands and its principal place of business in the PRC is located at the 2nd Floor, Huale Building, No.60 Hebin North Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC.

The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 May 2015. The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 September 2015.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 35.

CCOOP International Holdings Limited, which is a company incorporated in the Cayman Islands and an indirectly wholly-owned subsidiary of CCOOP Group Co., Ltd.* (供銷大集集團股份有限公司) (“CCOOP Group”), a company incorporated in the PRC, holds 204,558,317 ordinary shares in aggregate, representing 70.42% of the entire issued share capital of the Company. To the best knowledge of the directors of the Company, the controlling shareholder of the Company is CCOOP Group, the shares of which are listed on the Shenzhen Stock Exchange.

The controlling shareholder of CCOOP Group is Beijing Zhonghe Nongxin Enterprise Management Consulting Co., Ltd.* (北京中合農信企業管理諮詢有限公司) and the actual controller of CCOOP Group is All China Federation of Supply and Marketing Cooperatives* (中華全國供銷合作總社).

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements of the Group are presented in Renminbi (“RMB”), which is the functional currency of the principal subsidiaries of the Company where their primary economic environment is in the PRC. Other than those subsidiaries established in the PRC and Macau whose functional currencies are RMB and Macau Pataca (“MOP”) respectively, the functional currency of the Company and other subsidiaries is Hong Kong dollars (“HK\$”). All values are rounded to the nearest thousand (“RMB’000”) unless otherwise stated.

* The English translation is for identification only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards issued by the International Accounting Standard Board (the “IASB”) which are effective for the Group’s financial year beginning on 1 January 2024.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective.

IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group’s returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates and enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Revenue from contracts with customers – continued

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group recognised revenue from the following major sources:

- merchandise sales from retail outlet operation and wholesale distribution
- commission from concessionaire sales
- promotion income from suppliers

Merchandise sales from retail outlet operation and wholesale distribution

For the general retail sales under retail outlet operation, revenue is recognised when control passes to the retail customers, being the point when the retail customers purchase the goods at the retail outlets. Payment of transaction price is due immediately at the point when the retail customers purchase the goods. The payment is usually settled in cash, using credit cards or by means of electronic payments.

Revenue from bulk sales of goods to retail customers under retail outlet operation is recognised when control of products has transferred, being the point when the products are delivered and there is no unfulfilled obligation that could affect them to accept the products. The retail customers make payments upon products delivery or according to the agreed credit terms normally for a period of 0-180 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

The Group's retail outlet operation operates a customer loyalty incentive program organised by an independent third party which allows customers to accumulate points when they purchase products. The points can be redeemed for cash rewards or free products, subject to a minimum number of points obtained, provided by the Group or another entities who join the program. The customer loyalty incentive programme gives rise to a separate performance obligation because it generally provides a material right to the customers. The Group allocates a portion of the transaction price to the customer loyalty incentive programme based on the relative stand-alone selling price. Such consideration is not recognised as revenue at the time of initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Revenue from sales of goods to wholesalers or franchisees is recognised when control of the products has transferred, being the point when the products are delivered to the wholesalers or franchisees and there is no unfulfilled obligation that could affect them to accept the products. The wholesalers or franchisees make payments upon products delivery or according to the agreed credit terms normally for a period of 0-180 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Revenue from contracts with customers – continued

Commission income from concessionaire sales

The Group grants counter suppliers the right to operate business within retail outlets under a concession. The Group recognises commission income from concessionaire sales upon sales of goods or provision of services by counter suppliers. The Group receives the gross proceeds of concessionaire sales from retail customers on behalf of the counter suppliers and subsequently transfers the proceeds to the counter suppliers after deducting the commission income, out of pocket expenses, expenses in relation to the promotional activities and other administrative expenses according to the terms of the relevant concessionaire agreements.

Promotion income from suppliers

The Group arranges promotion of products with respective suppliers and promotion income from suppliers are attributable to these promotional events and activities. Promotion income from suppliers is recognised at the point when promotion services are rendered according to the terms of promotion service agreements.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application of IFRS 16 Leases, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Leasing – continued

The Group as lessee – continued

Lease liabilities – continued

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment property”.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in “Selling and distribution costs” in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Leasing – continued

The Group as lessee – continued

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for all leases.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties and leased retail areas. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption described above, the sublease shall be classified as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits costs

Payments to defined contribution plans including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Taxation – continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Investment properties – continued

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, the carrying amount of that item at the date of transfer is the deemed cost for subsequent accounting for that property as an item of investment property.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less identified impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Financial instruments – continued

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Financial instruments – continued

Financial assets – continued

Amortised cost and effective interest method – continued

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in “Other operating income” (note 5).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) are measured at FVTPL. Specifically, debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the ‘other operating income’ line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost and lease receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, lease receivables and trade-related amounts due from related companies. The ECL on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Financial instruments – continued

Financial assets – continued

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Financial instruments – continued

Financial assets – continued

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Financial instruments – continued

Financial assets – continued

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities

All the Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment losses on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION – CONTINUED

Impairment losses on property, plant and equipment and right-of-use assets – continued

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of property, plant and equipment and right-of-use assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfers occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment on cash generating units ("CGUs")

The Group's retail outlet operation CGUs ("Retail Outlet CGUs") and wholesales operation CGUs ("Wholesales CGUs") consist of certain property, plant and equipment and right-of-use assets. In determining whether there is any impairment loss of the CGUs, management estimated the recoverable amounts of the CGUs based on the value in use calculation. The value in use calculation is prepared by independent professional valuers based on the management's assumptions and estimates taking into account the existing business plan and other strategic business development. These calculations require the use of estimates such as the future revenue, expenses and discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Key sources of estimation uncertainty – continued

Impairment assessment on cash generating units (“CGUs”) – continued

As at 31 December 2024, the carrying values of related property, plant and equipment and right-of-use assets of Retail Outlet CGUs were RMB23,449,000 (2023: RMB27,771,000) and RMB54,785,000 (2023: RMB85,614,000) respectively. An aggregate impairment loss of RMB22,464,000 (2023: nil) was recognised against related property, plant and equipment and right-of-use assets of Retail Outlet CGUs in the PRC during the year ended 31 December 2024.

As at 31 December 2024, the carrying values of related property, plant and equipment and right-of-use assets of Wholesales CGUs were nil (2023: RMB296,000) and nil (2023: RMB1,467,000) respectively. An aggregate impairment loss of RMB265,000 (2023: nil) was recognised against related property, plant and equipment and right-of-use assets of Wholesales CGUs in the PRC during the year ended 31 December 2024.

Impairment of trade receivables

The impairment provision for trade receivables is based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group’s historical credit loss experience, existing market conditions and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss. As at 31 December 2024, the carrying amount of trade receivables was RMB35,042,000 (2023: RMB36,738,000). During the year ended 31 December 2024, an impairment loss of RMB2,104,000 (2023: RMB629,000) was recognised.

