2024 ANNUAL REPORT

联华超市股份有限公司
LIANHUA SUPERMARKET HOLDINGS CO.,LTD.

Stock Code : 0980

Lianhua Supermarket Holdings Co., Ltd.

("Lianhua Supermarket" or the "Company") commenced its business in Shanghai in 1991. In the past 33 years, it has developed into a nationwide retail chain operator with a full range of retail segments, expanding through a combination of direct operation, franchises and merger and acquisitions. As at 31 December 2024, Lianhua Supermarket and its subsidiaries (the "Group") operated a total of 3,152 outlets (excluding those operated by the Company's associated companies) in 26 provinces and municipalities across the nation. The Company has maintained its leading position in the fast moving consumer goods retail industry in the People's Republic of China (the "PRC"). Lianhua Supermarket was the first Chinese retail chain operator to be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2003.

The Group operates in three main retail segments – hypermarkets, supermarkets and convenience stores, catering for the diverse needs of consumers. These three segments expand under the brand names of "Century Mart", "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik", respectively. In recent years, "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik" have been awarded as one of the China Outstanding Franchise Brands (「中國優秀特許品牌」) by the Franchise Committee of China Chain Store & Franchise Association.

Inner Mongolia	0	2	0
Tibet	0	1	0
Guizhou	0	3	0
Hebei	0	5	1
Shanghai	27	1,097	503
Beijing	0	6	15
Tianjin	0	1	0
Heilongjiang	1	0	0
Anhui	5	47	0
Yunnan	0	11	0
Jiangsu	6	141	1
Qinghai	0	11	0
Chongqing	0	1	0
Zhejiang	64	491	141
Shandong	0	124	0

Lianhua Supermarket operated a total of 3,152 outlets

Province	Hypermarket	Supermarket	Convenience Store
Henan	6	6	0
Liaoning	0	0	90
Guangdong	0	3	0
Guangxi	3	260	0
Hunan	0	20	0
Hubei	0	6	0
Hainan	0	6	0
Fujian	0	2	0
Sichuan	0	11	0
Jiangxi	0	4	0
Gansu	0	30	0

★ Hypermarket ▲ Supermarket ■ Convenience Store

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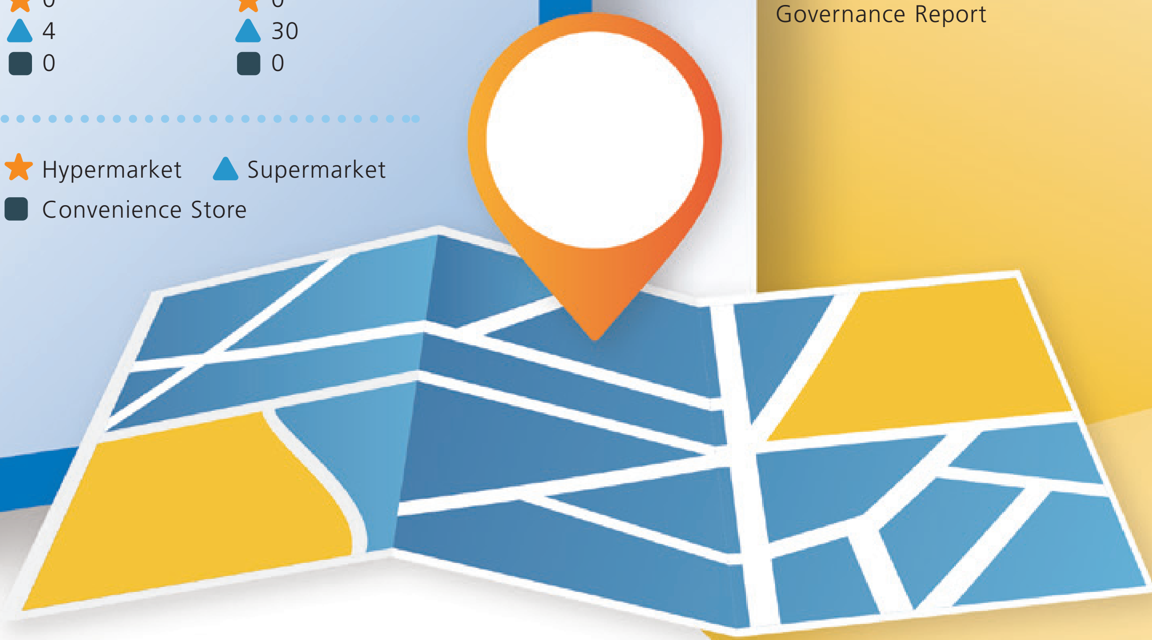

Corporate Information

Directors

Executive Directors

Mr. Chong Xiao-bing
(Resigned on 27 November 2024)
Ms. Wang Xiao-yan *(Vice Chairman)*
Ms. Zhang Hui-qin
Mr. Zhu Ding-ping

Non-executive Directors

Mr. Pu Shao-hua *(Chairman)*
Mr. Shi Xiao-long (Resigned on 7 February 2024)
Ms. Hu Xiao (Resigned on 24 September 2024)
Ms. Shen Chen
Ms. Zhang Shen-yu (Resigned on 5 December 2024)
Mr. Cao Hai-lun
Mr. Dong Xiao-chun (Resigned on 24 May 2024)
Ms. Yang Qin
Mr. Wong Tak Hung (Resigned on 7 January 2025)

Independent Non-executive Directors

Mr. Xia Da-wei
Mr. Lee Kwok Ming, Don
Mr. Chen Wei
Mr. Zhao Xin-sheng

Board Committees

Audit Committee

Mr. Lee Kwok Ming, Don *(Chairman)*
Mr. Xia Da-wei
Mr. Zhao Xin-sheng
Mr. Dong Xiao-chun (Resigned on 24 May 2024)
Ms. Yang Qin

Remuneration and Appraisal Committee

Mr. Xia Da-wei *(Chairman)*
Mr. Shi Xiao-long (Resigned on 7 February 2024)
Ms. Zhang Hui-qin
Mr. Chen Wei
Mr. Zhao Xin-sheng

Strategic Committee

Mr. Pu Shao-hua *(Chairman)*
Mr. Shi Xiao-long (Resigned on 7 February 2024)
Ms. Zhang Hui-qin
Ms. Hu Xiao (Resigned on 24 September 2024)
Ms. Shen Chen
Mr. Chong Xiao-bing
(Resigned on 27 November 2024)
Ms. Wang Xiao-yan
Ms. Zhang Shen-yu (Resigned on 5 December 2024)
Mr. Cao Hai-lun

Nomination Committee

Mr. Pu Shao-hua *(Chairman)*
Mr. Chen Wei
Mr. Xia Da-wei
Mr. Zhao Xin-sheng

Environmental、Social and Governance (ESG) Committee

Mr. Chong Xiao-bing
(Resigned on 27 November 2024)
Ms. Wang Xiao-yan *(Chairman)*
Ms. Zhang Shen-yu (Resigned on 5 December 2024)
Mr. Cao Hai-lun
Mr. Lee Kwok Ming, Don
Mr. Chen Wei

Supervisors

Mr. Li Feng *(Chairman)*
Ms. Tang Hao
Mr. Luo Yang-hong

Company Secretary

Ms. Xu Xiao-yi

Authorised Representatives

Mr. Chong Xiao-bing
(Resigned on 27 November 2024)
Ms. Wang Xiao-yan
Ms. Xu Xiao-yi

International Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Legal Advisers to the Company

As to Hong Kong laws

Baker & McKenzie

As to PRC laws

Grandall Law Firm (Shanghai)

Investors and Media Relations Consultant

Christensen China Limited

Principal Bankers

Industrial and Commercial Bank of China
Pudong Development Bank
China Merchants Bank

Registered and Business Office

Registered Office in the PRC

Room 713, 7th Floor
No. 1258 Zhen Guang Road
Shanghai, PRC

Place of Business in the PRC

5th to 14th Floors
No. 1258 Zhen Guang Road
Shanghai, PRC

Principal Place of Business in Hong Kong

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Telephone

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Company Website

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Shareholder's Enquiries

Contact Information of the Company

Office of the Board
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Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Information

Listing Place

The Stock Exchange of Hong Kong Limited

Listing Date

27 June 2003

Stock Code

980

Number of H shares Issued

372,600,000 H shares

Year-end Date

31 December

Results Announcements

Interim Results for 2024 were published on 29 August 2024
Annual Results for 2024 were published on 28 March 2025

Dividends

Interim Dividends: Nil
Proposed Final Dividends: Nil

Major Achievements

January

1. Hangzhou Lianhua Huashang Group Co., Ltd. ("Lianhua Huashang") was selected for inclusion in the "Brand Enterprise" (品牌企業) list of the Yangtze River Delta City Agglomeration Commerce and Service Promotion Alliance (長三角商貿服務業發展促進聯盟), honoured with the "2022-2023 Model Enterprise for Common Prosperity" (2022-2023同心共富示範企業) award by the Zhejiang Federation of Industry and Commerce (浙江省工商業聯合會) and was the deputy chairman of the General Association of Zhejiang Entrepreneurs (浙江省商業總會).

February

1. The new Zhubai store of Shanghai Lianhua Supermarket Development Co., Ltd. ("Lianhua Supermarket Development") received the Women's Civilisation Post award from the Shanghai Federation of Trade Unions.

2. Lianhua Supermarket actively participated in social welfare initiatives, leveraging its "Youth Entrepreneurship Partners" (青創合夥人) team-building brand to collaborate with the Shanghai Hope Volunteer Centre (上海市希望志願中心) on the "Micro Wishes" (微心願) joint campaign.

3. Guangxi Lianhua Supermarket Joint Stock Co., Ltd ("Lianhua Guangxi Company") was awarded the title of Outstanding Enterprise (Unit) in the Liuzhou "Safe and Healthy Cup" (安康杯) competition by the Liuzhou Federation of Trade Unions (柳州市總工會), the Liuzhou Emergency Management Bureau and the Liuzhou Municipal Health Commission.

4. Lianhua Huashang's proprietary beef brand, "EIGHT HUNDRED MILE • SCATTLE" (八百里牛), developed in partnership with the School of Design and Innovation from the China Academy of Art, won the 2024 German iF Design Award.

March

1. Lianhua Supermarket's Party Committee launched an innovative "Party Affairs Study Group" (黨務研習社) as a thematic Party-building activity. Grassroots Party organisations and officials focused on "study" (研) and "practice" (習), exchanging insights on key tasks and practices in grassroots Party work through keynote speeches, roundtables, workshops and site visits.

2. The Hangzhou Fengqing store of Lianhua Huashang underwent renovation and reopened as Yinyueli Fengqing store, unveiling a new chapter as a community neighbourhood lifestyle centre.

April

1. Lianhua Supermarket partnered with enterprises under the Bailian Group Co., Ltd. ("Bailian Group") to launch the "Bailian Express: Enjoying a Wonderful Silver Age" (百聯直通車悅享銀齡好生活) campaign, offering rich and diverse silver station services for silver population, enabling customers to "access" (近) to Lianhua's services and "embrace" (圈) a wonderful lifestyle.

2. Lianhua Huashang was awarded the qualification of "basket" (菜籃子) key commodity supply security operator (enterprise) of Hangzhou City in 2024 by the Hangzhou Municipal Bureau of Commerce. The Workers' Reading Room of Lianhua Huashang's Ambient Logistics Distribution Centre was listed among the "2023 Municipal Workers' Reading Rooms". Wang Jianzhong, an employee from Lianhua Huashang's IT Centre, was honoured with the title of "Hangzhou Digital Artisan (杭州數位工匠) (2nd Session)" by the Federation of Trade Union of Hangzhou City.

May

1. The partner project team of Supermarket Operation Centre under Operation Centre (Shanghai) of Lianhua Supermarket ("Supermarket Operation Centre") was selected as "Pioneer Workers"(工人先鋒號) of Shanghai by the Shanghai Federation of Trade Unions and Shanghai Municipal Human Resources and Social Security Bureau.

2. Lianhua Huashang was granted the "Zhejiang Provincial Civilised Unit" by the CPC Zhejiang Provincial Committee and the People's Government of Zhejiang Province.

June

1. The Supermarket Operation Centre was awarded the "2022-2023 Shanghai Enterprise Honoring Contracts and Keeping Credit" (2022-2023年度上海市守合同重信用企業) by the Shanghai Contract Credit Promotion Commission.

2. Lianhua Supermarket's thematic IP event – the 3rd Spark Festival – officially kicked off. With an Olympic theme, the 3rd Spark Festival fully embraced the Lianhua-exclusive sports competition and fireworks market, and collaborated with supermarket unions to offer an enriched stage show, providing consumers with an immersive experience.

3. Lianhua Huashang was named the "Outstanding Member Unit"(優秀會員單位) and the Hangzhou "High-Quality Consumption Enterprise"(高品質消費企業) by the Hangzhou Commerce Association (杭州市商業聯合會).

July

1. The Party building brands "Lianxin Tongying"(聯心同營) of the Operation Centre (Shanghai) of Lianhua Supermarket, and "IN56" of Lianhua Logistics Co., Ltd., and Committee building brand "Youth Entrepreneurship Partners"(青創合夥人) of the Youth League Committee of Lianhua Supermarket were recognised as second-round distinctive Party building brands by Bailian Group.

2. Lianhua Supermarket 's Party Committee hosted its seventh "Red Starting Point, Stay True to the Mission"(紅色起點、不忘初心) training camp, integrating Party discipline education with corporate development strategies and driving corporate reform and high-quality growth with Party education outcomes.

August

1. Shanghai Lianhua Supermarket Nanhui Co., Ltd. was honoured the 2024 "Integrity for Prosperity"(誠信興商) model case and excellent case by the Shanghai Municipal Commission of Commerce.

2. Lianhua Huashang was commended as a "2023 Advanced Collective for Building Common Prosperity and a Happy Hangzhou" (2023年度共同富裕幸福杭州建設先進集體) by the Hangzhou Municipal Committee and Municipal Government.

3. The Xintang Road store of Lianhua Huashang, benchmarked against Pangdonglai, had optimised product structure, created shopping scenarios and upgraded service experience to create a model store for business transformation. The full renovation was completed and the store officially launched.

September

1. The Zhonghuan store of Shanghai Century Lianhua Supermarket Development Co.,Ltd. ("Century Lianhua") reopened upon transformation and upgrade, offering brand-new shopping experience and serving as a model store for future store upgrades.

2. The Huinan, Dagu and Weining stores of Lianhua Supermarket Development have completed upgrade and delivered preliminary results, piloted innovative formats for supermarket sub-sectors such as large community stores, small community stores and high-traffic outlets.

3. Lianhua Supermarket's Lighting Up Dream Dinner (Season 5) themed "Healthy Eating, Healthy Living" (健康飲食 健康生活) held a cooking competition, attracting numerous culinary enthusiasts and community residents. The event had a total of over 4.23 million visits and 1.17 million member participants.

4. Lianhua Huashang won the title of "2024 Innovative Enterprise of Proprietary Brand" (2024自有品牌創新企業) by the Zhejiang Chain-Store & Franchise Association (浙江省連鎖經營協會), with its proprietary brands "EIGHT HUNDRED MILE • SCATTLE" (八百里牛) and "Youxiang" (優饗) won the title of "2024 Excellent Proprietary Brand" (2024優秀自有品牌).

5. Lianhua Huashang ranked 48th on the list of the "Top 100 Enterprises in Service Industry of Zhejiang Province in 2024" (2024浙江省服務業百強企業).

October

1. Lianhua Huashang was recognised as a 2024 Three-Star Headquarters Enterprise, a 2024 Billion-Level Headquarters Enterprise and a Pilot Partner for Cloud Warehouse Reserve by Hangzhou Emergency Management Bureau.

2. Representatives from the State Administration for Market Regulation, various provincial market regulatory bodies and the GS1 China visited Lianhua Huashang's Xintang Road store to examine the GM2D project's retail application and interim results.

November

1. The "Silver Services" (銀髮服務) at Dingxiang store of Lianhua Supermarket Development and the "Community Exclusive Sales" (社區內購會行銷) at the Waigaoqiao store of Century Lianhua won the "2024 User Satisfaction Service Star Innovation Achievement" by the Shanghai Association for Quality (上海市質量協會).

2. Lianhua Supermarket's digital platform for food safety inspections won the 2024 Food Safety Innovation Case (Advanced Technology Application) award by the China Chain-Store & Franchise Association (中國連鎖經營協會).

3. The 2025 Lianhua Huashang Commercial Conference was held in Hangzhou. Wang Yongfang, the secretary and director of the Party Leadership Group of the Hangzhou Municipal Bureau of Commerce, attended and awarded the "Hangzhou Outstanding Contribution Enterprise to Commercial Circulation" (杭州市商貿流通突出貢獻企業) to Lianhua Huashang.

4. Lianhua Huashang signed a strategic cooperation agreement on university-enterprise collaboration with the School of Public affairs of Zhejiang Gongshang University, and entered into a contract with the School of Food Science and Technology of Jiangnan University and became the vice chairman of its 8th Board.

December

1. The Wuhu Nanrui store of Anhui Century Lianhua Development Co., Ltd. actively participated in the "Yilu Tongxing – Warm Winter Action" (弋路同行一暖冬行動) poverty relief activity, delivering warmth to elderly and disadvantaged groups within the community, ensuring that the "last mile" (最後一公里) of service to the people was covered.

2. Lianhua Supermarket's proprietary brand business participated in the 8th PLF's Golden Star Awards at the Global Retail Proprietary Products Asia Exhibition, winning the "Team Excellence Award" (卓越團隊獎), "Product Excellence Award" (卓越商品獎), "Operator Excellence Award" (優秀操盤手獎) and "Marketing Excellence Award" (優秀營銷獎) from the 2024 8th PLF's Golden Star Awards.

3. Lianhua Huashang was awarded the "2024 Leading Enterprise in Zhejiang's Service Industry" (2024年浙江省服務業領軍企業) and "Zhejiang Province A-Grade Enterprise Honoring Contracts and Keeping Credit" (浙江省守合同重信用A級企業).

4. Lianhua Huashang's newly launched discount brand, "Lianhua Foodmarket" (聯華富德), opened its first store at Senhe Plaza in Hangzhou. The brand, focusing on "Good Quality, Lower Prices" (好品質，價更低), aims to provide consumers with a new shopping lifestyle.

Connection


联华 Lianhua
450
百联
BL.COM
威宁店
Wei Ning Store
冷藏
Chilled Food
09月26日
重装
开业
打开新鲜
心选低价
Great Value
新品
上市
心选低价
Great Value
优惠低
左邻

Chairman's Statement

I am pleased to present the annual results of Lianhua Supermarket Holdings Co., Ltd. to all shareholders of the Company (the "Shareholders") for the year ended 31 December 2024.

In 2024, amid a turbulent international landscape marked by geopolitical tensions and frequent shocks and upheavals, global uncertainty and instability significantly intensified. The slow recovery of the global economy was characterized by insufficient momentum, unbalanced growth, shrinking demand and increasing fragmentation. The "profound changes unseen in a century" has presented China's economic development with both challenges and opportunities. As an important engine of international economic growth, in 2024, the basic positive trend of China's economic operation in the long run remained unchanged, with commodity sales rebounding with fluctuations as well as steady growth of residents' disposable income. However, constrained by weak domestic demand, operational challenges for businesses and great pressure on employment and household income growth, consumers maintained a relatively cautious outlook towards their own consumption growth. As the concept of "savings-first" continued to dominate in the short term, consumption potential had not been fully released, and the physical retail industry remained struggling.

In 2024, under the overall strategy of dual drivers of "restructuring + transformation", in highlighting the strategic focus of segment and channel development, supply chain and product development, omni-channel and marketing development, logistics efficiency enhancement, digital efficiency enhancement, organization and talent efficiency enhancement with a view to increasing revenue, the Group actively propelled its reform and restructuring, reduced costs and enhanced efficiency, striving to achieve a turnaround from loss to profit. On the one hand, while actively driving the rejuvenation of hypermarkets and the refined stereotyping of supermarkets, the Group implemented dual-line marketing approach through "omnichannel marketing matrix + multi-channel traffic attraction" and utilized emerging media channels to enhance brand awareness. On the other hand, the Group was committed to creating a "new quality supply chain", building a distinctive proprietary product cluster, and pursuing differentiation and the ultimate quality-price ratio, thereby elevating the market competitiveness of its products. In 2024, by continuous leveraging data-driven strategies and supply chain digitization, the Group built an agile organizational structure to sustain long-term growth and enhance market competitiveness.

In 2024, the Group implemented a comprehensive optimization of the Company's capital and asset structure. Firstly, the Group issued 360 million new domestic shares to Bailian Group Co., Ltd., raising the proceeds of approximately RMB360 million, which was mainly utilized for the business ecosystem transformation and for replenishing general working capital of the Group. Such private placement would optimize the capital structure of the Group, strengthen risk resilience, and facilitate business transformation and upgrading, thereby enhancing market competitiveness and laying a solid foundation for future development. Secondly, the Group disposed the entire equity interests in three subsidiaries, including Lianhua Supermarket (Jiangsu) Co., Ltd.* (聯華超市(江蘇)有限公司), to Shanghai Dongran Industrial Co., Ltd.* (上海動燃實業有限公司) at a total consideration of approximately RMB146 million. All proceeds from the disposal were used to replenish working capital, so as to further improve the financial position and daily business operations. This disposal would optimize resource allocation, focus on core business development, improve overall operational efficiency, and create favorable conditions for the Group's strategic transformation and long-term stable development.

In 2024, the Group accelerated rejuvenation and upgrading of its stores, focusing on creating new retail scenarios. The first refurbished store in hypermarket segment in Shanghai, Central Store, officially opened in September 2024 after 90 days of meticulous preparations. The core of the renovation of Central Store is to achieve a dual improvement in quality and efficiency through comprehensive restructuring of the supply chain and the careful construction of the product matrix, with a focus on quality and affordable goods and intelligent applications. Meanwhile, the Group also refined its supermarket segment into three new models, being community service large-scale stores, small community stores and traffic-oriented stores, which are more in line with market demand and consumer preferences. The rejuvenation of its Huinan, Dagu and Weining stores in Shanghai completed and achieved initial results. The rejuvenation of hypermarkets and supermarkets served as a new starting point for the Group's retail transformation, gradually applying to other stores to fully assist the Group in completing its business upgrade and transformation. In December 2024, the first store of "Lianhua Foodmarket", Lianhua Huashang discount store brand, was grandly opened in Hangzhou Senhe Plaza. The Lianhua Foodmarket brand is positioned as "good quality, lower price" and provides consumers with more cost-effective goods and services through new product formulas, operating models and commodity combinations. The opening of this new segment will bring a new and more economical and affordable consumption lifestyle to community residents.

In 2024, the Group focused on strategic upgrades in supply chain and product power through a multi-pronged approach to exert efforts from five key dimensions: creating proprietary products, accurately positioning, and creating popular products; actively developing mind categories, and gaining insight into consumer psychology to tap into potential categories; steadily advancing buildup of proprietary brands, enhancing brand recognition, and increasing product added value; deeply optimizing the category structure, accurately matching market demand, and enhancing competitiveness of the product portfolio; and continuously improving proprietary fresh food capabilities, and ensuring freshness and direct delivery with strict control over quality. Through these approaches, the Group is committed to building a commodity and supporting supply chain system that is unique to Lianhua and with differentiated competitive advantages, thus increasing brand influence and delivering consumers with better quality and more distinctive products and services.

In 2024, the Group maintained a strong momentum of omni-channel development, expanding its business presence, and deepening systematization of online and offline marketing. Through interest-based e-commerce, payment platforms and multi-channel content strategies, the Group developed an interactive and omni-channel marketing ecosystem, realized a closed-loop brand engagement system powered by consumer insights, and accelerated value enhancement and market repositioning of Lianhua brand.

In 2024, the Group intensified its digital transformation efforts, with increasing operational efficiency as its core goal. Leveraging three key projects, namely product digitization advancement, internal supply chain optimization, and logistics system integration, the Group has achieved major breakthroughs in digitization, laying a solid foundation for future sustainable development.

In 2024, the Group embarked on a major organizational reform, establishing a self-driven and agile management system to enhance adaptability to market dynamics. In 2024, the Group innovated the partner project operation model, driving explosive growth in product categories and supporting key stores in achieving quality upgrades. At the same time, it continuously optimized the super partnership mechanism to foster team enthusiasm and creativity and jointly propel the Group's business to new heights.

Looking ahead to 2025, China's economy will still face numerous challenges, but the fundamental conditions and underlying trends supporting its long-term positive economic trend remain unchanged. Nowadays, Chinese consumers are becoming increasingly savvy and cautious, with a growing trend toward purpose-driven consumption. They no longer just focus on price, but prioritize on satisfaction of their needs, showing more rational and mature consumption mindset.

In 2025, the Group will uphold its original aspiration and be committed to creating ideal stores that embody our philosophy of "Good commodities and good experience to build a good life "(好商品、好體驗、構建人情好生活) for consumers, and shape the brand image of "good stores". The Group will continue to channel its energy into continuous experimentation, meticulous refinement, and active innovation, enhancing the offline shopping experience. It will strive to fulfill the corporate vision of "increasing our customers' loyalty to us"(讓消費者更喜愛我們)and live up to consumers' ardent expectations for "high quality and low price" stores.

In 2025, the Group will focus on the "3+3" annual key tasks. On the one hand, the Group will advance strategic transformation projects, tap the potential of refined operations to enhance efficiency, and explore innovative models to expand momentum. On the other hand, the Group will put further efforts on the supply chain to improve quality, increase digital investment to empower business, and streamline organizational structure to solidify the foundation. Through these initiatives, the Group will focus on scenario-based transformation and supply chain upgrades, stimulate diversified innovation vitality, empower development employing digital technology, so as to achieve quality product supply, steadily advance corporate transformation, cultivate a modern retail system, laying a solid foundation for sustainable development of the Group.

2025 is a crucial year for the Group to implement reform and restructuring, as well as an important turning point for achieving ground-breaking development and reshaping its glory. All Lianhua staff will put concerted efforts to cohere goods capabilities, technological strength and unity, and "embrace the bright future in action, start a new era through collaborative efforts".

Finally, on behalf of the Board, I would like to extend my respect to our management team and all our employees for their efforts and contribution, as well as to express my heartfelt gratitude to our Shareholders and business partners for their continued support.

By order of the Board

Pu Shao-hua
Chairman

28 March 2025

Integrate


为什么选择黄油小羊角?
奢华奶香
轻生活
顶走"焦虑"
风味鲜香
咔嚓作响
进口黄油
齿间酥皮碰撞
悠长柔滑


洁净
迎新岁
草鸡蛋
把年带回家
Dettol
OMO
AXE


来联华 与美好相见
SMILE EVERYDAY
减负担
健康 在行动
绿生态
加营养
健康为你
即食燕麦片
把年带回家
云感柔肤

Five Years Financial Highlights

Unit: RMB'000 For the year ended 31 December	**2024**	2023	2022 (Note 4)	2021	2020
Revenue	**19,710,114**	21,835,879	24,681,396	24,759,659	26,331,155
Hypermarkets	**8,204,567**	9,646,472	12,395,766	13,580,446	15,025,717
– Percentage to turnover (%)	**41.63**	44.18	50.22	54.85	57.06
Supermarkets	**10,015,175**	10,514,180	10,690,632	9,407,111	9,571,907
– Percentage to turnover (%)	**50.81**	48.15	43.32	37.99	36.35
Convenience stores	**1,432,129**	1,586,568	1,496,185	1,500,828	1,576,588
– Percentage to turnover (%)	**7.27**	7.27	6.06	6.06	5.99
Other businesses	**58,243**	88,659	98,813	271,274	156,943
– Percentage to turnover (%)	**0.29**	0.40	0.40	1.10	0.60
Gross profit	**2,371,919**	2,781,072	3,382,295	3,061,729	3,535,291
Gross profit margin (%)	**12.03**	12.74	13.70	12.37	13.43
Consolidated income margin (%) (Note 1)	**23.90**	23.78	23.95	23.40	24.59
Operating (loss) profit (Note 1)	**(257,296)**	(227,991)	87,954	(316,961)	49,569
Operating (loss) profit margin (%) (Note 1)	**(1.31)**	(1.04)	0.36	(1.28)	0.19
Loss attribute to shareholders of the Company	**(358,765)**	(791,317)	(206,527)	(422,779)	(319,286)
Comprehensive expenses attributable to shareholders of the Company	**(358,765)**	(791,317)	(206,527)	(422,779)	(319,286)
Net loss margin (%) (Note 1)	**(1.82)**	(3.62)	(0.84)	(1.71)	(1.21)
Losses per share (RMB)	**(0.32)**	(0.71)	(0.18)	(0.38)	(0.29)
Interim dividend per share (RMB) (Note 2)	**–**	–	–	–	–
Final dividend per share (RMB) (Note 2)	**–**	–	–	–	–

Unit: RMB'000 As at 31 December	**2024**	2023	2022 (Note 4)	2021	2020
Net assets	**67,931**	448,347	1,246,271	1,254,397	1,755,094
Total assets	**19,662,370**	20,989,143	22,988,706	22,829,926	23,220,754
Total liabilities	**19,594,439**	20,540,796	21,742,435	21,575,529	21,465,660
Net cash flow	**(825,914)**	(751,325)	1,005,489	183,180	(188,263)
Average loss on total assets (%)	**(1.77)**	(3.60)	(0.90)	(1.84)	(1.37)
Average loss on net assets (%)	**N/A (Note 5)**	(169.16)	(21.82)	(34.06)	(19.80)
Gearing ratio (%) (Note 3)	**0.0**	0.0	0.0	47.8	0.0
Liquidity ratio (times)	**0.53**	0.47	0.60	0.48	0.44
Turnover of accounts payables (days)	**56**	57	59	54	59
Turnover of inventories (days)	**43**	44	43	40	39

Notes:

1. Consolidated income margin (%) = (Gross profit + Other revenues + Other income and other gains and losses)/Revenue
   Operating (loss) profit = (Loss) profit before tax – Share of results of associates
   Operating (loss) profit margin (%) = ((Loss) profit before tax – Share of results of associates)/Revenue
   Net loss margin (%) = Loss for the year attribute to owner of the Company/Revenue

2. The total shares of the Company increased to 1,119,600,000 shares from 622,000,000 shares due to the bonus issue effective in September 2011.

3. Gearing ratio (%) = Total Interest-Bearing Liabilities/Total Equity

4. This year, the Company restated the data of 2022 in the five-year financial summary by applying Hong Kong Accounting Standards No.12 (revised) "Deferred taxes related to assets and liabilities arising from individual transactions".

5. As the net assets attributable to owners of the Company this year was negative, this indicator was not applicable.

Management Discussion and Analysis

Operating Environment

In 2024, the international economic situation was intricate and fraught with challenges. Faced with a severe external environment, China's economy demonstrated strong resilience and stability, with the overall macroeconomy operating steadily and progressing moderately. According to data from the National Bureau of Statistics, the national consumer price index (CPI) rose by 0.2% year on year in 2024, with prices remaining basically stable. Specifically, food prices fell by 0.6% year on year, while non-food prices increased by 0.4% year on year. The total retail sales of consumer goods for the year reached RMB48.8 trillion, growing by 3.5% year on year, showing a weak recovery trend and structural differentiation. In detail: the food and beverage consumption performed well, with a year-on-year increase of 5.3%, reflecting the gradual release of residents' demand for dining out and social interactions; the overall commodity retail remained stable, growing by 3.2% year on year, with upgraded commodities such as home appliances and new energy vehicles standing out. There was a significant regional divergence: first-tier core cities such as Beijing and Shanghai witnessed a marked decline in consumption due to factors such as falling housing prices, shrinking residents' wealth and decrease in the permanent resident population. The total retail sales of consumer goods for the year in Beijing decreased by 2.7% year on year, while the total retail sales of consumer goods for the year in Shanghai fell by 3.1% year on year.

In 2024, consumers remained prudent in their market expectations. However, against the backdrop of continuous changes in population structure and accelerated shifts in lifestyles, emerging consumer trends such as the silver economy, singles economy, affordable economy, and health economy have flourished, bringing numerous structural opportunities and development requirements to the consumer market. The new generation of elderly people have higher expectations for the richness of product varieties and the comfort of the shopping environment offered by retailers. Consumers born between the 1980s and 2000s with the "single-generation household", who are accustomed to living alone and have a fast pace of life, have a more urgent need for the convenience and immediacy of consumption. Middle-class consumers, while pursuing a high-quality life, are increasingly concerned about cost-effectiveness, which has propelled the rapid rise of discount retail models. Meanwhile, with the growing health consciousness among residents, healthcare and wellness are expected to become the next key growth driver for the retail industry.

In the current era, the profound and all-encompassing transformation of consumer demand has not only reshaped the market supply pattern, but also driven retail channels to accelerate their iterative innovation. Under the synergistic resonance of changes on both the supply and demand sides, the retail industry has clearly shown the significant dual evolution characteristics of "deepened online penetration and redefined offline value". On the online side, online retail continues to unleash strong momentum. E-commerce platforms, live-streaming e-commerce, community group buying and other rich and diverse online channels have successfully won the favor of the majority of consumers by virtue of their convenience and abundance. Meanwhile, the offline market is also actively seeking changes and not falling behind. Emerging business formats such as membership stores, specialty stores and discount stores are thriving, presenting all traditional retailers, including the Group, with the challenge of transforming their operation models. It is necessary to actively explore and practice in the key areas such as digital transformation, process and organizational change and supply chain integration, leveraging innovative thinking to break through the limitations of traditional models and forge a new path suitable for our own development.

Financial Review

Revenue

During the period under review, the Group's revenue was approximately RMB19,710 million, representing a year-on-year decrease of approximately RMB2,126 million, or approximately 9.7%, which was mainly due to the continuous impact of factors such as intensified market competition, the economic environment and changes in consumers' shopping habits. Meanwhile, the Company made strategic adjustments and took the initiative to close its long-term loss-making outlets, which led to a reduction in the overall sales scale.

Gross Profit

During the period under review, the Group's gross profit was approximately RMB2,372 million, representing a year-on-year decrease of approximately RMB409 million, or approximately 14.7%. During the period under review, the overall gross profit margin of the Group was approximately 12.03%, representing a decrease of approximately 0.71 percentage point as compared with the gross profit margin of 12.74% for the corresponding period of last year, which was mainly due to the intensifying competition in the supermarket retail industry and the Group's promotion of low-price strategy and increased marketing efforts to drive customers to gradually return and proactively enhance the attractiveness of the brand and brick-and-mortar outlets.

Other Revenue

During the period under review, the Group's other revenue was approximately RMB1,702 million, representing a year-on-year decrease of approximately RMB202 million, or approximately 10.6%. Due to the decline in revenue, related income from suppliers decreased by approximately RMB158 million compared with the same period last year.

Other Income and Other Gains and Losses

During the period under review, the Group's other income and other gains amounted to approximately RMB636 million, representing a year-on-year increase of approximately RMB128 million, or approximately 25.3%. During the period under review, the Company made strategic adjustments and closed its outlets that continued to incur losses, with net gain on disposal of right-of-use assets increasing by approximately RMB74 million year on year.

Distribution and Selling Expenses

During the period under review, the Group's distribution and selling expenses amounted to approximately RMB3,990 million, representing a year-on-year decrease of approximately RMB296 million, or approximately 6.9%. The management of the Group refined the comprehensive budget management of all business sectors, strengthened the control over operation expenses, intensified the negotiation on rent reductions and optimized the allocation of resources, resulting in a continuous decline in operation expenses.

Administrative Expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB717 million, representing a year-on-year decrease of approximately RMB66 million, or approximately 8.4%.

Other Expenses

During the period under review, the Group's other expenses amounted to approximately RMB54 million, representing a year-on-year decrease of approximately RMB65 million.

Share of Results of Associates

During the period under review, the Group's share of profits of associates amounted to approximately RMB6 million, representing a year-on-year decrease in losses of approximately RMB367 million, which was mainly due to the fact that the Group no longer recognized its share of losses of an associate of the Company in 2024, as the interest in this associate had been written down to zero against its carrying amount under the equity method in 2023.

Loss before Tax

During the period under review, the Group's loss before tax amounted to approximately RMB251 million, representing a year-on-year decrease in loss of approximately RMB338 million.

Income Tax Expense

During the period under review, the Group's income tax expense was approximately RMB57 million, representing a year-on-year decrease of approximately RMB68 million.

Loss Attributable to Owners of the Company

During the period under review, the Group's loss attributable to owners of the Company amounted to approximately RMB359 million, representing a year-on-year decrease in loss of approximately RMB432 million. During the period under review, the net loss rate was approximately 1.82%, representing a year-on-year decrease in loss rate of 1.80 percentage points. Based on the 1,119.6 million shares issued by the Group as at 31 December 2024, the basic loss per share was approximately RMB0.32.

Liquidity and Financial Resources

As at 31 December 2024, the Group's cash and balance at the bank amounted to approximately RMB6,839 million.

For the year ended 31 December 2024, the trade payable turnover period of the Group was approximately 56 days, and the inventory turnover period was approximately 43 days.

During the period under review, the Group did not use any financial instrument for hedging purposes. As at 31 December 2024, there were no arbitrage financial instruments in issue by the Group.

Gearing Ratio

As at 31 December 2024, the gearing ratio of the Group (the gearing ratio is calculated by dividing total interest-bearing liabilities by total equity) was 0.0% (31 December 2023: 0.0%).

Growth of Each Retail Business

Hypermarkets

During the period under review, the revenue of the hypermarket segment amounted to approximately RMB8,205 million, representing a year-on-year decrease of approximately RMB1,441 million, or approximately 14.9%, and accounting for approximately 41.6% of the Group's revenue. During the period under review, the decrease in revenue was mainly attributable to the gradual closure of some of the Group's long-term loss-making large stores as a result of the Group's overall strategic planning adjustments, as well as a year-on-year decrease in revenue as a result of the Group's strategy of promoting the transformation of hypermarkets into "small-scale and community-based" stores.

During the period under review, the hypermarket segment recorded a gross profit of approximately RMB1,122 million, representing a year-on-year decrease of approximately RMB221 million. Gross profit margin decreased by approximately 0.25 percentage point year on year to approximately 13.67%. The decline in the gross profit margin was due to the Group's intensified marketing and promotion efforts to increase the number of store visitors. During the period under review, the hypermarket segment recorded a comprehensive income of approximately RMB2,513 million, representing a year-on-year decrease of approximately RMB280 million, and the consolidated income margin increased by approximately 1.68 percentage points year on year to approximately 30.63%.

During the period under review, the aggregate of distribution and selling expenses and administrative expenses of the hypermarket segment amounted to approximately RMB2,376 million, representing a year-on-year decrease of approximately RMB193 million. The Group has been continuously focusing on cost reduction and efficiency improvement, strengthening expense control and streamlining certain loss-making outlets, which has contributed to the continuous reduction of expenses. The hypermarket segment recorded an operating loss of approximately RMB27 million, representing a year-on-year decrease in loss of approximately RMB14 million. Operating profit margin increased by approximately 0.10 percentage point year on year to approximately -0.32%.

	As at 31 December	
	2024	2023
Gross Profit Margin (%)	**13.67**	13.92
Consolidated Income Margin (%)	**30.63**	28.95
Operating Profit Margin (%)	**–0.32**	–0.42

Supermarkets

During the period under review, the supermarket segment recorded a revenue of approximately RMB10,015 million, representing a decrease of approximately RMB499 million or approximately 4.7% year on year, and accounting for approximately 50.8% of the Group's revenue. During the period under review, amid an increasingly competitive market environment, the supermarket segment adhered to its positioning as a community-based fresh produce supermarket and implemented a competitive pricing strategy, created a distinctive small-scale fresh produce shopping venue in the community through category planning and brand rejuvenation.

During the period under review, the supermarket segment recorded a gross profit of approximately RMB1,075 million, representing a year-on-year decrease of approximately RMB167 million or approximately 13.4%. A competitive pricing strategy was advanced to increase the number of store visitors, leading to a decrease in gross profit margin by approximately 1.07 percentage points year on year to approximately 10.74%. During the period under review, the supermarket segment recorded a consolidated income of approximately RMB1,910 million, representing a decrease of approximately RMB187 million year on year. The consolidated income margin decreased by approximately 0.88 percentage point year on year to approximately 19.07%.

During the period under review, the supermarket segment recorded an operating loss of approximately RMB8 million, representing a decrease of approximately RMB56 million year on year. The operating profit margin decreased by approximately 0.53 percentage point to approximately -0.08%.

	As at 31 December	
	2024	2023
Gross Profit Margin (%)	**10.74**	11.81
Consolidated Income Margin (%)	**19.07**	19.95
Operating Profit Margin (%)	**–0.08**	0.45

Convenience stores

During the period under review, the convenience store segment recorded a revenue of approximately RMB1,432 million, representing a decrease of approximately RMB155 million or approximately 9.7% year on year, and accounting for approximately 7.3% of the Group's revenue. The year-on-year decrease in revenue was due to the proactive closure of certain long-term loss-making stores in the Dalian area based on the Group's overall strategic planning.