Allowance for inventories

The Group makes the allowance for inventories based on assessments of the net realisable value and ageing analysis of inventories and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 December 2024, the carrying amount of inventories was RMB77,535,000 (2023: RMB77,762,000). During the year ended 31 December 2024, obsolete inventories of RMB1,016,000 (2023: RMB728,000) were written off.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management’s estimation. The Group assesses annually the useful lives and residual values of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

As at 31 December 2024, there were no changes on the estimated useful lives and residual values after performing annual assessment on the property, plant and equipment with carrying values of RMB23,452,000 (2023: RMB28,095,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

Revenue represents revenue arising on sale of goods, net of discounts and sales related taxes, where applicable, rental income and the value of services rendered. An analysis of the Group's revenue for the year is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of goods		
General retail sales under retail outlet operation (<i>Note</i>)	414,582	510,824
Bulk sales under retail outlet operation	5,298	5,995
General wholesales under wholesale distribution	161,816	135,020
– Services rendered		
Commission from concessionaire sales under retail outlet operation	2,377	3,004
	584,073	654,843
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation		
– Lease payments that are fixed	8,868	12,566
	592,941	667,409

Note: General retail sales included the compensation received from the local government in the PRC for reduced selling prices amounting to approximately RMB770,000 during the year ended 31 December 2023 (2024: nil). In the opinion of the directors of the Company, it was directly related to the sales of daily necessities food in the ordinary and usual course of the Group's business and it was classified as revenue of the Group accordingly.

Disaggregation of revenue from contracts with customers by timing of recognition

	2024 RMB'000	2023 RMB'000
Timing of revenue recognition		
At a point of time	584,073	654,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. REVENUE AND OTHER OPERATING INCOME – CONTINUED

(a) Revenue – continued

Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2024 and 2023, all of the Group's remaining performance obligations for contracts with customers are with periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of both reporting periods.

(b) Other operating income

	2024 RMB'000	2023 RMB'000
Government grants (Note i)	1,604	411
Interest income from bank deposits	197	291
Net exchange gains	–	80
Net rental income from investment properties (Note ii)		
– Lease payments that are fixed	1,825	1,835
Promotion income from suppliers	12,297	15,093
Gain on early termination of leases (Note iii)	421	1,174
Others	1,677	5,532
	<u>18,021</u>	<u>24,416</u>

Notes:

(i) Government grants were awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants were one-off with no specific condition attached.

(ii) An analysis of the Group's net rental income is as follows:

	2024 RMB'000	2023 RMB'000
Gross rental income	1,899	1,911
Less: Outgoing incurred for investment properties that generated rental income during the year	<u>(74)</u>	<u>(76)</u>
Net rental income	<u>1,825</u>	<u>1,835</u>

(iii) During the year ended 31 December 2024, gain on early termination of leases represented the net difference of approximately RMB421,000, comprising a decrease of approximately RMB8,582,000 in right-of-use assets and a decrease of approximately RMB9,003,000 in lease liabilities.

During the year ended 31 December 2023, gain on early termination of leases represented the net difference of approximately RMB1,174,000, comprising a decrease of approximately RMB11,966,000 in right-of-use assets and a decrease of approximately RMB13,140,000 in lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker (“CODM”), being the chief executive of the Company, that are used to make strategic decisions. The Group has two reportable segments. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group’s reportable segments:

- Retail outlet operation (sales of fresh food, non-staple food and household products); and
- Wholesale distribution (sales of fast consumable products and non-staple food).

The management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenue, cost of inventories sold, other operating income, selling and distribution costs, administrative expenses and finance costs directly attributable to each operating segment without allocation of certain other operating income and central administrative costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment revenue and results

For the year ended 31 December 2024

	Retail outlet operation RMB’000	Wholesale distribution RMB’000	Inter-segment elimination RMB’000	Total RMB’000
REVENUE				
From external customers	431,125	161,816	–	592,941
From inter-segment	25,979	10,820	(36,799)	–
Reportable segment revenue	457,104	172,636	(36,799)	592,941
Reportable segment loss	(59,925)	(4,333)		(64,258)
Other corporate income				23
Other corporate expenses				(4,252)
Loss before tax				(68,487)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. OPERATING SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

For the year ended 31 December 2023

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
REVENUE				
From external customers	532,389	135,020	–	667,409
From inter-segment	33,420	11,537	(44,957)	–
Reportable segment revenue	<u>565,809</u>	<u>146,557</u>	<u>(44,957)</u>	<u>667,409</u>
Reportable segment loss	<u>(25,590)</u>	<u>1,954</u>		(23,636)
Other corporate income				128
Other corporate expenses				(3,948)
Loss before tax				<u>(27,456)</u>

Segment assets and liabilities

	2024 RMB'000	2023 RMB'000
Retail outlet operation	241,403	294,977
Wholesale distribution	59,307	66,263
Total segment assets	<u>300,710</u>	<u>361,240</u>
Other corporate assets (Note)	3,990	4,266
Group's assets	<u>304,700</u>	<u>365,506</u>
Retail outlet operation	219,383	209,945
Wholesale distribution	1,987	4,076
Total segment liabilities	<u>221,370</u>	<u>214,021</u>
Other corporate liabilities (Note)	972	1,070
Group's liabilities	<u>222,342</u>	<u>215,091</u>

Note:

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to reportable and operating segments, other than certain property, plant and equipment, certain right-of-use assets, certain deposit paid, prepayments and other receivables and certain cash and cash equivalents.
- All liabilities are allocated to reportable and operating segments, other than certain other payables relating to central administrative costs and certain lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. OPERATING SEGMENT INFORMATION – CONTINUED

Other segment information

For the year ended 31 December 2024

Amounts included in the measure
of segment profit or loss or
segment assets:

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Unallocated RMB'000	Total RMB'000
Addition to property, plant and equipment	10,596	95	–	10,691
Addition to right-of-use assets	18,858	197	–	19,055
Depreciation of property, plant and equipment	8,660	79	–	8,739
Depreciation of investment properties	327	–	–	327
Depreciation of right-of-use assets	25,128	905	63	26,096
Obsolete inventories written-off	911	105	–	1,016
Finance costs	4,475	25	5	4,505
Loss (gain) on disposal of property, plant and equipment	256	(16)	–	240
Interest income from bank deposits	(182)	(5)	(10)	(197)
Government grants	(1,599)	(5)	–	(1,604)
Impairment losses recognised in respect of property, plant and equipment	5,910	23	–	5,933
Impairment losses recognised in respect of right-of-use assets	16,554	242	–	16,796
Impairment losses recognised (reversed) in respect of trade receivables	2,205	(101)	–	2,104
Impairment losses recognised in respect of other receivables	67	288	396	751
Impairment losses recognised in respect of amounts due from related companies	51	19	–	70

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. OPERATING SEGMENT INFORMATION – CONTINUED

Other segment information – continued

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2023				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment	5,204	46	–	5,250
Addition to right-of-use assets	47,161	885	116	48,162
Depreciation of property, plant and equipment	7,689	146	8	7,843
Depreciation of investment properties	327	–	–	327
Depreciation of right-of-use assets	29,183	1,765	319	31,267
Obsolete inventories written-off	728	–	–	728
Finance costs	4,307	92	5	4,404
Loss on disposal of property, plant and equipment	26	–	–	26
Interest income from bank deposits	(199)	(7)	(85)	(291)
Government grants	(411)	–	–	(411)
Impairment losses recognised in respect of trade receivables	150	479	–	629
Impairment losses recognised (reversed) in respect of other receivables	22	–	(160)	(138)
Impairment losses recognised in respect of amounts due from related companies	168	–	–	168

Geographic Information

The Group's revenue from external customers and its non-current assets are all divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
The PRC (place of domicile)	592,290	667,409	86,604	123,990
Hong Kong	651	–	3	6
	<u>592,941</u>	<u>667,409</u>	<u>86,607</u>	<u>123,996</u>

Deposits paid and deferred tax assets are excluded from non-current assets under geographical information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. OPERATING SEGMENT INFORMATION – CONTINUED

Geographic Information – continued

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 with the majority of operations and centre of management.