During the period under review, the convenience store segment recorded a gross profit of approximately RMB158 million, representing a decrease of approximately RMB19 million or approximately 11.0% year on year. The gross profit margin decreased by approximately 0.16 percentage point to approximately 11.00%. The convenience store segment recorded a consolidated income of approximately RMB207 million, representing a year-on-year decrease of approximately RMB34 million, and the consolidated income margin decreased by approximately 0.79 percentage point year on year to approximately 14.43%.

During the period under review, the operating loss of the convenience store segment was approximately RMB47 million, representing a year-on-year increase in loss of approximately RMB29 million from the same period of last year, and the operating profit margin decreased by approximately 2.20 percentage points to approximately -3.32%.

	As at 31 December	
	2024	2023
Gross Profit Margin (%)	**11.00**	11.16
Consolidated Income Margin (%)	**14.43**	15.22
Operating Profit Margin (%)	**–3.32**	–1.12

Capital Structure

As at 31 December 2024, the Group's cash and cash equivalents were mainly held in Renminbi. The Group had no other bank borrowings.

During the period under review, the equity attributable to owners of the Company decreased from approximately RMB72 million to approximately RMB-287 million, which was primarily due to the loss of approximately RMB359 million recorded in the period.

Details of the Group's Pledged Assets

As at 31 December 2024, the Group did not pledge any assets.

Foreign Exchange Risks

Most of the incomes and expenditures of the Group are denominated in Renminbi. During the period under review, the Group did not experience any material difficulties or negative effects on its operations or liquidity as a result of fluctuation in exchange rates. The Group neither entered into any agreements nor purchased any financial instruments to hedge its foreign exchange risk. The directors of the Company (the "Directors") believe that the Group is able to meet its foreign exchange demands.

Share Capital

As at 31 December 2024, the issued share capital of the Company was as follows:

Class of Shares Issued	Number of Shares	Percentage
Domestic Shares	715,397,400	63.90
Unlisted Foreign Shares	31,602,600	2.82
H Shares	372,600,000	33.28
Total	1,119,600,000	100.00

The Company has received the share registration certificate dated 24 February 2025 issued by China Securities Depository and Clearing Corporation Limited in respect of the new Domestic Shares issued under the Domestic Share Subscription, and 360,000,000 domestic Shares were duly allotted and issued by the Company to the Bailian Group at the Subscription Price of RMB1.00 (equivalent to approximately HK$1.10051) per Share pursuant to the Specific Mandate sought from the Independent Shareholders at the EGM (the "Subscription Shares"). The Subscription Shares represent approximately 32.15% of the issued share capital of the Company immediately before completion of the Domestic Share Subscription and approximately 24.33% of the issued share capital of the Company immediately after completion of the Domestic Share Subscription. Completion of the Domestic Share Subscription took place on 25 February 2025 in accordance with the terms and conditions of the Share Subscription Agreement. Please refer to the announcements of the Company dated 12 May 2024 and 25 February 2025 and the circular of the Company dated 31 July 2024 for details.

Contingent Liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities.

Transformation and restructuring for promoting development

During the period under review, the Group has actively built a comprehensive engine for transformation, guided by the dual-channel drive strategy of "restructuring + transformation". In order to further enhance the capital strength of the Company and better promote its strategic transformation, the Company has issued 360 million new domestic Shares to Bailian Group at an issue price of RMB1 per Share, raising a total of RMB360 million. The funds raised will mainly be utilized for the business ecosystem transformation of the Company and for replenishing general working capital. This domestic share subscription will provide the necessary financial support for the Company's potential reform, transformation and future sustainable development, which can support the Company's long-term business development in a more efficient and flexible manner. It can also effectively reduce the Company's gearing ratio, optimize its capital structure and lower its financial risks.

During the period under review, based on the overall strategic background of the Group's localized development and focusing on its core businesses in Shanghai and Zhejiang, the Group disposed of the entire equity interests in three subsidiaries, including Lianhua Supermarket (Jiangsu) Co., Ltd.* (聯華超市(江蘇)有限公司), to Shanghai Dongran Industrial Co., Ltd.* (上海動燃實業有限公司) for a total consideration of approximately RMB146 million. The proceeds from the disposal were used in full for the purpose of replenishing the Group's working capital. The disposals and the issuance of domestic Shares can be an important opportunity and a new beginning for the Company to improve its performance and achieve healthy development in the medium to long term. Subsequently, the Group will further stimulate its corporate vitality and long-term competitiveness through the restructuring of business segments, transformation of its business format, reform of its merchandise and supply chain, development of its channels, and the organization and digitization of its organization and other medium to long term reform measures.

During the period under review, the Group actively promoted business transformation and precisely identified and clarified three key directions: Firstly, the transformation and renewal of core business formats, with the business format of hypermarkets advancing towards small-scale and community-based and product structure upgrading, and the business format of supermarkets focusing on format segmentation and refined operations; secondly, the full effort to enhance the competitiveness of products, promoting in-depth reform and continuous innovation of the supply chain; thirdly, the emphasis on upgrading organizational and digital capability building. Through the implementation of a closed loop of tracking, review and optimization, it can be ensured that various restructuring and transformation tasks will be steadily progressed and precisely implemented, injecting strong momentum into the high-quality development of the Group.

During the period under review, the Group forged ahead, innovating in business format transformation and taking bold actions in market expansion, while continuously promoting the development and optimization of outlets. A total of 257 new stores were opened throughout the year, including 89 directly-operated stores and 168 new franchised stores. 168 of the new stores were located in the Yangtze River Delta region, accounting for 65.4% of the new stores. Meanwhile, based on precise market insights and flexible strategic adjustments, the Group actively streamlined under-performing stores to optimize the outlet structure and enhance cost efficiency. A total of 461 stores were closed, of which 121 directly-operated stores were closed due to the rationalization of loss-making stores and the strategic optimization of the convenience business format in Dalian. Additionally, due to changes in the external market environment, many franchisees chose to close their stores and switched to other businesses, resulting in the closure of 340 franchised stores. Through the above-mentioned series of initiatives, the Group maintained the stability and flexibility of its outlet layout in a complex market environment, ensuring that it could always maintain strategic initiative and achieve steady and sustainable development in fierce market competition.

Region	Business format	New stores opened during the period under review		Stores closed during the period under review	
		Quantity	Operating Area *(sqm)*	Quantity	Operating Area *(sqm)*
Greater East China	Hypermarkets	5	36,206.00	13	79,355.00
	Supermarkets	171	69,479.39	257	114,178.36
	Convenience stores	17	1,046.69	97	4,897.72
North China	Hypermarkets	0	0.00	1	8,020.00
	Supermarkets	6	8,690.00	3	5,450.00
	Convenience stores	1	52.00	4	158.00
Northeast China	Convenience stores	3	131.00	48	2,124.50
Central China	Hypermarkets	0	0.00	2	9,191.00
	Supermarkets	11	18,960.00	17	23,680.00
South China	Supermarkets	26	8,703.00	16	9,414.00
Southwest China	Supermarkets	11	23,800.00	1	2,500.00
Northwest China	Supermarkets	6	8,370.00	2	2,800.00
Total		257	175,438.08	461	261,768.58

Note: The above information is as at 31 December 2024.

During the period under review, the Group fully promoted the strategic restructuring of the hypermarket segment, closely focusing on the transformation direction of "small-scale and community-based", and striving for breakthroughs with precise efforts. With respect to the deployment of stores, the Group opened five new stores for the hypermarket segment in Shanghai, and closed 16 stores for the segment, including seven in Shanghai, one in Jiangsu Province, two in Zhejiang Province, three in Anhui Province, two in Henan Province, and one in other regions. During the period under review, based on the Central Store as a model store, the Group actively promoted the rejuvenation of hypermarkets. On 26 September 2024, the Central Store was opened after 90 days of upgrading, transformation and meticulous preparations. This rejuvenation was carried out through five major initiatives, namely, "reforms in procurement model, breakthroughs in the supply chain of fresh produce, innovations in store digitization, enhancement of employee satisfaction, and optimization of customer shopping considerations". The comprehensive restructuring of the supply chain and the careful construction of the product matrix have been completed. While significantly eliminating inefficient and homogenized products, the Group has introduced national and even global high-quality supply chains and substantially increased the proportion of Lianhua's proprietary brands in order to better meet the diversified needs of consumers. Since the rejuvenation and opening of the Central Store, there has been a significant year-on-year growth in sales, customer traffic and gross profit margin in core product categories such as proprietary brands, bakeries, cooked food processing, fruits and vegetables, achieving remarkable results.

During the period under review, the Group carried out in-depth implementation of the strategic upgrading of its supermarket segment and anchored on the restructuring strategy of "people, products and markets". For the supermarket segment, a total of 231 new stores were opened, including 80 directly-operated stores and 151 franchised stores. 296 stores were closed, including 48 directly-operated stores and 248 franchised stores. During the period under review, the supermarket segment constructed a differentiated operation system based on the trend of consumption stratification, forming three major industry matrices of community service large-scale stores, convenient lifestyle small-scale stores and scenario experience traffic stores, so as to achieve a precise match between operating areas and consumption scenarios. Meanwhile, the Group also actively explored the new business model of discount stores, launched a new brand named "Lianhua Foodmarket (聯華富德)", and accelerated its deployment and development in the Zhejiang region.

During the period under review, the Group actively sorted out inefficient stores for the convenience store segment, and made strategic optimization and adjustments to some regional convenience stores to adapt to market changes. 21 new convenience stores were opened, including 4 directly-operated stores and 17 franchised stores. 149 stores were closed, including 57 directly-operated stores and 92 franchised stores. The number of stores recorded a decrease of 128 stores.

As at 31 December 2024, the Group had a total of 3,152 stores, representing a decrease of 204 stores as compared to the end of 2023. Approximately 84.0% of the Group's stores are located in Greater East China.

	Hypermarkets	Supermarkets	Convenience Stores	Total
Directly-operated	112	855	289	1,256
Franchised	–	1,434	462	1,896
Total	112	2,289	751	3,152

Note: The above information is as at 31 December 2024.

Product Innovation for Growth

During the period under review, the Group regarded the restructuring of product power as the core of its strategy, put into practice the new development concept of "demand leads supply, supply creates demand", and continued to carry out in-depth cultivation in the key areas of its product operations with milestone results. In terms of ambient and department store product strategy, the Group has made precise efforts to create million-RMB-worth strategic proprietary products, shaping brand power, forming differentiation barriers and strengthening the foundation of traffic. In

order to realize the refinement and efficiency of product operation, the Group has introduced the "product life cycle management model" relying on advanced consumer big data insight technology to achieve "trend forecasting – precise selection – dynamic elimination" for digital operation of the whole chain. In the Yangtze River Delta economic circle, the Group successfully completed the cross-regional synergistic deployment of 100 strategic proprietary products, realizing resource sharing and complementary advantages, and further consolidating the competitiveness of its products. In respect of fresh produce operation, the Group introduced the international standard freshness management system through innovation and reform, constructed a three-tier development system of "standardized base, centralized factory and scenario stores", and facilitated the transformation of packaged clean vegetables, frozen packaged controlled atmosphere meat and other categories to achieve the development of standardized fresh produce. In addition, the Group actively experimented with the large-scale joint venture model, vigorously introduced third-party joint ventures, and created seasonal thematic market scenarios to integrate resources from various parties, enrich product categories, create a unique shopping atmosphere, and effectively enhance the turnover efficiency of key categories.

New Breakthrough in Omni-Channel Integration

During the period under review, the Group made significant progress in omni-channel integration. Firstly, it constructed a digital management platform, integrating front-end consumption and product management, middle-end marketing and supply chain optimization and back-end technical support, realizing the strategic upgrading from "channel stacking" to "digital restructuring". Secondly, it innovated and created a multi-media matrix, broadened the drainage channels for members, strengthened the application of data analysis, gained an in-depth understanding of consumer needs and preferences, implemented an omni-channel marketing strategy, and established an omni-channel customer service system to achieve value transformation from "traffic operation" to "omni-chain user value management". Thirdly, it continued to promote the implementation of the Group's two S-class brand campaigns, namely, annual "Lianhua Spark Festival" (聯華燃動節) and "Lighting Up Dream Dinner" (點亮夢想晚餐), demonstrating the ecological evolution of the Group's marketing strategy from a "consumption venue" to a "lifestyle platform" to enable consumers to enjoy a better life experience while shopping. Through in-depth integration and innovative breakthroughs in omni-channel development, the Group achieved an overall improvement in both operational efficiency and market competitiveness.

Supply Chain Optimization for Cost Reduction

During the period under review, the Group continued to optimize its supply chain management, with the strategic direction of "supply chain as core competitiveness", and carried out in-depth construction of a modern distribution system to build a "four-dimensional intelligent supply chain system" concerning intelligent demand sensing, real-time decision-making response, flexible resource allocation and ecological value creation, in order to gradually realize the strategic optimization and transformation from cost control to value creation. Through the

deployment of intelligent digital technology to optimize the original supply chain model, we have developed new paths to add value to the supply chain, such as the upgrading of automatic replenishment and the optimization of category system, achieving efficient operational outcomes in decreasing the inefficient inventory rate and significantly reducing the number of inventory turnover days. The effective reduction of supply chain costs has provided a professional framework and strategic support for the Group's high-quality development.

Digital Upgrade for Development

During the period under review, the Group actively responded to the national "14th Five-Year Plan" for the development of digital economy, and took the construction of a "digital supply chain ecosystem" as its core strategy to accelerate digital transformation and complete the leap from "informationization" to "digitalization" of the enterprise supply chain system. Taking the digitization of the three flows, namely, product flow, data flow and capital flow, as the foundation, the Group gradually realized the intelligent restructuring of the entire element, process and scenario of the supply chain. Through digitization technology, we promoted full life cycle management of products, realized category curing and display optimization, achieved digital tendering, procurement and display, and enhanced product management efficiency. The internal supply chain coordination control panel was implemented, and all ambient categories were automatically replenished, further optimizing the efficiency of supply chain coordination. On the other hand, the Group completed treasury project docking and other business finance integration to further enhance the efficiency of financial management.

Warming People's Heart through Community Services

During the period under review, the Group actively implemented the silver economic development plan of the national "14th Five-Year Plan", elevated "community embedded services" to the core strategic level of the enterprise, and strived to build the "Touch Care" silver service ecological project on the basis of the "15-minute community living circle". During the period under review, the Group acted efficiently to establish silver service stations in 24 supermarket stores and 23 hypermarket stores, meticulously organized nearly 2,000 in-store shopping sessions to satisfy the daily shopping needs of elderly consumers through exclusive offers and considerate services, and actively constructed a tripartite synergistic cooperation mechanism of "government-guided, enterprise-led, and community participation" as well as a three-in-one full-touchpoint service matrix of "product + service + emotion" through practical actions. With the promotion of regular community services, the Group has brought convenience to the people in the community, while demonstrating the responsibility as an established, state-owned enterprise, thus realizing the organic unity of commercial value and social value, and making important contribution to silver economic development and social harmony and stability.

Dual Enhancement in Organizational Empowerment – Employment, Training and Development

As at 31 December 2024, the Group had a total of 21,606 employees. The total labor costs amounted to approximately RMB1,935,739 thousand.

During the period under review, the Group focused on organizational activation and deepened its reforms in a comprehensive manner with remarkable results, laying a solid foundation for the Group's high-quality development. With respect to organizational restructuring, the Group set up a business integration project team and Century Mart Shanghai City Center to accelerate corporate governance and segment integration. In terms of efficiency enhancement, the Group continued to optimize employee structure by lowering the proportion of managerial staff and increasing the proportion of flexible workers, which resulted in an effective reduction in labor costs and a significant increase in human resource efficiency. In respect of remuneration and incentives, the Group vigorously promoted the signing of contracts of core positions, innovative partnership model, performance appraisal of all employees, and optimized welfare management measures to further stimulate the hard work, creativity, enthusiasm and motivation of employees. In terms of talent development, the Group has actively innovated the talent development mechanism by, on the one hand, broadening the channels of talent introduction to recruit talents from all sectors, and, on the other hand, improving the internal competitive recruitment system to provide employees with fair promotion opportunities, while strengthening the talent echelon to ensure an adequate reserve of talents.

Major Risks

The business, financial position, operating results and prospects may be affected by risks and uncertainties relating to the Group's business. The Group incorporates its risk management procedures into the formulation of strategies, business planning, investment decision-making, internal control and day-to-day operation management. The major risks encountered by the Group and the mitigating measures are set out below:

Operational Risk

Due to the uncertainties of the global and domestic economy, the consumer expectations have been affected to a certain extent, leading to more rational and cautious spending. The customer orders declined and the overall sales remained relatively weak due to the reduction of stockpiling. The online retail to a certain extent replaced the retail share of the offline market. The overall recovery of offline retail was significantly weaker than that of online channels. The offline shopping habit and consumer confidence of the public were still in slow recovery. Due to the intensified competition in the supermarket retail industry and continuous strategic adjustments of the Company, the overall sales declined and the consolidated income decreased.

Mitigating Measures

In highlighting the strategic focus of "segment and channel development, supply chain and product development, omni-channel (including marketing) development, logistics efficiency enhancement, digital efficiency enhancement, organization and talent efficiency enhancement" with a view to increasing revenue, the Group propelled its reform and restructuring, reduced costs and enhanced efficiency, in order to achieve an increase in profits.

The Group launched a strategic transformation project of "reform and restructuring", steadily advanced various tasks throughout the year and established a two-wheel drive strategy of "restructuring + transformation". On the one hand, the Group optimized the asset structure. The sale of the entire equity interest in three subsidiaries including Lianhua Supermarket (Jiangsu) Co., Ltd.* (聯華超市(江蘇)有限公司), Anhui Century Lianhua Development Co., Ltd.* (安徽世紀聯華發展有限公司) and Shanghai Century Lianhua Supermarket Hongkou Co., Ltd.* (上海世紀聯華超市虹口有限公司) to Shanghai Dongran Industrial Co., Ltd.* (上海動燃實業有限公司) facilitated the Group to further improve its financial condition and daily business operations, optimize resource allocation and enhance overall operational efficiency. On the other hand, the Group optimized its headquarters' organizational structure, focused on core businesses and minimized its financial cost burden. In terms of business transformation, three major directions have been identified: The first direction was the transformation of core business segments. The supermarket segment focused on refined operations, aligning three major segment matrices with consumer scenarios to promote store revitalization. The hypermarket segment pushed forward the miniaturization and the upgrade of its product structures, implemented iteration and enhancement of segments and actively explored new business models such as discount stores. The Group has launched a new brand "Lianhua Foodmarket (聯華富德)" and accelerated the layout and development in the Zhejiang region. The second direction was enhancing product competitiveness, promoting supply chain reform and innovation, focusing on key products and building a new-quality supply chain. The third direction was upgrading organizational and digital capability building to accelerate digital transformation.

Risks of Development of Sales Network

Due to the intensified competition in the supermarket retail industry, the online retail continuously replaced the retail share of the offline market. In line with the development trend of the industry, the Group adjusted its segments and closed a number of hypermarkets, resulting in a decrease in overall sales and merchant solicitation scale.

Mitigating Measures

The Group forged ahead with determination. On the one hand, the Group was determined to innovate in the transformation of segments, resolutely deployed in the market expansion, strived to fill gaps in underserved areas and injected new vitality into its development. The Group opened a total of 257 new stores. Among new stores, 168 of the new stores were located in the Yangtze River Delta region, accounting for 65.4% of the new stores. On the other hand, the Group actively streamlined the inefficient stores to promote the optimization of its outlet structure and enhancement of the cost efficiency. A total of 461 stores were closed. Among which, 121 directly-operated stores were closed, mainly due to active streamlining of loss-making stores and the strategic optimization and adjustment of convenience stores segment in the Dalian region. 5 new hypermarkets were opened, all of which were located in Shanghai. A total of 16 stores were closed, including 7 stores in Shanghai, 1 store in Jiangsu province, 2 stores in Zhejiang province, 3 stores in Anhui province, 2 stores in Henan province and 1 store in other external areas.

Risks of Organization and Incentive Plan

The organization structure is required to be further consolidated and streamlined and the boundaries of responsibilities are still required to be sorted out. We are still facing difficulties such as ageing staff structure, overall low income of staff and insufficient incentives in remuneration. The talent shortage in key positions still exists. There is a challenge to strike a balance between talent reserve and labor control.

Mitigating Measures

The Group actively promoted the reorganization plan of headquarters and segment headquarters and implemented efficient operation, position fixing and staffing as well as personnel optimization; sorted out, planned and implemented incentive assessment for each unit and position, implemented the mechanism for the management to compete for jobs, adjust of the last rank and withdraw from incompetence, improved the construction of the assessment system and completed the iteration of the incentive system for main business segments; optimized the front-line terminal staffing model, increased the proportion of flexible employment and further controlled overall labor costs to enhance workforce efficiency. At the same time, the Group deepened the implementation of multi-modal iteration of the partnership mechanism and promoted the improvement of operating performance of stores through the separation of ownership and operation rights.

Digital Transformation and Process Recreation

The Group has fully activated the digitization project. However, there is still room for improvement for the business process and operational model supported by the new system. Business rules are required to be further improved. The business reform and model innovation have not been updated simultaneously.

Mitigating Measures

The Group actively responded to the national "14th Five-Year Plan" for digital economy development with the construction of the "digital supply chain ecosystem" as the core strategy, accelerated the digital transformation and completed the mode transition of the enterprise supply chain system from "informatization" to "digital intelligence". Based on the digitalization of the "three-in-one" of product flow, data flow and capital flow, the Group gradually realized the intelligent reconstruction of all elements, processes and scenarios of the supply chain.

Compliance Risk Management

The Corporate Compliance Team of the Group, together with the Group's legal advisers, regularly reviews compliance with relevant laws and regulations, compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), disclosure requirements and compliance with the Group's standards of monitoring practices.

Foreign Exchange Risk Management

Most of the income and expenditures of the Group are denominated in Renminbi. The Group did not experience any material difficulties or negative effects on its operations or liquidity as a result of fluctuation in exchange rates. The Group neither entered into any agreements nor purchased any financial instruments to hedge its foreign exchange risk.

Strategy and Planning

In 2025, despite the challenges posed by external risks and insufficient domestic demand, China's economy as a whole will see a solid foundation, strong resilience and enormous potential. The supporting factors for and underlying trend of steady recovery of consumption will remain unchanged, and the consumer market is expected to continue to maintain a favorable trend of steady growth. In order to further stimulate consumption, the Chinese government will continue to vigorously implement special actions to boost consumption, deeply integrating the two key tasks of promoting consumption and benefiting people's livelihood. The implementation of supportive policies concerning difference aspects, such as increasing income and reducing burden of residents, enriching the supply of consumer products and services, cultivating new growth points in consumption, and improving the consumer environment, will become powerful external factors to stabilize the consumer market, and facilitate China's economy to move steadily forward in the complex and volatile environment, thereby achieving high-quality development.

Under this background, in 2025, Shanghai, as an important drive behind China's economy, will closely focus on the two key tasks of expanding domestic demand and stabilizing external demand, comprehensively deepen the integration and cooperation in the Yangtze River Delta region, and enhance regional core competitiveness. In terms of consumption, Shanghai will fully leverage on its unique advantages as an internationalized metropolis, vigorously develop diversified sectors such as the first-launch economy, silver economy and night-time economy, and promote the expansion and upgrading of consumption through the organization of colorful consumption festivals and the issuance of government-subsidized consumption vouchers, etc. As an important force in the retail industry in the Yangtze River Delta region, the Group will fully capture the opportunities arising from external policies, integrate deeply into the new pattern of regional economic development, and synergize with Shanghai and other areas in the Yangtze River Delta to achieve high-quality development.

Looking forward to 2025, the retail industry is expected to witness a policy-driven recovery. At the same time, changes in consumer demand and demographics will also bring new growth points to the industry. In 2025, the Group will focus on the core objective of performance enhancement, transformation and efficiency enhancement, and fully facilitate the transformation and high-quality development of its two main business segments of hypermarket and supermarket. At the strategic level, by combining the Group's SBP2025 plan and its own operational mindset, the Group will focus on the "1+5" key tasks to promote the overall upgrade of its business through product and supply chain optimization, omni-channel development, marketing iteration and upgrade, as well as the back-end information enhancement. Meanwhile, the Group will put emphasis on its eight project modules, explore new channels, new fields and new models, and capitalize on its strengths in brands, stores and state-owned enterprise background to expand into new areas such as live streaming economy and healthcare economy, in order to strengthen the efficiency of reaching consumers with its products. With respect to segment transformation, the Group will promote the transformation into "small-scale lifestyle supermarkets" of the hypermarket segment, implement the self-operating capability in fresh produce, and create a new quality supply chain. For the supermarket segment, the Group will enhance its market competitiveness through optimization of

operation and management and the transformation into multi-modal stores. In terms of the omni-channel business, the Group will focus on refined operation, traffic supply and resource sharing. In respect of marketing, the Group will build brand advantages through S-class marketing, cross-sector cooperation and digital platform resources. In terms of safe production, the Group will strengthen safety education and training, improve rules and systems, construct a digital audit platform, and continue to improve the quality management system. At the same time, the Group will continue to optimize its eight business management systems, as well as promote strategic planning, performance assessment and digital empowerment to provide a solid guarantee for the realization of the Group's strategic objectives in 2025.

In 2025, the Group will anchor on the key nodes of transformation and upgrade, and emphasize adjustments and reforms with determination and innovative mindset, and strive to break through the bottleneck of development. We will pursue breakthroughs amid reforms, seek new opportunities amid challenges, and facilitate the implementation of various strategic initiatives with excellent execution and efficient teamwork. The Group will join hands with all employees to strive towards its targets with courage and belief in victory, revitalize the past glory, "embrace the bright future in action, start a new era through collaborative efforts", and jointly write a new chapter of development!

Material Investments and Acquisitions

On 23 April 2021, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement with Shanghai Securities Co.,Ltd. (上海證券有限責任公司, the "Shanghai Securities"), pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, for a term commencing from 23 April 2021 to 31 December 2023 (both days inclusive). Pursuant to the terms of the Investment and Wealth Management Cooperation Framework Agreement, Hangzhou Lianhua Huashang Group Co.,Ltd. (杭州聯華華商集團有限公司, the "Lianhua Huashang") entered into the Single Asset Management Contract dated 8 July 2021 with Shanghai Securities and the Custodian Bank in relation to the setting up of the Scheme and the investment and management of Entrusted Assets by Shanghai Securities for the benefit of Lianhua Huashang.

As the Single Asset Management Contract expired on 31 December 2023, Lianhua Huashang entered into the Supplemental Agreement with Shanghai Securities and the Custodian Bank on 27 September 2023, to renew the Single Asset Management Contract in relation to the provision of the asset management and investment services for the Entrusted Assets by Shanghai Securities and the Custodian Bank and make certain amendments to the Single Asset Management Contract, for an extended term of 3 years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), pursuant to which, Shanghai Securities will invest and manage the Entrusted Assets that entrusted to it by Lianhua Huashang, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines provided under the Single Asset Management Contract (as supplemented and revised). As at 15 September 2023, the balance of net assets of the Scheme in the escrow account maintained by the Custodian Bank was RMB698.6236 million. Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, which has been paid in full by no later than 29 February 2024.

As at 31 December 2024, the fair value of the Group's investment in the above-mentioned asset management was approximately RMB1,332,593 thousand, accounting for more than 5% of the Group's total assets, reaching 6.26%. Amongst which, as at 31 December 2024, the Group's investment cost was approximately RMB1,230 million, and the unrealized profit or loss was approximately RMB102,593 thousand. In addition, there was no realized profit or loss and no dividend was received from it. The Group has achieved good returns through the Single Asset Management Contract (as supplemented and revised), and has established a good cooperative relationship with Shanghai Securities in this process. The Group will continue to entrust Shanghai Securities to manage the Entrusted Assets for the Group without affecting its daily operating liquidity and obtaining authorization from the shareholders' meeting.

Save as disclosed in this report, as at 31 December 2024, the Group has no significant investment and has no plans for major investment or acquisition of assets.

Material Acquisitions and Sales of Assets

On 27 September 2024, Shanghai Dongran Industrial Co., Ltd. (上海動燃實業有限公司, "Shanghai Dongran"), an indirect wholly-owned subsidiary of Bailian Group, as the purchaser, entered into (i) Jiangsu Lianhua Equity Transfer Agreement with the Company, as a vendor, in relation to the proposed sale of the entire equity interest in Lianhua Supermarket (Jiangsu) Co., Ltd. (聯華超市(江蘇)有限公司, "Jiangsu Lianhua"); (ii) Anhui Century Lianhua Equity Transfer Agreement with Shanghai Century Lianhua Supermarket Development Co., Ltd. (上海世紀聯華超市發展有限公司, "Century Lianhua Development"), a subsidiary of the Company and as a vendor, in relation to the proposed sale of the entire equity interest in Anhui Century Lianhua Development Co., Ltd. (安徽世紀聯華發展有限公司, the "Anhui Century Lianhua"); and (iii) Hongkou Century Lianhua Equity Transfer Agreement with Century Lianhua Development, as a vendor, in relation to the proposed sale of the entire equity interest in Shanghai Century Lianhua Supermarket Hongkou Co., Ltd. (上海世紀聯華超市虹口有限公司, "Hongkou Century Lianhua"), for an aggregate consideration in the amount of approximately RMB145.5234 million. Upon completion of the equity transfers under the relevant disposals contemplated under each of the Equity Transfer Agreements, Jiangsu Lianhua, Anhui Century Lianhua and Hongkou Century Lianhua will cease to be subsidiaries of the Company.

The Company intends to use the entire proceeds from the disposals for replenishment of working capital. Among them, approximately 40% (approximately RMB58,209,400) is used to pay the labor salaries, approximately 40% (approximately RMB58,209,400) is used to pay the housing rent, property management fees and utilities, and approximately 20% (approximately RMB29,104,700) is used for daily operating and administrative expenses. For details, please refer to the announcement of the Company dated 27 September 2024 and the circular dated 19 November 2024.

The above Equity Transfer Agreements and the disposal thereunder were reviewed and approved by the independent shareholders at the 2024 second extraordinary general meeting of Shareholders held on 5 December 2024. For details, please refer to the announcement of the Company dated 5 December 2024.

Save as disclosed in this report, as of 31 December 2024, the Group did not have any significant acquisitions and disposals of other subsidiaries and related companies in this financial year.

Future Plans for Material Investments or Capital Assets

There were no plans for material investments or capital assets as at 31 December 2024 However, in view of the challenging future environment, the Group will continue to look for new business opportunities to supplement and upgrade its existing business.

Environmental Policy, and Performance and Compliance of Laws and Regulations

Details of the environmental policy and performance of the Group in 2024 are set out in the Environmental, Social and Governance Report on pages 246 to 336 of the annual report.

The Group strives to comply in all material respects with the relevant laws and regulations which are regarded as having a significant impact on the Group, and did not encounter material breach or non-compliance during the period under review.

Subsequent Events

From 1 January 2025 to the date of the annual report, there was no non-financial event that may cause material effects on the results of the Company required to be disclosed.

Additional Issuance of Domestic Shares

On 11 May 2024, the Company convened the fifth meeting of the eighth session of the Board of Directors of the Company (the "Board"), and deliberated and passed the relevant proposals on the issuance of domestic shares. On 12 May 2024, the Company entered into the Share Subscription Agreement with Bailian Group. According to the terms of the Share Subscription Agreement, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new Domestic Shares at the Subscription Price of RMB1.00 per new Domestic Share. The subscription price of RMB1.00 (equivalent to about HK$1.10051) per share is about 249.37% higher than the closing price of HK$0.315 per share quoted by H shares on the Stock Exchange on 10 May 2025, and these shares will be entrusted to Shanghai Bailian for management according to the Equity Entrustment Agreement. The net proceeds from the Domestic Share Subscription are intended to be used as to (a) approximately 85% of which will be used for the business ecological transformation, which primarily comprises: (i) approximately 39.2% and 35%

will be used for the conversion of supermarket and hypermarket outlets, respectively, including but not limited to upgrading product categories, vigorously developing key categories and proprietary brand; tailoring store layout to local conditions, developing boutique supermarkets and community shopping centres among other innovative formats; advancing store integration and increasing the density of stores outlet deployment in strategic areas; enhancing supply chain management and increasing the proportion of direct procurement; (ii) approximately 10.8% will be used for driving digital transformation; upgrading digital systems for merchandising, procurement, logistics, finance, internal supply chains, and digital store systems, thus improving the Group's standardization and management efficiency; and (b) approximately 15% of which will be used to enhance general working capital of the Group. Among other things, in terms of the expected timeline in utilizing the relevant net proceeds for the business ecological transformation, subject to the Company's business development plan or market conditions, the Company intends to invest the relevant net proceeds (i) in the conversion of supermarket and hypermarket outlets of the Company from the Completion of the Domestic Share Subscription up to 2026; and (ii) in the promotion of the Company's digitalization transformation from the Completion of the Domestic Share Subscription up to 2026. During the above period, the Company may adjust the progress of the use of net proceeds accordingly to meet the specific needs of its actual operations. For details, please refer to the announcement of the Company dated 12 May 2024 and the circular of the Company dated 31 July 2024. As of 31 December 2024, the Company has not received the funds raised for the issuance of domestic shares.

On 27 August 2024, the above-mentioned issues related to the issuance of domestic shares were reviewed and approved by the extraordinary general meeting of shareholders of the Company. For details, please refer to the announcement of the Company dated 27 August 2024.

The subscription of domestic shares was completed on 25 February 2025 according to the terms and conditions of the Share Subscription Agreement. The total number of shares of the Company increased from 1,119,600,000 to 1,479,600,000, of which the number of issued domestic shares and unlisted foreign shares increased from 747,000,000 to 1,107,000,000. For details, please refer to the announcement of the Company dated 25 February 2025. On the date of this report, the Company has received the funds raised for the issuance of domestic shares.

Communication

过好生活
Gilmore
Danisa
BUTTER COOKIES
98.00元
125.00元
源头直采
Original Source Product
产地好
口感佳
价格优
糯玉米
¥7.90
藕
¥6.50
包装丝瓜
¥5.99
苦瓜
¥9.80
西葫芦
10.83
南瓜
¥2.90
黄瓜
¥7.90
贝贝南瓜
¥5.90

Profiles of Directors, Supervisors and Senior Management

Executive Directors

Mr. Chong Xiao-bing, aged 60, graduated from Beijing Union University with a college degree majoring in Mechanical Design and Manufacturing. Mr. Chong started his career in 1985. Mr. Chong has been a technician of Far East Instrument Co., Ltd., deputy director of the Electric Instrument Research Office of China Coal Research Institute, and consultant of ICC Business Consulting Company. Mr. Chong has worked at Wumart Group since 1997, and has been the store manager, regional manager, development director, operation director, marketing director, deputy general manager of Beijing Wumei Supermarket Co., Ltd., vice president of Wumart Group and general manager of East China Region, etc. Mr. Chong has been working in Wumart Group for 22 years, where he has been in charge of purchasing, operation, marketing, investment promotion, planning and other fields. He has rich experience in operation and management of retail chain enterprises. Mr. Chong has strong task management ability, self-confidence and is hardworking with strong execution ability, which can ensure the powerful advancement of target tasks. Mr. Chong served as the executive deputy general manager of the Company from August 2019 to April 2021, and has been an executive director and the general manager of the Company since 23 April 2021. Mr. Chong has resigned as an executive director and the general management of the Company on 27 November 2024.

Ms. Wang Xiao-yan, aged 52, holds a bachelor's degree in Laws majoring in administrative management from the International Politics Department of Fudan University and is a senior economist. From July 1996 to April 2004, Ms. Wang worked for Shanghai Yibai (Group) Co., Ltd.*（上海一百（集團）有限公司）. From April 2004 to March 2018, Ms. Wang worked for Shanghai Bailian Group Co., Limited*（上海百聯集團股份有限公司）("Shanghai Bailian", a company listed on the Shanghai Stock Exchange, stock code: 600827/900923), where she served successively as the deputy general manager of Huxi Shopping Centre and Orient Shopping Centre, the general manager and the secretary of the party general branch of Orient Shopping Center Nandong Store and the assistant to the general manager and deputy general manager of Shanghai Bailian. Since March 2018, Ms. Wang has been working in Bailian Omni-channel E-commerce Co., Ltd.*（百聯全渠道電子商務有限公司）as chief operating officer, deputy general manager, executive deputy general manager, general manager, the party secretary and general manager successively. From February to November 2024, Ms. Wang was concurrently the senior director of the commercial internet department of Bailian Group Co., Ltd.* ("Bailian Group", 百聯集團有限公司). Ms. Wang has extensive experience in offline store management and online digital management in large business enterprises. Ms. Wang has been an executive director and the general manager of the Company on 27 November 2024 and has been the vice chairman of the Board since 5 December 2024.

Ms. Zhang Hui-qin, aged 51, holds a degree of master of Science in Quality Management of the Hong Kong Polytechnic University and a postgraduate degree, and is a professorate senior economist. Ms. Zhang Hui-qin has abundant operation and management experience in the retail commercial field. From August 1996 to June 2003, Ms. Zhang Hui-qin successively worked with Jiayou Supermarkets of Hangzhou Department Stores Company* (杭州百貨總公司家友超市) as deputy superintendent of operation department, deputy store manager of Wensan Store, chief of Qingchun Store and assistant to the manager of operation department. From June 2003 till now, Ms. Zhang Hui-qin worked with Lianhua Huashang as deputy manager of operation department, manager of operation department, assistant to the general manager, deputy general manager, executive deputy general manager, general manager, secretary of the Party Committee, vice chairman and chairman. From May 2016 to April 2021 and since November 2024, Ms. Zhang Hui-qin had been deputy general manager of the Company, and served as executive deputy general manager of the Company from April 2021 to November 2024. Ms. Zhang Hui-qin has been an executive director of the Company and the vice chairman of the Board since 7 February 2024. Ms. Zhang Hui-qin has resigned as the vice chairman of the Board on 27 November 2024.

Mr. Zhu Ding-ping, aged 48, holds a Master of Business Administration in Business Administration for Senior Executives from Jinan University. From July 1996 to December 2006, Mr. Zhu worked in Guangdong Minglin Pharmaceutical Co., Ltd.* (廣東明林藥業有限公司), was responsible for the China brand promotion and sales of Hong Kong Nin Jion Medicine, and successively served as regional, large-regional and headquarters sales director. From February 2007 to July 2017, Mr. Zhu worked in Health and Happiness (H&H) International Holdings Limited ("H&H Holdings", a company listed on the Stock Exchange (stock code: 1112)), and successively served as Biostime national senior sales director, Biostime brand division general manager, China general manager. From August 2017 to February 2021, Mr. Zhu served as the executive president of H&H Holdings for baby nutrition and care products and China region. From March 2021 to August 2021, Mr. Zhu served as CEO of Hangzhou COCO Healthcare Products Co., Ltd.* (杭州可靠護理用品股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 301009)). From September 2021 to February 2024, Mr. Zhu worked in Mead Johnson China business group, and successively served as chairman and general manager of Mead Johnson Nutrition (China) Co., Ltd.* (美贊臣營養品(中國)有限公司), Mead Johnson Infant Nutrition R&D Center (China) Co., Ltd.* (美贊臣嬰幼兒營養品研發中心(中國)有限公司), Mead Johnson Infant Nutrition Technology (Guangzhou) Co., Ltd.* (美贊臣嬰幼兒營養品技術(廣州)有限公司), Mead Johnson E-Commerce Technology (Guangzhou) Co., Ltd.* (美贊臣電子商務科技(廣州)有限公司), Mead Johnson Dairy (Tianjin) Co., Ltd.* (美贊臣乳業(天津)有限公司), and Tianjin Mengyang Biotechnology Co., Ltd.* (天津市蒙羊生物科技有限公司), and president of Mead Johnson China business group. From March 2024 to December 2024, Mr. Zhu served as the senior advisor of Mead Johnson China business group. Mr. Zhu was appointed as an executive director and the executive deputy general manager of the Company on 7 January 2025.

Non-executive Directors

Mr. Pu Shao-hua, aged 54, bachelor of arts, senior economist, is currently the president and deputy secretary of the Party Committee of Bailian Group. Mr. Pu served as general manager of Shanghai Ocean Fishery Co., Ltd. and deputy general manager of Shanghai Deep Sea Fishery Co., Ltd., director of foreign economic department of Shanghai Municipal Commission of Commerce, director of foreign economic department of Shanghai Economic Commission, director of the commercial industry management office Shanghai Municipal Commission of Commerce, director of the foreign trade development office of the Shanghai Municipal Commission of Commerce, president and deputy secretary of the Party Committee of Shanghai Fisheries Group Co., Ltd., secretary of the Party Committee, chairman and president of Shanghai Fisheries Group Co., Ltd., secretary of Party Committee, chairman of the board of Bright Dairy Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600597) and other positions. Mr. Pu has been a non-executive director of the Company and the chairman of the Board since 12 November 2021.