The geographical location of customers is based on the location at which the goods were sold and the services were rendered. The geographical location of the non-current assets is based on the physical location of the assets.

The Group's revenue from external customers is mainly derived from the PRC. During the years ended 31 December 2024 and 2023, there is no single customer or a group of customers contributing over 10% of the total revenue of the Group.

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expense on:		
Bank borrowings	1,478	449
Lease liabilities	3,027	3,955
	<u>4,505</u>	<u>4,404</u>

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2024 RMB'000	2023 RMB'000
Depreciation of property, plant and equipment	8,739	7,843
Depreciation of right-of-use assets	26,096	31,267
Depreciation of investment properties	327	327
Employee benefits expenses (excluding directors' emoluments (note 9)):		
– Wages and salaries	49,906	52,418
– Pension scheme contributions	8,004	8,407
– Other benefits	1,121	1,177
	<u>59,031</u>	<u>62,002</u>
Auditor's remuneration	750	1,000
Obsolete inventories written-off (included in cost of inventories sold)	1,016	728
Loss on disposal of property, plant and equipment	240	26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2023: 7) directors and the chief executive officer ("CEO") were as follows:

For year ended 31 December 2024

	Mr. Han Wei RMB'000 (note i)	Mr. Shang Duoxu RMB'000 (note ii)	Mr. Wang Rengang RMB'000 (note iii)	Ms. Wang Hui RMB'000 (note iv)	Total RMB'000
A) EXECUTIVE DIRECTORS:					
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries					
Fees	-	-	-	-	-
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries					
Other emoluments:					
Salaries and allowances	69	99	-	-	168
Discretionary bonuses	-	-	-	-	-
Pension scheme contributions	-	-	-	-	-
	<u>69</u>	<u>99</u>	<u>-</u>	<u>-</u>	<u>168</u>
Compensation for termination of service of directors:					
Contractual payments for:					
Loss of any other office in connection with the management of the affairs of the Company and its subsidiaries by the Company	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total emoluments	<u>69</u>	<u>99</u>	<u>-</u>	<u>-</u>	<u>168</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – CONTINUED

(a) Directors' emoluments – continued

For year ended 31 December 2024 – continued

	Ms. Wang Hui RMB'000 (note iv)	Ms. Du Jing RMB'000 (note v)	Total RMB'000
B) NON-EXECUTIVE DIRECTORS:			
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries			
Fees	-	-	-
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries			
Other emoluments:			
Salaries and allowances	82	-	82
Discretionary bonuses	-	-	-
Pension scheme contributions	-	-	-
Sub-total emoluments	82	-	82

	Mr. Cheng Hok Kai Frederick RMB'000	Mr. Ma Ren RMB'000 (note vi)	Mr. Gao Jingyuan RMB'000 (note vii)	Mr. Ng Hoi RMB'000 (note viii)	Total RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries					
Fees	220	69	126	98	513
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries					
Other emoluments:					
Salaries and allowances	-	-	-	-	-
Discretionary bonuses	-	-	-	-	-
Pension scheme contributions	-	-	-	-	-
Sub-total emoluments	220	69	126	98	513
Total emoluments					763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – CONTINUED

(a) Directors' emoluments – continued

For year ended 31 December 2023

	Mr. Han Wei RMB'000 <i>(note i)</i>	Mr. Shang Duoxu RMB'000 <i>(note ii)</i>	Total RMB'000
A) EXECUTIVE DIRECTORS:			
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries			
Fees	–	–	–
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries			
Other emoluments:			
Salaries and allowances	87	157	244
Discretionary bonuses	–	–	–
Pension scheme contributions	–	–	–
	<hr/>	<hr/>	<hr/>
	87	157	244
Compensation for termination of service of directors:			
Contractual payments for:			
Loss of any other office in connection with the management of the affairs of the Company and its subsidiaries by the Company	–	–	–
	<hr/>	<hr/>	<hr/>
Sub-total emoluments	<hr/> 87	<hr/> 157	<hr/> 244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – CONTINUED

(a) Directors' emoluments – continued

For year ended 31 December 2023 – continued

Ms. Wang Hui
RMB'000
(note iv)

B) NON-EXECUTIVE DIRECTOR:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries

Fees –

Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries

Other emoluments:

Salaries and allowances 105

Discretionary bonuses –

Pension scheme contributions –

Sub-total emoluments

105

	Mr. Cheng Hok Kai Frederick RMB'000	Mr. Zou Pingxue RMB'000 (note ix)	Mr. Wang Yilin RMB'000 (note x)	Mr. Ma Ren RMB'000 (note vi)	Total RMB'000
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C) INDEPENDENT NON-EXECUTIVE DIRECTORS:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries

Fees 200 65 124 85 474

Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries

Other emoluments:

Salaries and allowances – – – – –

Discretionary bonuses – – – – –

Pension scheme contributions – – – – –

Sub-total emoluments

200 65 124 85 474

Total emoluments

823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – CONTINUED

(a) Directors' emoluments – continued

For year ended 31 December 2023 – continued

Notes:

- (i) Mr. Han Wei resigned as executive director and the CEO on 28 May 2024.
- (ii) Mr. Shang Duoxu resigned as executive director and the chairman of the board of the directors of the Company on 28 May 2024.
- (iii) Mr. Wang Rengang was appointed as executive director and the chairman of the board of the directors of the Company on 28 May 2024.
- (iv) Ms. Wang Hui was appointed as non-executive director on 25 February 2022 and redesignated as executive director and the CEO on 28 May 2024.
- (v) Ms. Du Jing was appointed as non-executive director on 28 May 2024.
- (vi) Mr. Ma Ren was appointed as independent non-executive director on 6 June 2023 and resigned on 28 May 2024.
- (vii) Mr. Gao Jingyuan was appointed as independent non-executive director on 27 March 2024.
- (viii) Mr. Ng Hoi was appointed as independent non-executive director on 28 May 2024.
- (ix) Mr. Zou Pingxue retired as independent non-executive director on 6 June 2023.
- (x) Mr. Wang Yilin resigned as independent non-executive director on 26 October 2023.

No directors and the CEO waived or agreed to waive any emoluments during both years.

Discretionary bonuses are determined by the Remuneration Committee and paid depending on individual performance, the profitability of the Group and the prevailing market conditions.