Mr. Shi Xiao-long, aged 48, graduate degree, doctor of economics, senior economist, is currently the vice president of Bailian Group. Mr. Shi served as the deputy director of the strategy research office of Bailian Group, the director of the strategy research office and the deputy director of the secretary office of the board of directors of Bailian Group, the executive deputy director and the senior director of the economic operation department of Bailian Group, the senior director of the planning and development department of Bailian Group and other positions. Mr. Shi has been a director of Shanghai First Pharmaceutical Co., Ltd. ("First Pharmaceutical", a company listed on the Shanghai Stock Exchange, stock code: 600833) from June 2016 to August 2023. Mr. Shi has been a non-executive director of the Company and the vice chairman of the Board since 12 November 2021. Mr. Shi has resigned as a non-executive director of the Company and the vice chairman of the Board on 7 February 2024.

Ms. Hu Xiao, aged 45, graduated from The Hong Kong University of Science and Technology with a master's degree in business administration in April 2008, served as a director and managing director of the strategic investment department of Alibaba Group Holding Ltd.（阿里巴巴集團控股有限公司, the "Alibaba Group") (a company listed on the New York Stock Exchange under the stock code of BABA, and on the Stock Exchange under the stock code of 9988 (HKD Counter) and 89988 (RMB Counter)) consecutively from March 2017 to September 2024. Ms. Hu served as an accountant of KPMG Huazhen LLP（畢馬威華振會計師事務所）from September 2002 to July 2003, a research assistant of the stock research department of China International Capital Corporation Limited（中國國際金融股份有限公司）(a company listed on the Shanghai Stock Exchange under the stock code of 601995, and on the Stock Exchange under the stock code of HK.3908) from July 2003 to July 2006, an associate and vice president of Citigroup Global Markets Asia Limited consecutively from July 2008 to July 2012, a vice president and director of Merrill Lynch (Asia Pacific) Limited consecutively from July 2012 to March 2017. Ms. Hu has severed as a non-independent director of YTO Express Group Co., Ltd.（圓通速遞股份有限公司）(a company listed on the Shanghai Stock Exchange under the stock code of 600233), a director of BEST, Inc.（百世集團）(a company listed on the New York Stock Exchange, stock code: BEST), a non-independent director of Suning.com Co., Ltd.（蘇寧易購集團股份有限公司）(a company listed on the Shenzhen Stock Exchange under the stock code of 002024), and a non-executive director of Huatai Securities Co., Ltd.（華泰證券股份有限公司 ）(a company listed on the Shanghai Stock Exchange under the stock code of 601688, and on the Stock Exchange under the stock code of HK.6886), Red Star Macalline Group Corporation Ltd.（紅星美凱龍家居集團股份有限公司）(a company listed on the Shanghai Stock Exchange under the stock code of 601828, and on the Stock Exchange under the stock code of HK.1528) and XPeng Inc. (小鵬汽車有限公司) (a company listed on the New York Stock Exchange under the stock code of XPEV, and on the Stock Exchange under the stock code of HK. 9868). Ms. Hu has been appointed as a non-executive director of the Company on 15 June 2023. Ms. Hu has resigned as a non-executive director of the Company on 24 September 2024.

Ms. Shen Chen, aged 42, graduated from Fudan University and Columbia University in the United States with a Bachelor's degree in Economics and an MBA degree respectively, and is a chartered financial analyst (CFA). She is currently the Investment Director of the Strategic Investment Department of Alibaba Group. Ms. Shen joined Alibaba Group in 2018. Prior to joining Alibaba Group, Ms. Shen served as a senior investment officer at the World Bank, and manager and vice president of CDH Investments. Ms. Shen also serves as a non-independent director of YTO Express Group Co., Ltd.（圓通速遞股份有限公司）(a company listed on the Shanghai Stock Exchange under the stock code of 600233), a non-independent director of Suning.com Co., Ltd.（蘇寧易購集團股份有限公司）(a company listed on the Shenzhen Stock Exchange under the stock code of 002024), a director of Sanjiang Shopping Club Co., Ltd.*（三江購物俱樂部股份有限公司）(a company listed on the Shanghai Stock Exchange, stock code: 601116), a director of New Huadu Technology Co., Ltd.*（新華都科技股份有限公司）(a company listed on the Shenzhen Stock Exchange, stock code: 002264), a director of BEST Inc.（百世集團）(a company listed on the New York Stock Exchange, stock code: BEST), a director of Smart Share Global Limited (a company listed on the NASDAQ in the United States, stock code: EM) and a director of DiDi Global Inc. Ms. Shen has previously served as a director of Chongqing Hongjiu Fruit Co., Limited（重慶洪九果品股份有限公司）(a company listed on the Stock Exchange, stock code: 6689). Ms. Shen Chen has been a non-executive director of the Company since 24 September 2024.

Ms. Zhang Shen-yu, aged 52, graduated from Shanghai Second Polytechnic University with a bachelor's degree in Business Administration and is currently the chairman and the secretary of Party Committee of Shanghai Bailian. Ms. Zhang Shen-yu served successively as the manager of the market operation department of the department store department of Bailian Group, deputy general manager of the Investment Attraction and Procurement Headquarters of Shanghai Bailian, deputy general manager of Shanghai Youyicheng Shopping Center Co., Ltd. and general manager of Orient Shopping Center Nandong Store of Shanghai Bailian Department Store Management Co., Ltd. From June 2014 to June 2015, she served as the assistant general manager of Shanghai Bailian. From June 2015 to May 2020, she worked with Bailian Omni-channel Electronic Commerce Co., Ltd. as deputy general manager, deputy secretary of Party Committee and general manager successively. She has been the secretary of Party Committee and executive deputy general manager (in charge) of Shanghai Bailian since May 2020, a director of Shanghai Bailian since June 2020, the general manager of Shanghai Bailian from March 2021 to February 2024 and the chairman of Shanghai Bailian since February 2024. Ms. Zhang Shen-yu was appointed as a non-executive director of the Company on 22 June 2020. Ms. Zhang Shen-yu has resigned as a non-executive director of the Company on 5 December 2024.

Mr. Cao Hai-lun, aged 53, has a master's degree majoring in the World Economy from the Graduate School of the Party School of the Central Committee of C.P.C. Mr. Cao is currently a director, the deputy secretary of the Party Committee and the general manager of Shanghai Bailian. From July 1994 to January 2002, Mr. Cao worked in Shanghai No. 1 Department Store, Jiangyin Store, Donglou Store, etc. From January 2002 to March 2004, Mr. Cao served as the assistant general manager and deputy general manager of Shanghai No. 1 Department Store. From March 2004 to January 2008, Mr. Cao served as the deputy general manager of Shimao International Plaza, the general manager of New Hualian mansion and the deputy general manager of Bailian Central Shopping Plaza. From January 2008 to June 2014, Mr. Cao was the general manager of the operation and management headquarters of Shanghai Bailian. From June 2014 to June 2016, Mr. Cao served as the deputy director of the operation management department and brand management department, and the executive deputy director of the economic operation department of Bailian Group Co., Ltd.* (百聯集團有限公司). From June 2016 to March 2018, Mr. Cao was the secretary of the party branch, deputy general manager and chairman of labour union of Shanghai Bailian Bulk Commodities Company* (上海百聯大宗商品公司). Since March 2018, Mr. Cao has been the deputy general manager and the general manager of Shanghai Bailian, and since March 2024, Mr. Cao has been a director of Shanghai Bailian. Mr. Cao has extensive experience in business management in commercial retail industry. Mr. Cao has been a non-executive director of the Company since 5 December 2024.

Mr. Dong Xiao-chun, aged 60, senior accountant, holds a master's degree in Business Administration from Shanghai Jiaotong University. Mr. Dong Xiao-chun worked in Hualian Shangsha and Shanghai Hualian Supermarket Company in his early years. He served successively as the financial director of Hualian Supermarket Co., Ltd., financial director of the department store department of Bailian Group and financial director and secretary of the board of directors of Shanghai Bailian. From September 2011 to June 2015, he served as the financial director of Shanghai Friendship Group Incorporated Company (now renamed as "Shanghai Bailian"), and also held the position of the secretary of the board of directors from February 2012. From June 2015 to May 2020, he served as the financial director of Bailian Electronic Commerce Co., Ltd. (renamed as "Bailian Financial Services Co., Ltd." from January 2019). Mr. Dong Xiao-chun has been the financial director of Shanghai Bailian from May 2020 to June 2023, the secretary of the board of Shanghai Bailian from June 2020 to June 2023 and a director of Shanghai Bailian from June 2020 to June 2024. Mr. Dong Xiao-chun was appointed as a non-executive director of the Company on 22 June 2020. Mr. Dong Xiao-chun has resigned as a non-executive director of the Company on 24 May 2024.

Ms. Yang Qin, aged 42, holds a bachelor's degree of management majoring in accounting and a master's degree of business administration from the accounting department, and the business administration department of the school of management of Fudan University respectively, and is a Chinese Certified Public Accountant. Ms. Yang is currently a director, the chief financial officer and secretary to the board of directors of Shanghai Bailian. From July 2005 to February 2011, Ms. Yang worked in Deloitte Touche Tohmatsu as an audit manager. From February 2011 to September 2018, Ms. Yang worked at Red Star Macalline Furniture Group Company Limited* (紅星美凱龍家具集團股份有限公司) (a company listed on the Shanghai Stock Exchange under the stock code of 601828 and on The Stock Exchange of Hong Kong Limited under the stock code of HK.1528), where she served as the deputy general manager of the financial management center and the financial director of the financial management center. From September 2018 to June 2023, Ms. Yang worked for Red Star Macalline Holdings Group Limited* (紅星美凱龍控股集團有限公司), where she served as the chief financial officer and chief executive officer. From October 2018 to July 2021, Ms. Yang was concurrently the chief financial officer of Chongqing Red Star Macalline Enterprise Development Co., Ltd.* (重慶紅星美凱龍企業發展有限公司). From June 2023 to present, Ms. Yang has served as the chief financial officer and secretary to the board of directors of Shanghai Bailian. From June 2024 to present, Ms. Yang has served as a director of Shanghai Bailian. Ms. Yang has financial management experience in large multi-sector group companies and listed companies. Ms. Yang has been a non-executive director of the Company since 24 May 2024.

Mr. Wong Tak Hung, aged 72, is the president of Wong Sun Hing Investment Co., Ltd. (王新興投資有限公司). From 1970 to 1978, Mr. Wong was the manager of Sun Hing Textile Factory (新興毛紡織造廠), and from 1978 to 1990, he was the managing director of Wong Sun Hing Company Limited (王新興有限公司). Since 1990, he has been the president of Wong Sun Hing Group (王新興集團). He has also been the chairman of Shenzhen Xin Xing Entrepreneurship Guarantee Company Limited (深圳新興創業擔保有限公司) since 2003 and he has been the chairman of Guangzhou Wanling Properties Company Limited (廣州市萬菱置業有限公司) since 2004. Since 2005, he has also been the chairman of Wanling Industrial (Guangdong) Company Limited (萬菱實業(廣東)有限公司). Mr. Wong joined the Group in April 1997, and he has over 30 years of business experience. Mr. Wong has resigned as a non-executive director of the Company on 7 January 2025.

Independent Non-executive Directors

Mr. Xia Da-wei, aged 72, holds a master's degree in Economics and is a professor and PhD tutor. From July 1985 to September 2000, Mr. Xia served as a teacher, the assistant principal and the vice president of Shanghai University of Finance and Economics. From September 2000 to August 2012, he served as the dean of Shanghai National Accounting Institute. Mr. Xia served as a professor and PhD tutor of Shanghai National Accounting Institute since August 2012. Mr. Xia has also served as the vice president of China Industrial Economics Association, the consultant expert of Accounting Standards Committee of the Ministry of Finance, the vice president of Chinese Accounting Association, the vice president of China Association of Chief Financial Officers, the president of Shanghai Accounting Association, the honorary professor of Chinese University of Hong Kong, adjunct professor of School of Management of Fudan University, and member of the expert committee of listed companies of Shanghai Stock Exchange, and he enjoys government subsidies from the State Council. Mr. Xia has served as an independent director of Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 603885) from July 2017 to July 2023. Mr. Xia has served as an independent director of Guotai Junan Co., Ltd. (國泰君安股份有限公司) (a company listed on the Shanghai Stock Exchange and the Stock Exchange with stock code 601211 and HK.2611, respectively) from May 2016 to May 2023, has been an external supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 601166) from May 2016 to May 2022, has served as an independent director of Yanggo Group Co., Ltd. (陽光城集團股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 000671) from December 2020 to August 2022 and has served as an independent director of Baoshan Iron and Steel Co., Ltd. (寶山鋼鐵股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600019) from April 2013 to September 2019. Mr. Xia has been an independent non-executive Director of the Company since September 2004.

Mr. Lee Kwok Ming, Don, aged 67, is a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and an associate of the Chartered Institute of Management Accountants in the United Kingdom (英國特許管理會計師公會) and holds a master's degree of science in Business Administration from the University of Bath (英國巴富大學). He is now an independent non-executive director of Bossini International Holdings Limited (a company listed on the Stock Exchange with stock code HK.0592), Want Want China Holdings Limited (a company listed on the Stock Exchange with stock code HK.0151) and Tam Jai International Co. Limited (a company listed on the Stock Exchange with stock code HK.2217). Before his retirement in April 2020, he served as the financial director of Stella International Holdings Ltd. (九興控股有限公司, a company listed on the Stock Exchange with stock code HK.1836). Mr. Lee has held the position of financial director in various listed companies of the Stock Exchange and has more than 30 years of financial management experience and extensive experience in mergers and acquisitions, as well as corporate finance. He joined the Group in May 2003.

Mr. Chen Wei, aged 62, is the vice chairman of CGL, CEO of CGL management consulting business and the Professor of Management Practice at Peking University HSBC Business School (PHBS). Mr. Chen has served as an independent director of Linklogis Inc. (聯易融科技集團) (a company listed on the Stock Exchange, stock code: HK.9959) since March 2021. Prior to joining PHBS, Mr. Chen was the senior vice president for Didi Chuxing. Before Didi Chuxing, Mr. Chen served as executive vice president and Chief Human Resource Officer (CHRO) at Vanke Enterprises Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000002). Mr. Chen Wei started up the Hay Group consulting business in China and later served as managing director for Greater China and North East Asia. He became the global executive team member in 2009 and board member in 2013 of Hay Group. Mr. Chen Wei also worked for Coca Cola and Nike in marketing and general management earlier in his business career. Mr. Chen Wei holds a bachelor's degree in Psychology from East China Normal University and a master's degree in Workforce Learning and Development from Pennsylvania State University in USA. He has also graduated from AMP (Advanced Management Program) from Harvard Business School. Mr. Chen has been an independent non-executive director of the Company since 28 March 2018.

Mr. Zhao Xin-sheng, aged 50, is a Charted Professional Accountant (CPA) of Canada and Certified Information System Auditor (CISA). Mr. Zhao has been the managing director of Shanghai Think Bridge Business Consulting Co., Ltd. since October 2002. From September 1996 to September 2002, Mr. Zhao worked at the Audit and Business Advisory Department of Arthur Andersen, mainly responsible for the financial statement auditing of listed companies and multinational enterprises and business consulting in corporate risk and control. From 2010 to 2018, Mr. Zhao served as an independent director of Shanghai Yimin Commercial Group Co., Ltd. He has served as an independent director of Shanghai Bright Power Semiconductor Co., Ltd. (上海晶豐明源半導體股份有限公司) (a company listed on Shanghai Stock Exchange GEM with stock code 688368) from 22 May 2020 to October 2023. Mr. Zhao graduated from Shanghai University of Finance and Economics in 1996 with a bachelor's degree in Accounting. Mr. Zhao has rich experience in corporate accounting and financial consulting, human resources allocation, marketing, public relation, corporate merger and acquisition, risk management and internal control as well as legal compliance. Mr. Zhao has been an independent non-executive director of the Company since 29 March 2019.

Supervisors

Mr. Li Feng, aged 54, is a senior auditor and holds a master's degree of Public Administration at the School of International Relations and Public Affairs of Fudan University. He is currently the senior director of audit and risk control center of Bailian Group. From 1993 to March 2020, Mr. Li worked in the Shanghai Audit Bureau, successively served as staff of Public Transport Audit Office, deputy chief staff member and chief staff member of the Foreign Investment Audit Office, the deputy director of the Law Department (Review and Hearing Office), the deputy director, third-level investigator and second-level investigator of the Law Department (Hearing Office) of the Shanghai Audit Bureau. Mr. Li has served as the senior director of the audit and risk control center of Bailian Group since June 2020. Mr. Li has been a supervisor of Shanghai Bailian since June 2020 and the chairman of the supervisory committee of First Pharmaceutical since October 2020. Mr. Li was appointed as a supervisor of the Company on 22 June 2020. He has been the chairman of the Supervisory Committee since 2 December 2021.

Ms. Tang Hao, aged 54, is a member of the Communist Party of China and a graduate student of the Graduate School of the Party School of the Central Committee of C.P.C., majoring in world economy. From August 1991 to March 2003, Ms. Tang Hao worked at the Second Chemical Supply Company of Shanghai Chemical and Light Industry Corporation, and served as a statistician, planner, and employee of the manager's office. From March 2003 to January 2007, Ms. Tang Hao worked at Shanghai Jingtong Chemical Co., Ltd., and served as deputy manager of the first branch, deputy manager of the second branch, and deputy manager of the rubber and plastic branch. From January 2007 to September 2014, Ms. Tang Hao worked at Shanghai Jingtong Chemical and Light Industry Development Co., Ltd. From January 2007 to February 2008, she served as the director of the General Office; from February 2008 to August 2009, she served as the assistant to the general manager and director of the General Office; from August 2009 to May 2010, she served as the deputy general manager; from May 2010 to May 2012, she served as the deputy general manager, deputy secretary of the general party branch and secretary of the discipline inspection committee; from May 2012 to September 2014, she served as the secretary of the general party branch, deputy general manager and secretary of the discipline inspection committee. From September 2014 to October 2017, she served as a member of the Party Committee of Shanghai Modern Logistics Investment and Development Co., Ltd. and an executive director, secretary of the general party branch and general manager of Shanghai Jingtong Chemical and Light Industry Development Co., Ltd. From October 2017 to October 2019, Ms. Tang Hao served as the deputy secretary of the Party Committee, secretary of the discipline inspection committee and chairman of the labor union of the Company. From October 2017 to October 2024, Ms. Tang Hao concurrently served as the Party Secretary of Shanghai Lianhua Quik Convenience Stores Co., Ltd. Since August 2018, Ms. Tang Hao concurrently served as the Chairman of Shanghai Lianhua Quik Convenience Co., Ltd. From October 2019 to March 2021, Ms. Tang Hao served as the Deputy Party Secretary of the Company (in charge of work). Since December 2019, Ms. Tang Hao has served as the supervisor of the Company. Since March 2021, Ms. Tang Hao has served as the Party Secretary of the Company. Ms. Tang Hao was appointed as the deputy general manager of the Company on 5 December 2024.

Mr. Luo Yang-hong, aged 44, holds an MBA from Hong Kong Baptist University. From July 2004 to April 2011, Mr. Luo served as senior audit manager of audit department of CIS Region of Huawei Technologies Co., Ltd.; From May 2011 to January 2014, he served as deputy general manager of the finance department of GCL (Group) Holdings Limited; From February 2014 to March 2017, he served as deputy general manager of regional financial cost of Wanda Commercial Management Co., Ltd. Shanghai Regional Company; From April 2017 to June 2020, he served as the deputy general manager of Shenzhen Ping An Integrated Financial Services Co., Ltd.; From September 2020 to February 2021, he served as the chief financial officer of Hengtai Business Management Group Co., Ltd.; From April 2021 to September 2022, he served as the chief financial officer of Shanghai Eye Control Technology Co., Ltd.; Since October 2022, he has served as the deputy general manager of finance of Shanghai Bailian. Mr. Luo has been appointed as a supervisor of the Company on 15 June 2023.

Company Secretary

Ms. Xu Xiao-yi, aged 47, is a senior accountant and certified public accountant, holds a master's degree in Business Administration from Shanghai University of Finance and Economics. Ms. Xu currently serves as the chief financial officer, the secretary of the Board, company secretary, the authorised representative of the Company under Rule 3.05 of the Listing Rules and the authorised representative of the e-submission system of the Stock Exchange. Ms. Xu successively served as the head of the finance department of Shanghai Friendship Department Store Co., Ltd. and the head of the finance department of the shopping center division of Bailian Group. From June 2006 to August 2019, she worked in Shanghai Bailian and successively served as the manager of the tax management department of the finance headquarters, assistant to the director of the audit center, deputy director of the audit center, director of the audit center and director of the audit and risk control department. She served as the executive deputy director of the financial management department of Bailian Group from August 2019 to May 2020. Ms. Xu served as the deputy chief financial officer of the Company from June 2020 to July 2022. Ms. Xu was appointed as the Secretary of the Board of Directors and authorized representative of the Company on 10 June 2020, served as a joint company secretary of the Company from 2 July 2020 to 1 July 2023, was appointed as the chief financial officer of the Company on 8 July 2022 and was appointed as the company secretary of the Company on 2 July 2023.

Senior Management

Mr. Liang Bao-long, aged 60, is a senior operator and a logistician, holds a master's degree in business administration from the Arizona State University in the United States. Mr. Liang graduated from Tongji University majoring in Management Engineering and Shanghai Polytechnic University majoring in computer applications. From July 1984 to February 2003, Mr. Liang was a deputy section chief of the catering department, a deputy section chief, section chief of the general affairs office, general manager of service operations company and general manager of the logistics service centre of Shanghai Materials & Equipment School (上海市物資學校). From February 2003 to March 2012, he was the assistant to general manager and deputy general manager of Shanghai Modern Logistics Investment and Development Co., Ltd. (上海現代物流投資發展有限公司). He has concurrently worked as the general manager and deputy secretary of Party general branch of Shanghai Changqiao Logistics Co., Ltd. (上海長橋物流有限公司), and the chairman of board and the secretary of the Party Committee of Shanghai Hualian Distribution Industrial Co., Ltd. (上海華聯配送實業有限公司). He has been the deputy general manager of the Company from March 2012 to March 2021, and served as deputy secretary of the Party Committee, secretary of the Commission for Discipline Inspection and head of the labor union of the Company from March 2021 to September 2024.

Mr. Dong Gang, aged 46, graduated from Wuchang University of Technology in 2015 with a bachelor's degree. From September 2003 to July 2015, Mr. Dong worked for Tesco China. From September 2003 to March 2006, he served as director of procurement and store general manager in Dalian; from March 2006 to November 2008, he was the store general manager in Shenyang; from November 2008 to May 2010, he was chief operating officer of Shandong Region; from May 2010 to July 2012, he served as chief operating officer of North China Region; from July 2012 to July 2015, he served as chief operating officer of Northeast Region. From November 2015 to August 2017, Mr. Dong acted as head of store operations in Shenzhen Shunfeng Commercial Co., Ltd. Mr. Dong has been appointed as the deputy general manager of the Company since September 2017.

Mr. Gu Feng-min, aged 54, holds an MBA from Fudan University. From October 1996 to May 2002, Mr. Gu worked in McDonald's as the operation manager of Northeast China. From July 2002 to October 2010, he worked in Lotte Mart., successively served as the general manager of Suzhou Taicang and Zhejiang Zhuji Shopping Center and the director of China Innovation and Development Department. From October 2010 to October 2013, he worked as city manager and operation director of online shopping mall in Tesco. Since October 2013, he has worked in Carrefour China. He has served as the manager of Changzhou Carrefour, the manager of Jinqiao Carrefour, the general manager of Anhui Southern District and the fresh pilot district of Central China, and the general manager of Jilin District of Heilongjiang Province and the fresh pilot district of Northeast China. Since October 2019, he has served as the senior director of the commodity management center of Carrefour China headquarters. Mr. Gu was appointed as the deputy general manager of the Company on 26 July 2022.

Mr. Zhang Qi-qiang, aged 56, holds a bachelor's degree in international finance from Zhongnan University of Economics and Law. Mr. Zhang is currently the deputy secretary of the Party Committee, secretary of the Discipline Inspection Commission, head of the Human Resources Department, head of the Labor Union, director of the Jiangqiao Logistics Base Preparatory Office, and secretary of the Party Committee of Shanghai Lianhua Quik Convenience Stores Co., Ltd. From September 1991 to January 1998, Mr. Zhang worked in Shanghai Lianhua Supermarket Commercial Company (the former name of the Company), and served as a repairman, a receiver, a driver, a manager, and an assistant to the manager of the storage and transportation department II. From January 1998 to April 2000, Mr. Zhang worked in Shanghai Lianhua Supermarket Co., Ltd. (the former name of the Company), and served as an assistant to the manager of the storage and transportation department II and the deputy manager of the distribution department II. From April 2000 to March 2002, Mr. Zhang worked in Lianhua Supermarket Co., Ltd. (the former name of the Company), and served as the deputy manager of the logistics and distribution department and the deputy manager of the commodity distribution department of the commodity management headquarters. From March 2002 to July 2011, Mr. Zhang worked at Shanghai Lianhua Quik Convenience Stores Co., Ltd., and served as the manager of the logistics department, assistant to the general manager, deputy general manager and general manager of the Shanghai Direct Management Headquarters. From 2011 to September 2024, Mr. Zhang worked at the Company, and served as the director of the Jiangqiao Logistics Base Preparatory Office, the head of the Human Resources Department, the vice chairman of the labor union, and the head of the Human Resources Department and the vice chairman of the labor union. Since September 2024, Mr. Zhang as served as the deputy secretary of the Party Committee and the secretary of the Discipline Inspection Commission of the Company, and concurrently served as the head of the Human Resources Department, head of the labor union, and the director of the Jiangqiao Logistics Base Preparatory Office. Since October 2024, Mr. Zhang has concurrently served as the secretary of the Party Committee of Shanghai Lianhua Quik Convenience Stores Co., Ltd. Mr. Zhang has extensive practical experience in administrative management and party affairs management.

Ms. Tang Hai-li, aged 47, holds a bachelor's degree in accounting from Zhejiang University of Finance and Economics. From July 1998 to October 1998, Ms. Tang Hai-li worked as an intern in Jiayou Supermarket of Hangzhou Department Store. From November 1998 to October 2024, Ms. Tang Hai-li worked in Hangzhou Lianhua Huashang Group Co., Ltd., and served as an integrator of Wensan Store, an integrator and director of Zhaohui Store, a lecturer and assistant manager of the training center, an assistant and deputy manager of the operation department, a deputy manager of the commodity department, a manager of the operation integrated management department, a manager of the second commodity department, an assistant and deputy general manager. From April 2024 to October 2024, Ms. Tang Hai-li held a temporary post as the deputy general manager of the Company. Ms. Tang Haili has rich practical experience in administrative management and supply chain management. Ms. Tang Hai-li was appointed as the deputy general manager of the Company on 5 December 2024.

Mr. Li Xiao-xian, aged 43, has a junior college degree in computer technology and application from Shanghai University of Electric Power. From July 2005 to September 2007, Mr. Li Xiao-xian worked as an operation manager in Shanghai Linktone Consultation Co., Ltd. (上海掌上靈通諮詢有限公司). (LTON). From October 2007 to August 2011, Mr. Li Xiao-xian worked as a senior manager in China Telecom Shanghai No.100 Information Service Co., Ltd (中國電信上海號百信息服務有限公司). From September 2011 to December 2014, Mr. Li Xiao-xian worked in Shanghai Chunyu Supply Chain Management Co., Ltd. (上海春宇供應鏈管理有限公司), and successively served as the director of technology, operation, products, commerce, marketing and cross-border departments. From December 2014 to June 2015, Mr. Li Xiao-xian served as an executive deputy general manager in Nolaishi Trading (Shanghai) Development Co., Ltd. (諾萊士商貿(上海)發展有限公司). From July 2015 to October 2016, Mr. Li Xiao-xian served as a director and the deputy general manager of Shanghai Aojing Food Co., Ltd. (上海澳晶食品有限公司). From October 2016 to December 2016, Mr. Li Xiao-xian served as the general manager of the operation center in Shanghai Guoye cross-border electronic commerce Co., Ltd. (上海國燁跨境電子商務有限公司). Since December 2016, Mr. Li Xiao-xian has worked in Bailian Omni-Channel E-Commerce Co., Ltd., and successively served as deputy general manager of the recruitment center, senior director of the risk control audit department and the strategic development department. Since July 2022, Mr. Li Xiao-xian has been the deputy general manager of Bailian Omni-channel E-commerce Co., Ltd. Mr. Li Xiao-xian has rich management experience in the field of digitalization. Mr. Li Xiao-xian was appointed as the chief information officer of the Company on 5 December 2024.

Mr. Wei Qing, aged 52, graduated from East China University of Political Science and Law with a doctorate in international law. Mr. Wei has rich legal experience. From September 2005 to January 2007, Mr. Wei was a teacher and associate professor in the Law School of Shanghai Institute of Foreign Trade. From January 2007 to January 2010, Mr. Wei served as the deputy director of Shanghai Community Service Center. From January 2010 to November 2012, Mr. Wei successively served as the head, secretary of the Party Branch and director of the Shanghai Residents' Economic Situation Check Center. From November 2012 to December 2020, Mr. Wei worked in Shanghai Civil Affairs Bureau, and successively served as deputy director and director of the Policy and Regulation Department, director of the Propaganda and Informatization Department, and director of the Social Assistance Department (Income Checking Department). Since December 2020, Mr. Wei has been the senior director of Legal Affairs in Bailian Group Co., Ltd. Mr. Wei was appointed as the general counsel of the Company on 5 December 2024.

Shareholding Structure*

15.15%
SHANGHAI BAILIAN GROUP CO., LIMITED

43.91%
BAILIAN GROUP CO., LTD.

2.14%
WONG SUN HING INVESTMENT CO., LTD

25.18%
H SHARES

13.62%
ALIBABA (CHINA) TECHNOLOGY CO., LTD

* Note: As at the date of this annual report.

Response


心选低价
Great Value
29.80
59.90
7.80
来联华 与美
SMILE EVER
美味
聚烟火
联华
Lianhua


心选低价
— Great Value —
用心过好生活
LIVE THE GOOD LIFE
百联到家 最快30分钟达
OMO
Dettol
4合1 除菌洗衣凝珠
18送6颗
心选低价
Great Value

Report of the Directors

The Board is pleased to present to the Shareholders the report of the Company for the year ended 31 December 2024.

Principal Activities and Business Review

The principal activities of the Group include the operation of hypermarkets, supermarkets and convenience stores in the PRC, mainly under four major brands of "Century Mart", "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik". The principal activities and other particulars of the subsidiaries are set out in note 50 to the consolidated financial statements of the annual report.

Further discussion and analysis of these activities mentioned above, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 18 to 37 of the annual report. These discussions form part of this Directors' report.

The analysis of the principal activities of the Group during the financial year are set out in note 5 to the consolidated financial statements of the annual report.

Major Suppliers and Customers

Percentages of purchases and sales attributable to major suppliers and customers of the Company during the year are as follows:

	2024 percentage	2023 percentage
Purchases		
Largest supplier	**1.10**	2.59
Five largest suppliers	**4.65**	9.08
Sales		
Largest customer	**0.27**	0.24
Five largest customers	**0.64**	0.64

During any time within the year ended 31 December 2024, to the best knowledge of the Directors, neither the Directors, Supervisors, their respective associates, nor any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued share capital of the Company) had any direct or indirect interest in the share capital of the Group's suppliers and customers mentioned above.

The analysis of the key relationship with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends can be found in the Environmental, Social and Governance Report as set out on pages 246 to 336 of the annual report.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on pages 16 to 17 of the annual report.

Accounts

The audited 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 149 of the annual report.

The financial condition of the Group as at 31 December 2024 is set out in the consolidated statement of financial position on pages 150 to 151 of the annual report.

The cash flow of the Group for the year ended 31 December 2024 is set out in the consolidated statement of cash flow on pages 153 to 154 of the annual report.

Dividend Distribution

The Company has adopted a policy on dividend payment in accordance with code provision F.1.1 of the Corporate Governance Code. The decision to pay dividends will depend on, among other things, the Company's financial results, current and future business operations, liquidity and capital requirements, financial position and other factors deemed relevant by the Board. The Company will regularly review the dividend policy.

The Board recommends not to distribute final dividend for the year ended 31 December 2024.

Reserves

Details of the movements in reserves during the period under review are set out in the consolidated statement of changes in equity on page 152 of the annual report.

Fixed Assets

Movements of fixed assets during the period under review are set out in note 16 to the consolidated financial statements of the annual report.

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB150,000.

Bank Loans, Overdrafts and Other Borrowings

As at 31 December 2024, the Group had no bank borrowings.

Capitalised Interest

During the period under review, no interest of construction in progress has been capitalised.

Listing of Shares and Changes

H shares of the Company were listed on the Main Board of the Stock Exchange on 27 June 2003.

The Company placed 34,500,000 new H shares on 4 October 2004. Accordingly, the total number of shares of the Company in issue increased from 587,500,000 shares to 622,000,000 shares. H shares in issue increased from 172,500,000 shares to 207,000,000 shares, representing approximately 33.28% of the Company's total share capital.

The Company issued 8 additional shares to the Shareholders whose names appeared on the register of members of the Company on the record date, i.e. 28 June 2011, for every 10 shares held by them by way of capitalization of the capital reserve fund on 8 September 2011. The total number of shares of the Company in issue increased from 622,000,000 shares to 1,119,600,000 shares. H shares in issue increased from 207,000,000 shares to 372,600,000 shares, representing approximately 33.28% of the Company's total share capital. Please refer to the circular of the Company dated 13 May 2011 for details of the issue.

On 12 May 2024, the Company entered into the Share Subscription Agreement (the "Share Subscription Agreement") with Bailian Group, according to the terms of the Share Subscription Agreement, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new Domestic Shares at the subscription price of RMB1.00 per new Domestic Share. As the completion of the Domestic Share Subscription took place on 25 February 2025 in accordance with the terms and conditions of the Share Subscription Agreement, the total shares of the Company in issue increased to 1,479,600,000 shares from 1,119,600,000 shares. Among which, the total domestic and unlisted foreign shares of the Company in issue increased to 1,107,000,000 shares from 747,000,000 shares. Please refer to the announcements of the Company dated 12 May 2024 and dated 25 February 2025, and the circular of the Company dated 31 July 2024 for details of the Share Subscription Agreement.

Information on the performance of H shares of the Company in 2024:

Highest trading price per H share during the year	HK$0.550
Lowest trading price per H share during the year	HK$0.179
Total turnover volume of H shares during the year	91.3128 million shares
Closing price per H share as at 31 December 2024	HK$0.325

Public Float

The Company confirms that the Company's public float during the period under review complied with the applicable requirements of the Listing Rules.

Share Capital

As at 31 December 2024, the classes and number of shares of the Company are as follows:

	Number of issued shares	
Class of shares	**('000 shares)**	**Percentage (%)**
Domestic shares	**715,397.4**	63.90
Attributable to:		
Bailian Group Co., Ltd.	**289,661.4**	25.87
Shanghai Bailian Group Co., Limited	**224,208**	20.03
Alibaba (China) Technology Co., Ltd.	**201,528**	18.00
Unlisted foreign shares	**31,602.6**	2.82
Attributable to:		
Wong Sun Hing Investment Co., Ltd.	**31,602.6**	2.82
H shares	**372,600.0**	33.28
Total	**1,119,600.0**	100.00

Number of Shareholders

As at 31 December 2024, details of Shareholders as recorded in the register of members of the Company are as follows:

Total number of Shareholders	32
Shareholders of domestic shares	3
Shareholders of unlisted foreign shares	1
Shareholders of H shares	28

Legal Status of Unlisted Foreign Shares

Set out below is the summary of legal opinions given by Grandall Law Firm (Shanghai) on the rights attached to unlisted foreign shares (the "Unlisted Foreign Shares"). The rights attached to the Unlisted Foreign Shares, which are subject to certain restrictions on transfer as referred to in the Prospectus and may become H shares of the Company (the "H Shares") upon obtaining the requisite approvals from, among others, the China Securities Regulatory Commission (the "CSRC") and the Stock Exchange, are not expressly provided under the existing PRC laws or regulations. The Company's creation of Unlisted Foreign Shares and the subsistence of the Unlisted Foreign Shares do not contravene any PRC laws or regulations.

At present, there are no express laws and regulations in the PRC governing the rights attached to the Unlisted Foreign Shares. Grandall Law Firm (Shanghai) advised that until new laws or regulations are introduced in this aspect, holders of the Unlisted Foreign Shares shall be treated the same as holders of domestic shares (the "Domestic Shares") of the Company (in particular, in respect of the rights to attend and vote at general meetings and to receive notice of such meetings in the same manner as holders of Domestic Shares), except that the holders of the Unlisted Foreign Shares enjoy the following rights to which the holders of Domestic Shares are not entitled:

(a) to receive dividends declared by the Company in foreign currencies; and

(b) in the event of winding up of the Company, to remit their respective shares of the remaining assets (if any) of the Company out of the PRC in accordance with the applicable foreign exchange control laws and regulations of the PRC.

According to the requirements under the Articles of Association of the Company (the "Articles of Association"), in general, disputes among the Shareholders are required to be settled through arbitration. Such dispute resolution requirements are also applicable to disputes between holders of H Shares and holders of Unlisted Foreign Shares and disputes between holders of Unlisted Foreign Shares and holders of Domestic Shares.

As advised by Grandall Law Firm (Shanghai), the Unlisted Foreign Shares can be converted into new H Shares subject to satisfaction of the following conditions:

(a) the expiry of a period of one year from the date on which the Company was converted from a limited company into a joint stock limited company and listed on the Stock Exchange;

(b) documents regarding the conversion of Unlisted Foreign Shares having been filed with the CSRC by the Company;

(c) approval granted by the Stock Exchange for the listing and trading of the new H Shares converted from the Unlisted Foreign Shares;

(d) approval granted by the Shareholders of the Company at a general meeting for the conversion of Unlisted Foreign Shares into new H Shares in accordance with the Articles of Association; and

(e) full compliance with relevant PRC laws, rules, regulations and policies governing companies incorporated in the PRC and seeking permission for listing of shares outside the PRC and with the Articles of Association and any agreement among the Shareholders.

Upon satisfaction of all the conditions mentioned above and other conditions as may be imposed from time to time by the Stock Exchange, Unlisted Foreign Shares may be converted into new H Shares.

Disclosure of Interests

Directors, chief executive officer and Supervisors of the Company

As at 31 December 2024, none of the Directors, Supervisors or chief executive officer of the Company had any interest and short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are regarded or deemed to have under such provisions of the SFO), or interests and short positions which were required, pursuant to section 352 of the SFO, to be entered in the Company's register referred to therein, or interests and short positions which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules.

Substantial Shareholders

So far as the Directors are aware, as at 31 December 2024, the following persons (not being a Director, chief executive officer or Supervisor of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Class of shares	No. of domestic shares/unlisted foreign shares/ H shares	Approximate percentage of total voting rights of the Company	Approximate percentage of voting rights of domestic shares and unlisted foreign shares	Approximate percentage of voting rights of H shares	Capacity of Interest
Bailian Group Co., Ltd. (Note 1)	domestic shares	289,661,400	25.87%	38.78%	–	Beneficial owner
	domestic shares	224,208,000	20.03%	30.01%	–	Interest of corporation controlled
Shanghai Bailian Group Co., Limited (Note 1)	domestic shares	224,208,000	20.03%	30.01%	–	Beneficial owner
	domestic shares	254,160,000	22.70%	34.02%	–	other
Alibaba Group Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao China Holding Limited (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Taobao (China) Software Co., Ltd. (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Interest of corporation controlled
Alibaba (China) Technology Co., Ltd. (Note 2)	domestic shares	201,528,000	18.00%	26.98%	–	Beneficial owner
Xu Zi-zuo	H shares	53,357,000(L)	4.77%	–	14.32%(L)	Beneficial owner
China Galaxy International Asset Management (Hong Kong) Co., Limited (Note 3)	H shares	51,988,000(L)	4.64%	–	13.95%(L)	Investment manager
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) (Note 3)	H shares	51,988,000(L)	4.64%	–	13.95%(L)	Interest of corporation controlled
Corornation Global Fund Managers (Ireland) Ltd.	H shares	37,130,454(L)	3.32%	–	9.97%(L)	Investment manager
Julius Baer International Equity Fund	H shares	12,191,558(L)	1.09%	–	5.89%(L)	Beneficial owner

(L) = Long position
(S) = Short position
(P) = Lending pool

Notes:

1. As at 31 December 2024, Bailian Group Co., Ltd. ("Bailian Group") directly and indirectly holds approximately 50.51% of the shares in Shanghai Bailian Group Co., Limited ("Shanghai Bailian"). As at 31 December 2024, Shanghai Bailian held 224,208,000 shares of the Company. Thus, Bailian Group directly and indirectly holds 513,869,400 shares of the Company, or approximately 45.90% in proportion. On 17 April 2015, Bailian Group and Shanghai Bailian entered into the equity entrustment agreement (《百聯集團有限公司與上海百聯集團股份有限公司之託管協議》) ("Equity Entrustment Agreement"), pursuant to which, Shanghai Bailian will manage the 254,160,000 shares held by Bailian Group, as well as the statutory interest (excluding cash) of the aforementioned shares during the term of the Equity Entrustment Agreement due to ex rights events such as bonus share distribution and capital reserve conversion to share capital, and the shares allocated to Bailian Group during the entrustment period, and exercise shareholder rights other than asset income rights and disposal rights of the entrusted shares.