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, none (2023: none) was a director and the emoluments of all five (2023: five) individuals were as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	2,090	1,856
Pension scheme contributions	18	15
	<u>2,108</u>	<u>1,871</u>

Their emoluments were within the following bands:

	2024 No. of individuals	2023 No. of individuals
Nil to RMB916,000 (2023: Nil to RMB905,000) (Nil to HK\$1,000,000)	<u>5</u>	<u>5</u>

No emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation, for loss of office during the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. INCOME TAX CREDIT

	2024 RMB'000	2023 RMB'000
Income tax (expense) credit comprises:		
PRC Enterprise Income Tax		
– Under-provision in prior year	(66)	–
Deferred tax (<i>note 26</i>)	355	772
	<u>289</u>	<u>772</u>

The Group is not subject to any income tax under the jurisdiction of the Cayman Islands and the British Virgin Islands for the years ended 31 December 2024 and 2023.

No provision for Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 December 2024 and 2023.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

From 1 January 2019 to 31 December 2024, under the relevant EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective tax rate of 5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective tax rate of 5%, whereas the excess portion will be subject to the effective tax rate of 10%.

No tax is payable on the profit for the year arising in the PRC since the assessable profit is wholly absorbed by tax losses brought forward. The tax losses carried forward amount to approximately RMB87,691,000.

The Group’s subsidiaries in Macau are subject to Complementary Tax at a rate of 12% based on estimated assessable profits for the years ended 31 December 2024 and 2023. During the years ended 31 December 2024 and 2023, no Macau Complementary Income Tax has been provided as there were no assessable profits generated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

10. INCOME TAX CREDIT – CONTINUED

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	<u>(68,487)</u>	<u>(27,456)</u>
Tax on loss before tax, calculated at the rates applicable to loss in the tax jurisdictions concerned	(16,431)	(6,126)
Tax effect of expenses not deductible for tax purposes	190	24
Utilisation of tax losses previously not recognised	(21)	(144)
Tax effect of tax losses not recognised	8,305	4,889
Tax effect of deductible temporary differences not recognised	6,414	(165)
Income tax on concessionary rate	1,188	750
Under-provision in respect of prior year	66	–
Income tax credit	<u>(289)</u>	<u>(772)</u>

11. LOSS PER SHARE

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

	2024	2023
Loss for the year attributable to owners of the Company (RMB)	<u>(67,976,000)</u>	<u>(26,754,000)</u>
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>290,457,000</u>	<u>290,457,000</u>
Basic and diluted loss per share (RMB)	<u>(0.23)</u>	<u>(0.09)</u>

The diluted loss per share is the same as the basic loss per share as there are no potential dilutive ordinary shares outstanding during the years ended 31 December 2024 and 2023 or at the end of both reporting periods.

12. DIVIDEND

The board of directors does not recommend the payment of final dividend for the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost						
At 1 January 2023	19,499	46,643	6,660	7,418	32,458	112,678
Exchange realignment	-	-	-	-	10	10
Additions	-	2,469	140	913	1,728	5,250
Disposals	-	-	(1,221)	(657)	(2,184)	(4,062)
At 31 December 2023 and 1 January 2024	<u>19,499</u>	<u>49,112</u>	<u>5,579</u>	<u>7,674</u>	<u>32,012</u>	<u>113,876</u>
Exchange realignment	-	-	-	-	10	10
Additions	-	5,305	282	1,029	4,075	10,691
Disposals	-	-	(797)	(677)	(2,045)	(3,519)
At 31 December 2024	<u>19,499</u>	<u>54,417</u>	<u>5,064</u>	<u>8,026</u>	<u>34,052</u>	<u>121,058</u>
Accumulated depreciation and impairment						
At 1 January 2023	6,171	37,319	5,600	6,819	25,464	81,373
Exchange realignment	-	-	-	-	10	10
Depreciation provided for the year	509	4,331	337	340	2,326	7,843
Eliminated on disposals	-	-	(1,158)	(621)	(1,666)	(3,445)
At 31 December 2023 and 1 January 2024	<u>6,680</u>	<u>41,650</u>	<u>4,779</u>	<u>6,538</u>	<u>26,134</u>	<u>85,781</u>
Exchange realignment	-	-	-	-	10	10
Depreciation provided for the year	509	5,083	275	349	2,523	8,739
Eliminated on disposals	-	-	(690)	(470)	(1,697)	(2,857)
Impairment losses recognised for the year	-	2,664	274	525	2,470	5,933
At 31 December 2024	<u>7,189</u>	<u>49,397</u>	<u>4,638</u>	<u>6,942</u>	<u>29,440</u>	<u>97,606</u>
Carrying values						
At 31 December 2024	<u>12,310</u>	<u>5,020</u>	<u>426</u>	<u>1,084</u>	<u>4,612</u>	<u>23,452</u>
At 31 December 2023	<u>12,819</u>	<u>7,462</u>	<u>800</u>	<u>1,136</u>	<u>5,878</u>	<u>28,095</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The Group's buildings are erected on land located in the PRC.

The above items of property, plant and equipment are depreciated using the straight-line basis, after taking into account their estimated residual values, at the following rates per annum:

Buildings	5% or over the lease terms of the relevant land, if shorter
Leasehold improvements	5% or over the lease terms of the relevant properties, if shorter
Plant and machinery	11% – 32%
Motor vehicles	10% – 25%
Furniture, fixtures and equipment	8% – 32%

As at 31 December 2024 and 2023, certain buildings with carrying values of approximately RMB10,551,000 and RMB10,985,000 respectively have been pledged to the bank for banking facilities granted to the Group (see note 25).

Details of the impairment assessment are set out in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. LEASES

(i) Right-of-use assets

	Other properties leased for own use RMB'000	Ownership interests on leasehold land RMB'000	Total RMB'000
Balance as at 1 January 2023	60,271	22,004	82,275
Additions	48,162	–	48,162
Depreciation	(30,395)	(872)	(31,267)
Termination of leases	(11,966)	–	(11,966)
Balance as at 31 December 2023 and 1 January 2024	66,072	21,132	87,204
Additions	19,055	–	19,055
Depreciation	(25,224)	(872)	(26,096)
Termination of leases	(8,582)	–	(8,582)
Impairment (<i>note 15</i>)	(16,796)	–	(16,796)
Balance as at 31 December 2024	<u>34,525</u>	<u>20,260</u>	<u>54,785</u>

As at 31 December 2024, right-of-use assets of RMB20,260,000 (2023: RMB21,132,000) represents land use rights located in the PRC.

As at 31 December 2024, certain ownership interests in leasehold land with carrying values of approximately RMB18,485,000 (2023: RMB19,232,000) have been pledged to the bank for banking facilities granted to the Group (see note 25).

The Group has lease arrangements for retail outlets, warehouses and office premises. The lease terms are generally ranged from thirteen months to fourteen years at fixed rentals. The Group has also entered into short-term leases arrangements in respect of retail outlets, warehouses and office premises. During the years ended 31 December 2024 and 2023, no expenses related to variable lease payments of the lease were recognised into profit or loss.

Additions to the right-of-use assets for the year ended 31 December 2024 amounted to RMB19,055,000 (2023: RMB48,162,000), due to new leases of retail outlets, warehouses and office premises and renewal of existing leases.