   As at 31 December 2024, (i) Mr. Pu Shao-hua, the Chairman and a non-executive Director, was a director, the president and deputy secretary of the Party Committee of Bailian Group; (ii) Ms. Wang Xiao-yan, the Vice Chairman, an executive Director and the general manager of the Company, was a director of Bailian Omni-channel E-commerce Co., Ltd.* (百聯全渠道電子商務有限公司); (iii) Ms. Zhang Hui-qing, an executive Director of the Company, was the chairman of Hangzhou Lianhua Huashang Group Co.,Ltd.* (杭州聯華華商集團有限公司); (iv) Mr. Cao Hai-lun, a non-executive Director of the Company, was a director, the deputy secretary of the Party Committee and the general manager of Shanghai Bailian; (v) Ms. Yang Qin, a non-executive Director, was a director, the chief financial officer and secretary of the board of directors of Shanghai Bailian; (vi) Mr. Li Feng, a supervisor and the chairman of the supervisory committee of the Company, was the senior director of the audit and risk control center of Bailian Group, a supervisor of Shanghai Bailian and the chairman of the supervisory committee of Shanghai First Pharmaceutical Co., Ltd. (上海第一醫藥股份有限公司); and (vii) Mr. Luo Yang-hong, a supervisor of the Company, was the deputy general manager of finance of Shanghai Bailian.

2. Alibaba Group Holding Limited holds 100% of the shares in Taobao Holding Limited, Taobao Holding Limited holds 100% of the shares in Taobao China Holding Limited, Taobao China Holding Limited holds 100% of the shares in Taobao (China) Software Co., Ltd., Taobao (China) Software Co., Ltd. holds 57.59% of the shares in Alibaba (China) Technology Co., Ltd., Alibaba (China) Technology Co., Ltd. holds 201,528,000 shares of the Company, representing 18% share capital of the Company. Thus, Alibaba Group Holding Limited, Taobao Holding Limited, Taobao China Holding Limited and Taobao (China) Software Co., Ltd. are all deemed to be interested in the shares held by or deemed to be interested by Alibaba (China) Technology Co., Ltd.

3. China Galaxy International Asset Management (Hong Kong) Co., Limited holds 100% of the shares in China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP). China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) holds 51,988,000 H shares of the Company. Thus, China Galaxy International Asset Management (Hong Kong) Co., Limited directly and indirectly holds 51,988,000 H shares of the Company, or approximately 4.64% in proportion.

4. According to the share subscription agreement entered into between the Company and Bailian Group on 12 May 2024, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new Domestic Shares at a subscription price of RMB1.00 per new Domestic Share. These Shares will be managed by Shanghai Bailian in accordance with the Equity Entrustment Agreement. For details, please refer to the announcement of the Company dated 12 May 2024 and the circular of the Company dated 31 July 2024. This issuance was completed on 25 February 2025. After completion, Bailian Group holds 649,661,400 shares of the Company, accounting for about 59.06% of the total issued share capital of the Company. For details, please refer to the announcement of the Company dated 25 February 2025.

Save as disclosed above, the Directors are not aware of any persons holding any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register pursuant to section 336 of the SFO as at 31 December 2024.

Competing Interests

As at 31 December 2024, according to the Listing Rules, other than the Director disclosed below, none of the Directors had any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group (except for those businesses in which Directors are appointed as Directors to represent the interests of the Company and/or the Group under the Listing Rules).

Name of Director	Name of entity whose business is considered to complete or likely to compete with the business of the Group	Description of business of the entity which is considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Shen Chen	Sanjiang Shopping Club Co., Ltd.* (三江購物俱樂部股份有限公司)	Community fresh supermarket business	Director

Ultimate Holding Company

As at the date of this report, Bailian Group, a company incorporated in the PRC with limited liability, is the ultimate holding company of Shanghai Bailian. Accordingly, Bailian Group is the ultimate holding company of the Company.

Pre-emptive Rights

There are no provisions under the Articles of Association of the Company or any applicable laws and regulations requiring the Company to offer pre-emptive rights of new shares to its existing Shareholders in accordance with the proportion of their respective shareholdings.

Management Contracts

No contracts for the management and administration of the whole or any substantial part of any business of the Company existed or was entered into during the year ended 31 December 2024.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2024.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

Except as disclosed in this report, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the financial year.

Directors and Supervisors

The Directors and Supervisors during the period under review and up to the date of this report were as follows:

Executive Directors

Mr. Chong Xiao-bing (Note 1)
Ms. Wang Xiao-yan *(Vice Chairman)* (Note 2)
Ms. Zhang Hui-qin (Note 3)
Mr. Zhu Ding-ping (Note 4)

Non-executive Directors

Mr. Pu Shao-hua *(Chairman)*
Mr. Shi Xiao-long (Note 5)
Ms. Hu Xiao (Note 6)
Ms. Shen Chen (Note 7)
Ms. Zhang Shen-yu (Note 8)
Mr. Cao Hai-lun (Note 9)
Mr. Dong Xiao-chun (Note 10)
Ms. Yang Qin (Note 11)
Mr. Wong Tak Hung (Note 12)

Independent Non-executive Directors

Mr. Xia Da-wei
Mr. Lee Kwok Ming, Don
Mr. Chen Wei
Mr. Zhao Xin-sheng

Supervisors

Mr. Li Feng *(Chairman)*
Ms. Tang Hao
Mr. Luo Yang-hong

Notes:

1. Mr. Chong Xiao-bing resigned as an executive Director on 27 November 2024.

2. Ms. Wang Xiao-yan was appointed as an executive Director on 27 November 2024, and was appointed as the vice chairman of the Company on 5 December 2024.

3. Ms. Zhang Hui-qin was appointed as an executive Director and the vice chairman of the Company on 7 February 2024, and resigned as the vice chairman of the Company on 27 November 2024.

4. Mr. Zhu Ding-ping was appointed as an executive Director of the Company on 7 January 2025.

5. Mr. Shi Xiao-long resigned as a non-executive Director and the vice chairman of the Company on 7 February 2024.

6. Ms. Hu Xiao resigned as a non-executive Director on 24 September 2024.

7. Ms. Shen Chen was appointed as a non-executive Director on 24 September 2024.

8. Ms. Zhang Shen-yu resigned as a non-executive Director on 5 December 2024.

9. Mr. Cao Hai-lun was appointed as a non-executive Director on 5 December 2024.

10. Mr. Dong Xiao-chun resigned as a non-executive Director on 24 May 2024.

11. Ms. Yang Qin was appointed as a non-executive Director on 24 May 2024.

12. Mr. Wong Tak Hung resigned as a non-executive Director on 7 January 2025.

Details of the profiles of the Directors, Supervisors and senior management of the Company are set out on pages 40 to 51 of the annual report.

Directors' and Supervisors' Service Contracts

The Company has entered into service contract with each of the executive Directors and independent non-executive Directors with a term ending on the date of conclusion of the annual general meeting of the Company for the year 2025, and such term is renewable subject to applicable laws. Neither the Directors, nor the Supervisors have a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance (as defined in the Listing Rules, and which remained effective during the year or at the end of the year) to the business of the Company to which the Company or its fellow subsidiaries was a party and in which a Director or Supervisor or a person connected to a Director or Supervisor had material interests, either directly or indirectly, subsisted as at balance sheet date or at any time during the period under review.

Interest in Shares or Debentures Acquired by the Directors and Supervisors

During the period under review, no arrangement was entered into by the Company or its fellow subsidiaries which enabled the Directors or Supervisors to acquire the shares or bonds of the Company.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and senior management.

Directors' Remuneration

The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the remuneration packages of each Director, market rates and factors such as each Director's workload, working time and responsibility will be taken into account. In addition, factors comprising economic and market situations, individual contributions to the Group's results and development as well as individual's potential are considered when determining the remuneration packages of executive Directors. Please refer to note 13 to the consolidated financial statements of the Company for details of the Director's remuneration.

Independence of the Independent Directors

The Company has received written confirmation from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules concerning their independence. The Company considers that all existing independent non-executive Directors comply with the provisions of Rule 3.13 of the Listing Rules and are independent.

Highest Paid Individuals

All the five highest paid individuals of the Company during the period under review included one of Directors of the Company. Details of their remuneration are set out in note 14 to the consolidated financial statements in this annual report.

Retirement Pension Schemes

In accordance with applicable laws and regulations in the PRC, full-time employees of the Group participate in various defined contribution retirement benefit schemes established by the relevant municipal and provincial governments of the PRC, under which the Group and the employees were required to make monthly contributions to these schemes at a particular percentage of the employees' salaries during the relevant periods. Forfeited contributions may not be used by the Company to reduce the existing level of contributions.

Please refer to note 42 to the consolidated financial statements of the Company for details of the retirement pension schemes.

Change of Auditors

During the past three years, there was no change of the auditor of the Company.

Significant Litigation

During the period under review, the Company was not engaged in any significant litigation.

Connected and Related Party Transactions

During the period under review, the Group had significant transactions with related parties (as detailed in note 49 to the consolidated financial statements), certain of which fall into connected or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules, the details of which are set out below.

(a) Connected and related party transactions

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Sales to fellow subsidiaries	**379,602**	603,185
Purchases from an ultimate holding company and fellow subsidiaries	**169,860**	161,342
Sales return from/to other related parties	**(175)**	839
Rental income from fellow subsidiaries	**28,057**	55,515
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	**4,404**	5,900
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	**6,767**	6,832
Service and platform usage fee charged by other related parties	**9,437**	26,260
Property management fee charged by fellow subsidiaries	**8,941**	12,294
Interest expenses on lease liabilities charged by fellow subsidiaries	**1,933**	3,127
Interest income earned from a fellow subsidiary	**36,929**	1,763
Platform usage fee charged by fellow subsidiaries	**42,321**	41,483
Logistics resources leasing fee charged by fellow subsidiaries	**1,974**	2,085
Logistics and delivery service fee charged by fellow subsidiaries	**73**	176
Logistics and delivery service income from fellow subsidiaries	**2,028**	4,815
Logistics and delivery service fee charged by the other related parties	**22,895**	3,217
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	**12,006**	15,713
Transaction amounts transferred from a fellow subsidiary's settlement account into the Group's relevant account upon redemption of membership points by the customers	**6,037**	11,515
Financial services fee for Financial Services Agreement	**656**	–
Cash and cash equivalents in a fellow subsidiary	**1,200,000**	405,729
Investment and wealth management cooperation with a fellow subsidiary	**1,332,593**	995,628

Fellow subsidiaries referred above are other subsidiaries of Bailian Group.

The Company confirms that it has complied with the applicable disclosure requirements, in respect of the above transactions, in accordance with Chapter 14A of the Listing Rules. Please refer to the subsequent section headed "Connected Transactions" for details of the above transactions.

(b) Related party transactions not falling into connected transactions

	2024 RMB'000	2023 RMB'000
Purchases from associates – Shanghai Gude Business Cooperation Company and Shanghai Sanming Taige Information Technology Co., Ltd.	**1,036**	3,140

Connected Transactions

The following transactions of the Group constitute connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules, mainly concerning:

Connected Transactions – Share Subscription Agreement

On 12 May 2024, the Company entered into the Share Subscription Agreement (the "Share Subscription Agreement") with Bailian Group. According to the terms of the Share Subscription Agreement, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new Domestic Shares at the Subscription Price of RMB1.00 (equivalent to approximately HK$1.10051) per new Domestic Share, and is expected to raise gross proceeds of approximately RMB360 million (equivalent to approximately HK$396 million), which is intended to be used in (a) business ecological transformation; and (b) enhance general working capital of the Company.

Bailian Group and its subsidiary, Shanghai Bailian, directly and indirectly hold an aggregate of 513,869,400 Domestic Shares, representing approximately 45.90% of the Company's total issued share capital. According to the Listing Rules, Bailian Group constitutes a controlling shareholder of the Company and hence, a connected person of the Company. Accordingly, the Domestic Share Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent shareholders of the Company approved the Share Subscription Agreement and the transactions contemplated thereunder at the 2024 1st extraordinary general meeting of shareholders held on 27 August 2024.

The Company has received the share registration certificate dated 24 February 2025 issued by China Securities Depository and Clearing Corporation Limited in respect of the new Domestic Shares issued under the Domestic Share Subscription, and 360,000,000 Subscription Shares were duly allotted and issued by the Company to the Bailian Group at the Subscription Price of RMB1.00 (equivalent to approximately HK$1.10051) per Subscription Share pursuant to the specific mandate sought from the Independent Shareholders at the EGM. The Subscription Shares represent approximately 32.15% of the issued share capital of the Company immediately before completion of the Domestic Share Subscription and approximately 24.33% of the issued share capital of the Company immediately after completion of the Domestic Share Subscription. All conditions precedent under the Share Subscription Agreement as set out in the sub-section headed "Conditions precedent to the Share Subscription Agreement" of the circular of the Company dated 31 July 2024 have been satisfied and completion of the Domestic Share Subscription took place on 25 February 2025 in accordance with the terms and conditions of the Share Subscription Agreement.

Please refer to the announcements of the Company dated 12 May 2024 and dated 25 February 2025 and the circular of the Company dated 31 July 2024 for relevant details of the transaction.

Major Transactions and Connected Transactions – Equity Transfer Agreements

On 27 September 2024, Shanghai Dongran, an indirect wholly-owned subsidiary of Bailian Group, as the Purchaser, (i) Jiangsu Lianhua Equity Transfer Agreement with the Company in relation to the proposed sale of the entire equity interest in Jiangsu Lianhua; (ii) Anhui Century Lianhua Equity Transfer Agreement with Century Lianhua Development in relation to the proposed sale of the entire equity interest in Anhui Century Lianhua; and (iii) Hongkou Century Lianhua Equity Transfer Agreement with Century Lianhua Development in relation to the proposed sale of the entire equity interest in Hongkou Century Lianhua, for an aggregate consideration in the amount of approximately RMB145.5234 million. Upon completion of the equity transfers under the relevant Disposals contemplated under each of the Equity Transfer Agreements, Jiangsu Lianhua, Anhui Century Lianhua and Hongkou Century Lianhua (the "Target Subsidiaries") will cease to be subsidiaries of the Company.

The transactions contemplated under the Equity Transfer Agreements shall take place on the Completion Date in accordance with the terms of each of the Equity Transfer Agreements. Upon completion of the transactions contemplated under the Equity Transfer Agreements, the Target Subsidiaries will cease to be subsidiaries of the Company and their respective financial results will no longer be consolidated into the consolidated financial statements of the Group. The profits or losses (recognised as investment gain or loss) during the Transitional Period will be included in the Group's consolidated financial statements after the completion of the Disposals.

It is estimated that the Group will record a gain of approximately RMB149.2230 million based on the information currently available, including (i) the aggregate consideration for the transfer of entire equity interests in the Target Subsidiaries under the Equity Transfer Agreements of approximately RMB145.5234 million; and (ii) the total net asset value of the Target Subsidiaries as at the Valuation Date of approximately RMB-3.6996 million.

Based on the audited consolidated financial information of the Target Subsidiaries prepared in accordance with the PRC Accounting Standards for Business Enterprises, the total assets and total liabilities of the Target Subsidiaries as at 30 June 2024, on an aggregate basis, amounting to approximately RMB1,483.5461 million and RMB1,487.2457 million, respectively, will be derecognised from the consolidated financial statements of the Group upon completion of the Disposals and therefore resulting in an increase in net assets of the Group as at the Valuation Date of approximately RMB3.6996 million (without taking into account the settlement of the consideration in cash).

The above estimates are made based on the net assets value of the relevant Target Subsidiaries with reference to the audited financial statements thereof as at 30 June 2024 according to the PRC Accounting Standards for Business Enterprises and regulations applicable to enterprises established in the PRC, and the above estimates may be different from the estimates as at the Completion Date of the Disposals. The actual amount of gain or loss as a result of the Disposals to be recorded by the Group will be subject to review and final audit by the auditors of the Company, and it may be different from the estimated amount as it will be influenced by (i) the actual net assets value of the Target Subsidiaries as at the Completion Date; and (ii) the actual transaction costs incurred.

The Company intends to use the entire proceeds from the Disposals for replenishment of working capital. Among them, approximately 40% (approximately RMB58.2094 million) is used to pay for the labor salaries, approximately 40% (approximately RMB58.2094 million) is used to pay for the housing rent, property management fees and utilities, and approximately 20% (approximately RMB29.1047 million) is used for daily operating and administrative expenses.

Bailian Group is a substantial Shareholder, and Shanghai Dongran is an indirect wholly-owned subsidiary of Bailian Group. As such, Shanghai Dongran is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Equity Transfer Agreements and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant parties to each of the Equity Transfer Agreements are the same connected persons, under Rule 14A.81 of the Listing Rules, the transactions contemplated under each of the Equity Transfer Agreements shall be aggregated. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposals is more than 25%, the transactions contemplated under the Equity Transfer Agreements are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposals is more than 5%, the transactions contemplated under the Equity Transfer Agreements are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent shareholders of the Company approved the the Equity Transfer Agreements and the Disposals contemplated thereunder at the 2024 2nd extraordinary general meeting of shareholders held on 5 December 2024.

Please refer to the announcements of the Company dated 27 September 2024 and dated 17 February 2025 and the circular of the Company dated 19 November 2024 for relevant details of the transactions.

Continuing Connected Transactions – Entrustment Management Agreement

Upon completion of the Disposals under the Equity Transfer Agreements, the Company intends to enter into the Entrustment Management Agreement (the "Entrustment Management Agreement") with Shanghai Dongran, pursuant to which, the Company shall agree to provide operating management services and resources supporting services to Jiangsu Lianhua, Anhui Century Lianhua and Hongkou Century Lianhua for a term of three years commencing from the effective date of the Entrustment Management Agreement.

During the term of the Entrustment Management Agreement, the Company shall be in charge of the operation and management over the daily operation and management matters of the Target Subsidiaries including, among others, procurement, sales, investment promotion, development, finance, personnel, party-related affairs, as well as the operation and decision of the main business. Specifically:

(1) organize and arrange for the Target Subsidiaries to implement daily sales, operation and management in accordance with the Company's operation management system, business management system and financial management system (including but not limited to relevant regulations, systems, processes and approval authority);

(2) approving, organizing and promoting the Target Subsidiaries to complete the SBP planning, annual operation plan, annual outlet development and renovation plan, annual investment plan and the relevant assessment indicators;

(3) approve the annual financial budget formulated by the Target Subsidiaries, carry out financial control of the Target Subsidiaries and budget, control and appraisal of sales, costs and expenses;

(4) approving and adjusting the organizational structure of the Target Subsidiaries, hiring and firing of employees, salaries and benefits of employees, and making recommendations on the appointment and removal of directors and supervisors;

(5) other powers and functions granted to the Company by Shanghai Dongran, as a shareholder of the Target Subsidiaries, upon mutual agreement.

In addition, during the entrusted management period, the Company will fully utilize its own brand, merchandise and management advantages to provide relevant resources support to the Target Subsidiaries, including:

(1) personnel management support: the Company shall despatch a management team of not less than 4 members to the Target Subsidiaries to organize, collaborate and assist the Target Subsidiaries to implement sales, operation and management activities and endeavor to ensure the achievement of the entrustment management goals;

(2) brand support: the Company shall authorise the Target Subsidiaries to use the brand of Lianhua Supermarket and Century Lianhua;

(3) information system support: the Company shall agree to or shall authorize the Target Subsidiaries to use various types of information systems (including but not limited to financial, business, OA systems, etc.) purchased or researched and developed by the Company; and

(4) merchandise supply support: the Company shall provide good supply and logistics services to Target Subsidiaries at market price and on normal commercial terms.

For the avoidance of doubt, during the term of the Entrustment Management Agreement, the property rights, assets, debts, liabilities of the rights and the independent legal entities of the Target Subsidiaries remain unchanged. Shanghai Dongran will remain its ownership, the right to income and final decision-making authority over the Target Subsidiaries. Non-routine business and management matters are outside the scope of the entrustment and will continue to be handled solely by Shanghai Dongran in accordance with the laws. The Target Subsidiaries shall be responsible for its own day-to-day selling, operating, and management (or business) expenses, and the profits or losses generated are also enjoyed or borne by the Target Subsidiaries.