As at 31 December 2024, the Group closed certain retail outlets and early terminated the related leases amounting to RMB8,582,000 (2023: RMB11,966,000).

During the years ended 31 December 2024 and 2023, the Group has subleased part of the rented retail outlets, details are set out in note 32. The Group has classified the subleases as operating leases. During the years ended 31 December 2024, the Group recognised rental income of RMB8,868,000 (2023: RMB12,566,000) from subleasing right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. LEASES – CONTINUED

(ii) Lease liabilities

	RMB'000
Balance as at 1 January 2023	63,091
Additions	48,162
Interest expenses on lease liabilities	3,955
Payment for lease liabilities	(32,906)
Termination of leases	(13,140)
Balance as at 31 December 2023 and 1 January 2024	69,162
Additions	19,055
Interest expenses on lease liabilities	3,027
Payment for lease liabilities	(26,411)
Termination of leases	(9,003)
Balance as at 31 December 2024	55,830

	2024 RMB'000	2023 RMB'000
Within one year	24,303	24,336
After one year but within two years	14,619	24,366
After two years but within five years	10,310	18,149
After five years	6,598	2,311
	55,830	69,162
Less: amount due for settlement within 12 months (shown under current liabilities)	(24,303)	(24,336)
Amount due for settlement after 12 months	31,527	44,826

During the year ended 31 December 2024, the Group entered into new leases of retail outlets, warehouses and office premises and renewed existing leases of RMB19,055,000 (2023: RMB48,162,000).

The incremental borrowing rates applied to lease liabilities range from 1.95% to 3.6% (2023: from 2.37% to 4.02%).

As at 31 December 2024, the Group closed certain retail outlets and early terminated the related leases amounting to RMB9,003,000 (2023: RMB13,140,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. LEASES – CONTINUED

(iii) Amounts recognised in profit or loss

	2024 RMB'000	2023 RMB'000
Depreciation of right-of-use assets by class of underlying asset:		
Other properties leased for own use	25,224	30,395
Ownership interests in leasehold land	872	872
	<u>26,096</u>	<u>31,267</u>
Impairment losses recognised in respect of right-of-use assets (<i>note 15</i>)	16,796	–
Interest expenses on lease liabilities	3,027	3,955
Expenses relating to short-term leases	460	4,982
Gain on early termination of leases	421	1,174
	<u>421</u>	<u>1,174</u>

(iv) Others

During the year ended 31 December 2024, the total cash outflow for leases amounted to RMB26,871,000 (2023: RMB33,404,000).

Restrictions or covenants on leases

As at 31 December 2024, lease liabilities of RMB55,830,000 are recognised with related right-of-use assets of RMB34,525,000 (2023: lease liabilities of RMB69,162,000 are recognised with related right-of-use assets of RMB66,072,000). The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessors. Leased assets (excluding ownership interests on leasehold land) may not be used as security for borrowing purposes.

15. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Due to unsatisfactory performance and loss-making situation of certain retail outlets and wholesales operation, the management concluded that there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets in relation to these CGUs.

The estimate of the recoverable amounts were based on value-in-use calculation using the discounted cash projection at pre-tax discount rate of 9.17% per annum as at 31 December 2024 (2023: 10.04%) based on the financial forecast approved by the management covering a period of the remaining lease terms. Key assumptions for the value-in-use calculation included future revenue, budgeted gross margin and operating costs, which were determined based on the past performance, the Group's business plan and management expectations for the market development.

Based on the result of the assessment, the management determined that the recoverable amounts of certain Retail Outlet CGUs and Wholesales CGUs are lower than their corresponding carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal and its value in use. Based on the value in use calculation and the allocation, an aggregate impairment loss of RMB22,464,000 (2023: nil) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets in relation to the relevant Retail Outlet CGUs and an aggregate impairment loss of RMB265,000 (2023: nil) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets in relation to the relevant Wholesales CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Rental deposits paid (<i>Note a</i>)	5,924	7,651
Prepayments	43	34
Advances to suppliers	19,045	16,215
Deposits paid (<i>Note a</i>)	2,464	285
Input value added tax receivables (<i>Note b</i>)	41,338	40,437
Other receivables (<i>Note a</i>)	16,436	13,933
	<u>85,250</u>	<u>78,555</u>
Less: allowance for impairment of other receivables	(2,261)	(1,510)
	<u>82,989</u>	<u>77,045</u>
Amounts classified as non-current assets	(5,760)	(6,304)
Amounts shown as current assets	<u>77,229</u>	<u>70,741</u>

Notes:

- (a) For the rental deposits paid, other deposits paid and other receivables, the directors of the Company considered the credit risk of the certain other receivables has increased significantly, which were individually determined to be impaired after taking into account the overdue ageing analysis and other qualitative factors. As at 31 December 2024 allowance for impairment of other receivables amounted to RMB2,261,000 (2023: RMB1,510,000).
- (b) Input value added tax arose when the Group purchased goods or services from suppliers and the input value added tax can be deducted from output value added tax on sales.

The movements of impairment allowance for other receivables during the years are as follows:

	RMB'000
At 1 January 2023	1,648
Reversal of impairment losses	(138)
31 December 2023 and 1 January 2024	<u>1,510</u>
Impairment losses recognised	901
Reversal of impairment losses	(150)
At 31 December 2024	<u>2,261</u>

18. INVENTORIES

	2024 RMB'000	2023 RMB'000
Merchandise for resale	<u>77,535</u>	<u>77,762</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	38,111	37,975
Less: allowance for impairment of trade receivables	<u>(3,069)</u>	<u>(1,237)</u>
	35,042	36,738
Bills receivables	<u>46</u>	<u>233</u>
	<u><u>35,088</u></u>	<u><u>36,971</u></u>

As at 31 December 2024, the gross amount of trade and bills receivables arising from contracts with customers amounted to RMB38,157,000 (2023: RMB37,557,000).

All the bills receivables are aged within 90 days (2023: within 90 days).

All of the Group's sales are on cash basis except for the wholesale of goods, bulk sales of merchandise to corporate customers and rental income receivable from tenants. The average credit terms offered to these customers or tenants are generally for a period of 0-180 days from the invoice date. The following is an aged analysis of the trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the respective reporting periods:

	2024 RMB'000	2023 RMB'000
Within 30 days	13,172	17,833
31 to 60 days	6,742	8,086
61 to 180 days	7,607	1,575
181 to 365 days	3,120	8,503
Over 1 year to 2 year	4,326	441
Over 2 year	<u>75</u>	<u>300</u>
	<u><u>35,042</u></u>	<u><u>36,738</u></u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtors' current financial positions adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Due to the financial uncertainty arising from economic downturn, the Group has increased the expected loss rate for trade receivables in the current year as there is higher risk that an economic downturn could lead to increased credit default rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. TRADE AND BILLS RECEIVABLES – CONTINUED

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the trade receivables related to a number of customers with common risk characteristics and the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognises lifetime ECL for trade receivables based on past due status of customers collectively that are not individually significant as follows:

As at 31 December 2024	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 30 days	3.19	13,606	434
31 to 60 days	3.19	6,964	222
61 to 180 days	3.19	7,857	250
181 to 365 days	3.19	3,223	103
Over 1 year to 2 year	30.86	6,257	1,931
Over 2 year	63.24	204	129
		38,111	3,069
		38,111	3,069
As at 31 December 2023	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 30 days	1.33	18,073	240
31 to 60 days	1.33	8,195	109
61 to 180 days	1.33	1,596	21
181 to 365 days	1.33	8,618	115
Over 1 year to 2 year	33.78	666	225
Over 2 year	63.72	827	527
		37,975	1,237
		37,975	1,237

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For the year ended 31 December 2024

19. TRADE AND BILLS RECEIVABLES – CONTINUED

The movements in the allowance for impairment of trade receivables are set out below:

	RMB'000
At 1 January 2023	608
Impairment losses recognised	<u>629</u>
At 31 December 2023	1,237
Impairment losses recognised	2,104
Amount written off as uncollectable	<u>(272)</u>
At 31 December 2024	<u>3,069</u>

The Group does not hold any collateral on the receivables.

There are no customers who represent more than 5% of the total trade receivable balance as at the end of the reporting periods. The concentration of credit risk is limited due to the customer base being large and unrelated.

20. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents denominated in RMB amounted to approximately RMB19,998,000 (2023: RMB46,112,000) at 31 December 2024. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. The Group is permitted to exchange RMB for other currencies through banks to conduct foreign exchange business.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. Cash at banks earns interest at floating rates based on daily deposit rates.

Details of impairment assessment of bank balances are set out in note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21. TRADE PAYABLES

The Group normally obtains credit terms of 0-360 days from its suppliers.

An aged analysis of the trade payables at the end of the respective reporting periods, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Current to 30 days	29,472	34,168
31 to 60 days	11,643	15,128
61 to 180 days	12,481	12,113
181 to 365 days	4,901	8,506
Over 1 year to 2 year	2,357	3,333
Over 2 year	5,737	5,136
	<u>66,591</u>	<u>78,384</u>

22. DEPOSITS RECEIVED, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Rental deposits received and other refundable deposits received	8,155	10,526
Rental income received in advance	433	123
Non-income tax payables	741	838
Accruals and other payables	12,174	14,413
	<u>21,503</u>	<u>25,900</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

23. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Advances received to deliver goods	16,180	12,983
Unredeemed balance of award credits	237	639
	<u>16,417</u>	<u>13,622</u>

As at 1 January 2023, contract liabilities amounted to RMB17,832,000.

Payments received in advance that are related to sales of goods not yet delivered to customers are deferred and recognised as contract liabilities. Revenue is recognised when goods are delivered to customers. The Group receives deposits on acceptance of orders on a case by case basis with customers before delivery commences.

Unredeemed balance of award credits are related to a customer loyalty incentive program based on the relative standalone selling price. The amount is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

The changes in contract liabilities in 2024 was mainly due to more sales orders received from bulk sales retailers and wholesalers near the end of the reporting period.

Revenue recognised during the year ended 31 December 2024 that was included in the contract liabilities at the beginning of the year is RMB12,983,000 (2023: RMB17,372,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

24. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are as follows:

Name of related party	Relationship	2024 RMB'000	2023 RMB'000
寶雞商場有限公司	A fellow subsidiary of a holding company	147	190
海南供銷大集酷鋪商貿有限公司	A fellow subsidiary of a holding company	55	82
海南供銷大集數字科技產業有限公司	A fellow subsidiary of a holding company	—	1
供銷大集集團股份有限公司	An intermediate holding company	—	4
		<u>202</u>	<u>277</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. AMOUNTS DUE FROM RELATED COMPANIES – CONTINUED

As at 31 December 2024 and 2023, the amounts due from related companies are trade-related, unsecured, interest-free and repayable on demand.

Included in the carrying amount of amounts due from related companies as at 31 December 2024 is accumulated impairment losses of RMB440,000 (31 December 2023: RMB370,000).

The Group measures the loss allowance for amounts due from related companies at an amount equal to lifetime ECL. The Group considers the days past due of amounts due from related companies to measure the ECL. The Group also considers the historical loss rates in prior years and adjusts for forward looking macroeconomic data in calculating the ECL rates.

An analysis of the gross amount of amounts due from related companies are as follows:

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Carrying amount, net of loss allowance RMB'000
Over 1 year				
寶雞商場有限公司	67.27	448	(301)	147
海南供銷大集酷鋪商貿有限公司	71.89	194	(139)	55
		<u>642</u>	<u>(440)</u>	<u>202</u>
	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Carrying amount, net of loss allowance RMB'000
As at 31 December 2023				
Within 3 months				
海南供銷大集數字科技產業有限公司	1.33	1	–	1
供銷大集集團股份有限公司	1.33	4	–	4
Over 1 year				
寶雞商場有限公司	57.69	448	(258)	190
海南供銷大集酷鋪商貿有限公司	57.69	194	(112)	82
		<u>647</u>	<u>(370)</u>	<u>277</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

24. AMOUNTS DUE FROM RELATED COMPANIES – CONTINUED

The movements in the impairment allowance for the amounts due from related companies during the year are as follows:

	RMB'000
At 1 January 2023	202
Impairment losses recognised	<u>168</u>
At 31 December 2023 and 1 January	370
Impairment losses recognised	<u>70</u>
At 31 December 2024	<u>440</u>

25. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Secured bank borrowings classified as current liabilities	<u>62,000</u>	<u>28,000</u>
Carrying amount of bank borrowings that contain a repayment on demand clause but repayable:*		
Within one year	<u>62,000</u>	<u>28,000</u>

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

During the year ended 31 December 2024, the bank borrowings were denominated in RMB, bore interest at fixed rates ranging from 3.45% to 3.60% (2023: 3.95%) per annum.

The Group's interest-bearing bank borrowings are secured by:

- (i) the pledge of certain buildings of the Group with carrying values of approximately RMB10,551,000 and RMB10,985,000 as at 31 December 2024 and 2023 respectively (see note 13);
- (ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB18,485,000 and RMB19,232,000 as at 31 December 2024 and 2023 respectively (see note 14); and
- (iii) the pledge of investment properties of the Group with carrying values of approximately RMB8,370,000 and RMB8,697,000 as at 31 December 2024 and 2023 respectively (see note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

26. DEFERRED TAX ASSETS

The following is the analysis of the deferred tax assets (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	<u>1,127</u>	<u>772</u>

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2023	(15,752)	15,752	–
(Charged) credit to profit or loss	<u>(756)</u>	<u>1,528</u>	<u>772</u>
At 31 December 2023 and 1 January 2024	(16,508)	17,280	772
Credit (charge) to profit or loss	<u>3,678</u>	<u>(3,323)</u>	<u>355</u>
As at 31 December 2024	<u>(12,830)</u>	<u>13,957</u>	<u>1,127</u>

As at 31 December 2024, no deferred tax liabilities have been recognised in respect of the temporary differences of approximately RMB5,164,470 (2023: RMB12,676,000) associated with undistributed earnings of certain subsidiaries established and operating in the PRC because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

As at 31 December 2024, the Group has unused estimated tax losses of approximately RMB87,691,000 (2023: RMB80,497,000), RMB20,348,000 (2023: RMB18,820,000) and RMB10,074,000 (2023: RMB10,026,000) for certain subsidiaries in the PRC, Hong Kong and Macau respectively. The tax losses incurred by the subsidiaries incorporated in the PRC and Macau will expire in five years and three years respectively from the year in which the loss is originated, while the losses incurred by the subsidiaries in Hong Kong will not expire under current tax legislation in Hong Kong. No deferred tax assets had been recognised as at 31 December 2024 and 2023 in respect of the estimated tax losses due to the unpredictability of future profit streams.

As at 31 December 2024, the Group has deductible temporary differences of approximately RMB26,085,000 (2023: RMB431,000). No deferred tax assets had been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

27. SHARE CAPITAL

	2024		2023	
	Number of shares	RMB'000	Number of shares	RMB'000
Ordinary share of HK\$0.01 each				
Authorised:				
At 1 January and 31 December	<u>2,000,000,000</u>	<u>15,826</u>	<u>2,000,000,000</u>	<u>15,826</u>
Issued and fully paid:				
At 1 January and 31 December	<u>290,457,000</u>	<u>2,387</u>	<u>290,457,000</u>	<u>2,387</u>

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024 RMB'000	2023 RMB'000
Non-current asset			
Investments in subsidiaries		<u>34,727</u>	<u>33,498</u>
Current assets			
Amounts due from subsidiaries	(a)	<u>42,612</u>	67,253
Deposits paid, prepayments and other Receivables		<u>–</u>	18
Cash and cash equivalents		<u>1,951</u>	<u>937</u>
		<u>44,563</u>	<u>68,208</u>
Current liability			
Other payables		<u>300</u>	<u>414</u>
Net current assets		<u>44,263</u>	<u>67,794</u>
		<u>78,990</u>	<u>101,292</u>
Capital and reserves			
Share capital		<u>2,387</u>	2,387
Reserves	(b)	<u>76,603</u>	<u>98,905</u>
		<u>78,990</u>	<u>101,292</u>

Notes:

- (a) The amounts are unsecured, interest-free and repayable on demand. During the years ended 31 December 2024 and 2023, the directors of the Company have performed an impairment assessment based on the ECL model. An impairment loss of RMB24,087,000 (2023: RMB64,256,000) was recognised during the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – CONTINUED

Notes: – Continued

(b) The movement of reserves is shown as follows:

	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023	169,904	16,649	(22,922)	163,631
Loss for the year	–	–	(66,595)	(66,595)
Other comprehensive income for the year				
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	1,869	–	1,869
Total comprehensive income (expense) for the year	–	1,869	(66,595)	(64,726)
Balance at 31 December 2023 and 1 January 2024	169,904	18,518	(89,517)	98,905
Loss for the year	–	–	(26,283)	(26,283)
Other comprehensive income for the year				
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	3,981	–	3,981
Total comprehensive income (expense) for the year	–	3,981	(26,283)	(22,302)
Balance at 31 December 2024	169,904	22,499	(115,800)	76,603

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2024	Financing cash flows	Non-cash items		31 December 2024
			Additions (note 14)	Termination of leases (note 14)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities					
Bank borrowings	28,000	34,000	–	–	62,000
Lease liabilities	69,162	(26,411)	22,082	(9,003)	55,830

	1 January 2023	Financing cash flows	Non-cash items		31 December 2023
			Additions (note 14)	Termination of leases (note 14)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities					
Bank borrowings	8,000	20,000	–	–	28,000
Lease liabilities	63,091	(32,906)	52,117	(13,140)	69,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

30. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2024 RMB'000	2023 RMB'000
Related party relationship		
Nature of transaction		
Related companies	4	34
Related companies	315	15
	<u>319</u>	<u>49</u>

- (a) The consideration of sale transactions are based on (i) historical transaction prices and amount; (ii) prevailing market prices; and (iii) discount rate offered to bulk purchase customers. The credit period for sales to related parties are within 90 days.
- (b) The consideration of purchase transaction are based on (i) historical transaction prices and amount; (ii) prevailing market prices; and (iii) discount rate offered from seller. The credit period for purchase from related parties are within 90 days.
- (ii) Compensation of key management personnel of the Group, including directors' emoluments as disclosed in note 9, is as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	2,853	2,679
Pension scheme contributions	18	15
	<u>2,871</u>	<u>2,694</u>

31. MAJOR NON-CASH TRANSACTION

Please refer to note 14 for the lease transactions of the Group. Other than these transactions, there are no other major non-cash transactions.

32. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

The Group sub-leases certain areas inside its retail outlets and leases out its investment properties. The leases are negotiated for terms ranging from 1 to 10 years. None of the lease includes contingent rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date, which will be receivable by the Group in future periods, are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	<u>9,397</u>	<u>15,767</u>

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33. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

(a) The PRC

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in a defined contribution retirement benefit scheme (the “Scheme”) organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Scheme based on certain percentages of the eligible employee’s salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

(b) Hong Kong

The Group also maintains the MPF Scheme for all qualifying employees in Hong Kong in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employees’ relevant income to the MPF Scheme, subject to a cap of monthly relevant income of HK\$30,000 for each employee.

The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

The total expense recognised in profit or loss of approximately RMB8,004,000 (2023: RMB8,407,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

34. SHARE OPTION SCHEME

A share option scheme (the “Share Option Scheme”) adopted by the Company was approved by the shareholders on 19 August 2015.

A summary of the Share Option Scheme is set out below:

The Share Option Scheme became effective for a period of 10 years commencing on 19 August 2015. Under the Share Option Scheme, the directors of the Company shall, in its absolute discretion select and make an offer to any eligible participants to subscribe for share of the Company at a subscription price being not less than the highest of (i) the official closing price of shares as stated in the Stock Exchange’s daily quotation sheets on the date grant; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

The period during which an option may be exercised will be determined by the board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares immediately following the completion of global offering (excluding the shares issued upon the partial exercise of the over-allotment option relating to the global offering), being 28,647,700 shares.

No share options were granted under the Share Option Scheme during both years. As at 31 December 2024 and 2023, there were no outstanding options granted under the Share Option Scheme.

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35. INVESTMENTS IN SUBSIDIARIES

Details of the major subsidiaries are as follow:

Company name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company indirectly	Principal activities
Subsidiaries				
佛山市順德區昌萬隆複合材料有限公司*	The PRC	Paid up capital of HK\$85,500,000	100	Wholesale of good in the PRC
廣東省順客隆商業連鎖有限公司#	The PRC	Paid up capital of RMB50,000,000	100	Operation and management of retail stores and wholesale in the PRC
珠海市順客隆商業有限公司#	The PRC	Paid up capital of RMB1,000,000	100	Operation and management of retail stores in the PRC
肇慶順客隆商業連鎖有限公司#	The PRC	Paid up capital of RMB10,000,000	100	Operation and management of retail stores in the PRC
廣州市順客隆超市有限公司#	The PRC	Paid up capital of RMB1,000,000	70	Operation and management of retail stores in the PRC
廣東省譽邦行貿易有限公司#	The PRC	Paid up capital of RMB500,000	100	Wholesale of good in the PRC
肇慶市高要區樂通貿易有限公司#	The PRC	Paid up capital of RMB1,000,000	100	Wholesale of good in the PRC
佛山市順德區名建貿易有限公司#	The PRC	Paid up capital of RMB6,000,000	100	Operation and management of retail stores in the PRC
佛山市順德區澳中貿易有限公司#	The PRC	Paid up capital of HK\$1,000,000	100	Operation and management of retail stores in the PRC
Macau Son Hak Long International Sociedade Unipessoal Limitada	Macau	MOP38,625,000	100	Operation and management of retail stores in Macau
Usmart Chain Supermarket Company Limited	Macau	MOP38,657,000	100	Operation and management of retail stores in Macau

* registered as a wholly-foreign owned enterprises under the PRC law

registered as a limited liability company under the PRC law

No subsidiary has material non-controlling interests to the Group and had issued any debt securities at the end of both years or any time during both years.

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36. CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 25 and equity attributable to owners of the Company, comprising share capital as disclosed in note 27, and reserves as disclosed in the consolidated statement of changes in equity. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	2024 RMB'000	2023 RMB'000
Debt	62,000	28,000
Equity	81,346	149,181
Debt to equity ratio	<u>76%</u>	<u>19%</u>

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
At amortised cost (including bank balances and cash)	<u>79,005</u>	<u>106,290</u>

	2024 RMB'000	2023 RMB'000
Financial liabilities		
At amortised cost	<u>146,818</u>	<u>129,678</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits paid and other receivables, cash and cash equivalents, amounts due from related companies, trade payables, deposits received, other payables and bank borrowings.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (currency risk and interest rate risk). As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

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37. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2024 and 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and bills receivables, deposits paid and other receivables, cash and cash equivalents and amounts due from related companies. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables and amounts due from related companies, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance for impairment at lifetime ECL. The Group determines the ECL on these items collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industries in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considered that the bills receivables to be low credit risk when there is no information indicating that these balances had a significant increase in credit risk since initial recognition and thus the allowance for impairment recognised during the year was limited to 12-month ECL. For the years ended 31 December 2024 and 2023, the identified impairment loss was not significant.

For deposits paid and other receivables with gross carrying amount of approximately RMB22,957,000 (2023: RMB12,423,000), the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the remaining amount of RMB1,867,000 (2023: RMB1,510,000), the management considered that the credit risks increased significantly and impairment assessment was individually determined after considering the overdue ageing analysis and other qualitative factors based on lifetime ECL. A reversal of impairment was recognised due to the repayment from receivables previously impaired.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Credit risk – continued

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. Available reasonable and supportive forward-looking information is considered, especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors in the Group and changes in the operating results of the debtors.

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Credit risk – continued

The Group's exposure to credit risk – continued

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Notes	Internal credit rating	12-month or lifetime ECL	2024			2023		
				Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
				RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	19	Note	Lifetime ECL (simplified approach)	38,111	(3,069)	35,042	37,975	(1,237)	36,738
Bills receivables	19	Performing	12-month ECL	46	-	46	233	-	233
Deposits paid and other receivables	17	Performing	12-month ECL	22,957	(394)	22,563	21,869	-	21,869
	17	Doubtful	Lifetime EC – Not credit impaired	1,867	(1,867)	-	1,510	(1,510)	-
Amounts due from related companies	24	Note	Lifetime ECL (simplified approach)	642	(440)	202	647	(370)	277
Cash and cash equivalents	20	Performing	12-month ECL	21,152	-	21,152	48,683	-	48,683
				<u>84,775</u>	<u>(5,770)</u>	<u>79,005</u>	<u>109,407</u>	<u>(3,117)</u>	<u>106,290</u>

Note: The Group has applied simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 100% (2023: 100%) of the total trade receivables as at 31 December 2024.

None of the Group's financial assets are secured by collateral or other credit enhancements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations and also in respect of its cash flow management.

The Group's policy is to maintain sufficient cash and bank balances and has 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 liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The following tables details the Group's remaining contractual maturities for its non-derivative financial liabilities at the end of the reporting period. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables below include both principal and interest cash flows.

	Due on demand or within one year RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2024					
Trade payables	66,591	-	-	66,591	66,591
Deposits received, accruals and other payables	18,227	-	-	18,227	18,227
Bank borrowings	62,000	-	-	62,000	62,000
	<u>146,818</u>	<u>-</u>	<u>-</u>	<u>146,818</u>	<u>146,818</u>
Lease liabilities	<u>26,446</u>	<u>27,166</u>	<u>7,601</u>	<u>61,213</u>	<u>55,830</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

	Due on demand or within one year RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2023					
Trade payables	78,384	–	–	78,384	78,384
Deposits received, accruals and other payables	23,294	–	–	23,294	23,294
Bank borrowings	28,000	–	–	28,000	28,000
	<u>129,678</u>	<u>–</u>	<u>–</u>	<u>129,678</u>	<u>129,678</u>
Lease liabilities	<u>27,113</u>	<u>45,109</u>	<u>2,488</u>	<u>74,710</u>	<u>69,162</u>

Bank borrowings with a repayment on demand clause is included in the “due on demand or within one year” time band in the above maturity analysis. At 31 December 2024, the aggregate carrying amount of these bank borrowings amounted to approximately RMB62,000 (2023: RMB28,000,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the bank will exercise their discretionary right to demand immediate repayment. The directors of the Company believe that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the bank borrowing agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

For the purpose of managing liquidity risk, the directors of the Company reviews the expected cash flows information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Due on demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2024	64,139	64,139	62,000
31 December 2023	28,797	28,797	28,000

Market risk

Currency risk

Certain bank balances are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy. Management monitors foreign exchange exposure and will consider hedging foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currencies denominated monetary assets at the end of the reporting period are as follows.

	2024 RMB'000	2023 RMB'000
HK\$	719	1,470
RMB	2,055	396
USD	84	–
	<u>2,858</u>	<u>1,866</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Market risk – continued

Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to the currency of HK\$ and RMB.

The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective entity's functional currency. 5% (2023: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of reporting period for a 5% (2023: 5%) change in foreign currency rates. A positive number below indicates a decrease/an increase in post-tax loss where the respective functional currencies of the reporting entity weaken 5% (2023: 5%) against the relevant foreign currencies. For a 5% (2023: 5%) strengthening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	USD		HK\$		RMB	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	<u>3</u>	<u>–</u>	<u>32</u>	<u>65</u>	<u>101</u>	<u>17</u>

Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to variable-rate interest bearing receivables, including deposit with a bank and bank balances.

The Group's fair value interest rate risk relates primarily to its fixed-rate bank balances and bank borrowings.

The Group currently does not have an interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. However, the management of the Group monitors interest rate exposure on an on-going basis and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. FINANCIAL INSTRUMENTS – CONTINUED

(b) Financial risk management objectives and policies – continued

Market risk – continued

Interest rate risk – continued

Sensitivity analysis

It is estimated that a general increase or decrease of 5 basis point in 2024 in interest rates for floating rate assets, with all other variables held constant, would decrease or increase the Group's loss for the year by approximately RMB8,000 (2023: RMB17,000) for the year ended 31 December 2024.

There is no impact on other components of equity.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the reporting date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 5 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2024 and 2023.

(c) Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate to their fair values.