The annual cap service fee receivable by the Company under the Entrustment Management Agreement for each financial year during the term of the Entrustment Management Agreement shall be RMB4,000,000.

Bailian Group is a substantial Shareholder, and Shanghai Dongran is an indirect wholly-owned subsidiary of Bailian Group. As such, Shanghai Dongran is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Entrustment Management Agreement and the transactions contemplated thereunder, if materialised, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to the proposed entering into the Entrustment Management Agreement, as the highest applicable percentage ratio (as defined under the Listing Rules) on an annual basis in respect of the transactions contemplated thereunder will be more than 0.1% but less than 5%, the transactions contemplated thereunder are therefore subject to the reporting, announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 17 February 2025, the Entrustment Management Agreement has been duly signed between the Company and Shanghai Dongran, which has come into effect and will expire on 31 December 2027, upon mutual consent of both parties.

The entrusted management fees are determined based on the conditions of the Target Companies, the costs of providing the entrusted management services, and the operational performance of the Target Companies from 2022 to 2024. Specifically:

(1) Labour Costs: The costs incurred by the Group for providing the entrusted management services, including the number and wages of personnel, are expected to be based on the development goals and overall work requirements of the Target Companies. The Company plans to assign no more than four mid-to-senior level management personnel to take charge of the entrusted management of the Target Companies, covering comprehensive management, operational management, financial management and human resources management. The estimated labour costs are based on the expected workload and the salary levels of personnel with similar management functions within the Group.

(2) Brand Usage Fees: These fees are determined based on the actual conditions of the Company, including operational scale, and by referencing (i) the standard rates charged by the Group to our non-wholly-owned subsidiaries for brand usage; and (ii) the industry attributes, reputation, and market position of the Company. Brand usage fees are charged at a rate of 0.2% of the expected main business revenue of the Target Companies for each year during the term of the Entrusted Management Agreement, taking into account the performance of the Target Companies in the two financial years preceding the relevant year during the term of the Entrusted Management Agreement.

(3) Information System Usage Fees: Given the information system services to be used by the Target Companies in its revenue-generating principal activities, the estimated fees shall be determined with reference to (i) the Group's amortization and operational costs for the information system in the two preceding financial years, and (ii) the proportion of the main business revenue of the Target Companies compared to the Group's main business revenue for the two financial years preceding the relevant year during the term of the Entrusted Management Agreement, then the estimated fees are calculated based on the estimated proportion of the Target Companies' information system amortization of the Group.

The annual cap for the service fees payable by Shanghai Dongran under the Entrusted Management Agreement is RMB4,000,000 for each financial year during the term of the Entrusted Management Agreement. The annual cap is determined taking into account the followings: (i) the estimated costs for providing the entrusted management services including, labour costs, brand usage fees, and information system usage fees, in accordance with the terms of the Entrusted Management Agreement; and (ii) a contingency (not exceeding 10%) reserved based on the estimates made according to the pricing policy.

Please refer to the announcements of the Company dated 27 September 2024, 17 February and 28 March 2025 for relevant details of the transaction.

Connected Transaction and Continuing Connected Transactions – Shanghai Qingpu Leasing Agreement and Termination Agreement

On 3 December 2021, Shanghai Century Lianhua Supermarket Qingpu Co., Ltd. ("Century Lianhua Qingpu") entered into the Shanghai Qingpu Leasing Agreement (the "Shanghai Qingpu Leasing Agreement") with Yinggang Road Branch of Shanghai Qingpu Bailian Orient Shopping Center Co., Ltd. ("SQBOSC Yinggang Road Branch"), pursuant to which, SQBOSC Yinggang Road Branch agreed to lease the Qingpu Premise to Century Lianhua Qingpu, for a term of 10 years commencing from 15 November 2021 to 14 November 2031 (both days inclusive).

The rents payable by Century Lianhua Qingpu under the Shanghai Qingpu Leasing Agreement will be the higher of: (i) the basic rents and fees (including the basic rents and the property management fees) and (ii) the turnover rents, and shall be paid on a quarterly basis by Century Lianhua Qingpu to SQBOSC Yinggang Road Branch.

The basic rents and fees are calculated as follows: basic rents and fees = the unit price (i.e. RMB1.876, including RMB1.376 for the basic rents and RMB0.5 for the property management fees) × total leasing area (i.e. 3,675.75 square meters) × 365 days. The basic rents and fees will increase by 6% for every three years starting from the fourth year of the Shanghai Qingpu Leasing Agreement.

The turnover rents are calculated as follows: turnover rents = turnover (tax inclusive) × 5%.

The estimated annual rents payable under the Shanghai Qingpu Leasing Agreement for each year during the leasing period will be subject to an annual cap of RMB7,000,000, including annual rents and property management fees of RMB5,200,000 per year, utilities, energy subsidies and other related expenses of RMB1,800,000 per year.

As the Hong Kong Financial Reporting Standard 16 Leases has become effective on 1 January 2019 and applied to financial years beginning on or after 1 January 2019, with respect to the continuing connected transactions under the Shanghai Qingpu Leasing Agreement, the Company is required to set an annual cap on the value of right-of-use assets. The right-of-use assets shall be initially measured in accordance with the cost, including the initial measurement amount of lease liability, etc., among which, the lease liability shall be initially measured based on the present value of the rents which have not been paid at the commencement of the term of the Shanghai Qingpu Leasing Agreement. The annual cap for the value of right-of-use assets under the Shanghai Qingpu Leasing Agreement is RMB16,000,000 for each year, which is determined with reference to the estimated annual rents payable by Century Lianhua Qingpu to SQBOSC Yinggang Road Branch.

SQBOSC Yinggang Road Branch is a subsidiary of Bailian Group, a substantial Shareholder. Accordingly, the transactions contemplated under the Shanghai Qingpu Leasing Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio of the transactions contemplated under the Shanghai Qingpu Leasing Agreement exceeds 0.1% but is less than 5%, the relevant transactions are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the term of the Shanghai Qingpu Leasing Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has engaged the Independent Financial Adviser to review the Shanghai Qingpu Leasing Agreement and the Independent Financial Adviser has confirmed that it is normal business practice for agreements of this type to be of such duration.

For the year ended 31 December 2024, the actual transaction amount of annual rent payable under the Shanghai Qingpu Leasing Agreement is approximately RMB1,558 thousand.

On 13 September 2024, Century Lianhua Qingpu, a subsidiary of the Company, entered into the Termination Agreement (the "Termination Agreement") with SQBOSC Yinggang Road Branch, a subsidiary of Shanghai Bailian, a substantial Shareholder, in relation to, among others, the early termination of the Shanghai Qingpu Leasing Agreement.

Pursuant to the Termination Agreement:

(1) A total sum of RMB1 million is payable by SQBOSC Yinggang Road Branch to Century Lianhua Qingpu as compensation payment for the early termination of the Shanghai Qingpu Leasing Agreement in accordance with the terms thereof. The sum represents the entire sum payable by SQBOSC Yinggang Road Branch to Century Lianhua Qingpu in connection to the early termination of the Shanghai Qingpu Leasing Agreement and covers compensation for all losses to be incurred by Century Lianhua Qingpu.

(2) Century Lianhua Qingpu undertakes to actively cooperate with SQBOSC Yinggang Road Branch for adjustments.

(3) Both parties shall not be liable to each other for any breach of contract or compensation other than the compensation set out above.

According to HKFRS 16, the entering into of the Termination Agreement will require the Company to derecognise the right-of-use asset in the consolidated financial statements of the Group. As at 30 June 2024, the remaining right-of-use asset recognised by the Group in connection with the tenancy of the Premise is approximately RMB11.61 million. Therefore, the entering into of the Termination Agreement will not result in any material impact on the financial position of the Company.

Based on HKFRS 16, the entering into of the Termination Agreement will require the Company to derecognise the right-of-use asset in the consolidated financial statements of the Group in connection with the tenancy of the Premise. Therefore, the transaction contemplated under the Termination Agreement will be regarded as a disposal of right-of-use asset by the Group under the Listing Rules. Shanghai Bailian is a substantial Shareholder, and SQBOSC Yinggang Road Branch is a wholly-owned subsidiary of Shanghai Bailian. As such, SQBOSC Yinggang Road Branch is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Termination Agreement and the transactions contemplated thereunder constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transaction under the Termination Agreement, calculated based on the value of the right-of-use assets of the Premise under the Termination Agreement is more than 0.1% but less than 5%, the entering into of the Termination Agreement and the transaction contemplated thereunder is therefore subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 3 December 2021 and dated 13 September 2024 for relevant details of the transaction.

Very Substantial Acquisition, Connected Transaction and Continuing Connected Transactions – Single Asset Management Contract and Supplemental Agreement

Hangzhou Lianhua Huashang Group Co.,Ltd. ("Lianhua Huashang"), a subsidiary of the Company, entered into the Single Asset Management Contract (the "Single Asset Management Contract") dated 8 July 2021 with Shanghai Securities and the Custodian Bank in relation to the setting up of the Scheme and the investment and management of Entrusted Assets by Shanghai Securities for the benefit of Lianhua Huashang.

As the Single Asset Management Contract is expiring on 31 December 2023, Lianhua Huashang, entered into the Supplemental Agreement (the "Supplemental Agreement") with Shanghai Securities and the Custodian Bank, on 27 September 2023, to renew the Single Asset Management Contract in relation to the provision of the asset management and investment services for the Entrusted Assets by Shanghai Securities and the Custodian Bank and make certain amendments to the Single Asset Management Contract, for an extended term of 3 years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive), pursuant to which, Shanghai Securities will invest and manage the Entrusted Assets that have been entrusted to it by Lianhua Huashang, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines provided under the Single Asset Management Contract (as supplemented).

Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, such increased amount (being the difference between the increased total amount of Entrusted Assets and the net assets of the Scheme as at 1 January 2024) shall be paid in full by no later than 29 February 2024. As at 15 September 2023, the balance of net assets of the Scheme in the escrow account was RMB698.6236 million.

Subject to the terms and conditions of the Single Asset Management Contract (as supplemented), based on the market conditions, Lianhua Huashang shall have the right to withdraw the Entrusted Assets by serving written redemption notice upon Shanghai Securities copying the Custodian Bank at least three business days before the application date of the withdrawal, provided that, the total amount of Entrusted Assets after withdrawal shall not be less than RMB10 million. During the extended term of the Single Asset Management Contract, in the event of shortfall of the total amount of Entrusted Assets as a result of withdrawal, Lianhua Huashang will make addition to the Entrusted Assets, provided that, the total amount of Entrusted Assets after addition made thereto shall not exceed RMB1,350 million (being the principal of the assets entrusted under the Scheme in accordance with the terms of the Single Asset Management Contract (as supplemented)).

During the term of the Supplemental Agreement, Lianhua Huashang shall pay:

To Shanghai Securities

(1) the management fee:

- at 0.3% per annum based on the net asset value of the Scheme on the previous calendar day, to be accrued on a daily basis and automatically charged within five business days of the beginning of every month (in case of legal holidays, rest days, etc., the payment date will be postponed by next day); and

(2) the performance fee:

- to be accrued (i) on the date of application for withdrawal of the Entrusted Assets or upon expiry of liquidation of the Scheme, or (ii) on the income distribution date (collectively, the "performance fee accrual date(s)"). Under the latter circumstance, the performance fee shall not accrued more frequently than once every 12 months;

- Shanghai Securities will differentiate between each portion of investment made by Lianhua Huashang based on the time of participation, and calculate the actual annualised rate of return (Note) and performance fee for each portion of investment separately;

calculated based on the realised gains on different portions of investment (i.e. various types of gains obtained from the investment operation of Entrusted Assets, including but not limited to investment bonus, dividends, bond interest, the price difference between buying and selling securities, bank deposit interest and other income) of the Scheme during the performance fee accrual period (i.e. from the commencement of the Scheme to the first performance fee accrual date or the period from each performance fee accrual date to the next performance fee accrual date): if the actual annualised rate of return (Note) exceeds 4.25%, which is the benchmark annualised rate of return, subject to the terms of the Supplemental Agreement, the adjustment may be made by the Manager based on PBOC's three-year fixed deposit benchmark rate), then 20% of the excess portion shall be payable by Lianhua Huashang to Shanghai Securities as performance fee for such performance fee accrual period; if the annualised rate of return is lower than or equal to the benchmark annualised rate of return, no performance fee for such performance fee accrual period is required to be paid by Lianhua Huashang.

Note:

Actual annualised rate of return = [(unit net value of Entrusted Assets at the end of the period – unit net value of Entrusted Assets at the beginning of the period)/unit net value of the Entrusted Assets at the beginning of the period] * 100% * (365/days of operations from the beginning (inclusive) to the end of the period (exclusive)). Among them, the unit net value of Entrusted Assets = (total value of Entrusted Assets – liabilities of Entrusted Assets)/total units of Entrusted Assets. The total value of Entrusted Assets refers to the total value of various types of negotiable securities, principal and interest of bank deposits, securities investment fund shares and other assets under the Scheme.

To the Custodian Bank

The custodial fee: at 0.015% per annum based on the net asset value of the Scheme on the previous calendar day, to be accrued on a daily basis and automatically charged within five business days of the beginning of every month (in case of legal holidays, rest days, etc., the payment date will be postponed by next day and the termination date of the Supplemental Agreement (or the date for early termination).

The annual caps in respect of the management fees payable by Lianhua Huashang to Shanghai Securities under the Single Asset Management Contract (as supplemented) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 is RMB4,200 thousand, and the annual caps in respect of the performance fees payable by Lianhua Huashang to Shanghai Securities under the Single Asset Management Contract (as supplemented) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 is RMB11,200 thousand.

As the highest applicable percentage ratio in respect of the increase in Entrusted Assets under the Supplemental Agreement is more than 100%, the increase in Entrusted Assets contemplated thereunder constitutes a very substantial acquisition, and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Bailian Group is a substantial Shareholder, and Shanghai Securities is a subsidiary of Bailian Group. As such, Shanghai Securities constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, (i) the increase in Entrusted Assets constitutes a connected transaction of the Company, as the applicable percentage ratios in respect thereof are more than 5%, the increase in Entrusted Assets is subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) the transactions in respect of the asset management and investment services contemplated under the Single Asset Management Contract (as supplemented) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the highest proposed annual cap in aggregate under the Single Asset Management Contract (as supplemented) is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Agreement are subject to the reporting, annual review, announcement requirements but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Supplemental Agreement was approved by the independent Shareholders at the 2023 extraordinary general meeting held on 21 December 2023.

For the year ended 31 December 2024, the maximum daily investment balance (including expected accrued investment returns) of Lianhua Huashang in Shanghai Securities under the Single Asset Management Contract (as supplemented) was about RMB1,369,463 thousand, the management fees that Lianhua Huashang should pay to Shanghai Securities was about RMB2,045 thousand, and the performance fees that Lianhua Huashang should pay to Shanghai Securities was about RMB3,164 thousand.

Please refer to the announcement of the Company dated 27 September 2023 and the circular of the Company dated 6 November 2023 for relevant details of the transaction.

Continuing Connected Transactions – Business Cooperation Framework Agreement

The Company entered into the Business Cooperation Framework Agreement (the "Business Cooperation Framework Agreement") with Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司, the "Alipay") on 18 October 2023, pursuant to which, Alipay and its associates agreed to provide payment services and related services including, among other things, platform information services, software services, use of brand, operation assistance, management consultant and technical support, to the Company and its subsidiaries for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Pursuant to the Business Cooperation Framework Agreement, Alipay and its associates agreed to provide payment services and related services including, among other things, platform information services, software services, use of brand, operation assistance, management consultant and technical support, to the Company and its subsidiaries. With respect to the payment services and related services, Alipay and/or its associates agree to act as the payment channel between the end customers and the Group. The Company and its subsidiaries can use the equipment that supports the system of Alipay and/or its associates to identify the bar code, QR code or sonic wave on end customers' smart phones or other wireless equipment supported by Alipay and its subsidiaries to complete the settlement process with the end customers. Alipay or its associates will provide the Company or its subsidiaries with related services, including but not limited to platform information services, software services (e.g., encryption and online enquiry services), use of brand, operation assistance, management consultant and technical support.

The relevant members of the Group and Alipay and/or its associates will enter into individual services contracts setting out specific terms. Such terms will be consistent with the principles and the terms of the Business Cooperation Framework Agreement. If there is any discrepancy between the terms of an individual services contract and the Business Cooperation Framework Agreement, the latter shall prevail.

Alipay and/or its associates will charge the Group service fees for the payment services and related services to be provided under the Business Cooperation Framework Agreement.

With respect to the payment services and the related services to be provided by Alipay and/or its associates, the service fees shall be charged and deducted upon the completion of the transactions between the end customers and the relevant members of the Group in real time or otherwise agreed between the parties to the individual service contract, the amount of which shall be calculated based on the actual transaction amounts between the end customers and the relevant members of the Group at an agreed rate, which shall be determined through arm's-length negotiation between the parties to the individual service contract on normal commercial terms based on the standard rate charged by Alipay and/or its associates to their other customers. With respect to the related services including among others, platform information services, software services, use of brand, operation assistance, management consultant and technical support, the service fees shall be paid on a monthly basis or otherwise agreed between the parties to the individual service contract, the amount of which shall be calculated based on the actual transaction amounts between the end customers and the relevant members of the Group, and the amount and types of services provided by Alipay and/or its associates, at an agreed rate, which shall be determined through arm's-length negotiation between the parties to the individual service contract on normal commercial terms based on the standard rate charged by Alipay and/or its associates to their other customers.

The maximum annual transaction amounts payable by the Group for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 under the Business Cooperation Framework Agreement is RMB18,000 thousand.

Ant Group, the holding company of Alipay, is an associate of Alibaba China, a substantial Shareholder. As such, Alipay constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest proposed annual cap under the Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Business Cooperation Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Business Cooperation Framework Agreement for the year ended 31 December 2024 is approximately RMB9,437 thousand.

Please refer to the announcement of the Company dated 18 October 2023 for relevant details of the transaction.

Continuing Connected Transactions – Goods Supply Framework Agreement

On 30 September 2022, the Company entered into the Goods Supply Framework Agreement (the "Goods Supply Framework Agreement") with Bailian Group, pursuant to which, the Group agreed to supply various kinds of goods to Bailian Group and/or its subsidiaries, including but not limited to foods and fresh produce, for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

The operating units of both parties may enter into individual goods supply contracts setting out specific terms of supply of goods, including the goods to be supplied, price determination method, delivery method and payment arrangement. The payment shall be made by bank transfer. Such terms shall be consistent with the principles and the terms of the Goods Supply Framework Agreement. If there is any discrepancy between the terms of an individual goods supply contract and the Goods Supply Framework Agreement, the latter shall prevail.

The prices for the goods to be supplied under the Goods Supply Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such goods. The payment under the individual goods supply contract is to be made according to the terms of the individual goods supply contract. The prices for the goods supplied by the Group to Bailian Group and/or its subsidiaries will not be less favourable to the Company than those available to independent third parties in similar transactions.

Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Goods Supply Framework Agreement constitute continuing connected transactions of the Company.

The respective maximum annual transaction amounts payable by Bailian Group to the Company for each of the financial years ending 31 December 2025 under the Goods Supply Framework Agreement are RMB50,000 thousand, RMB60,000 thousand and RMB70,000 thousand.

As the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Goods Supply Framework Agreement exceeds 5%, the transactions contemplated under the Goods Supply Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Goods Supply Framework Agreement and its proposed annual caps were approved by the independent Shareholders at the extraordinary general meeting on 1 December 2022.

The actual transaction amount under the Goods Supply Framework Agreement for the year ended 31 December 2024 is approximately RMB18,773 thousand.

Please refer to the announcement of the Company dated 30 September 2022 and the circular of the Company dated 16 November 2022 for relevant details of the transaction.

Continuing Connected Transactions – Logistics and Delivery Services Framework Agreement

On 24 September 2021, the Company entered into the Logistics and Delivery Services Framework Agreement (the "Logistics and Delivery Services Framework Agreement") with Bailian Group, pursuant to which, the Company agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group for a term of three years commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

The Company and its subsidiaries agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group and its subsidiaries. The logistics and delivery services include but not limited to delivery, allocation, and return of goods within Shanghai and delivery and storage management service (i.e. delivery of goods into the warehouse, storage, sorting and retrieval of goods from the warehouse) outside Shanghai. The entrusted management services refer to entrusting the Company to manage the delivery services department and personnel of Bailian Group and payment of management fees to the Company.

The operating units of both parties may enter into individual logistics and delivery services contracts setting out specific terms of logistics and delivery services, including the services to be provided, price determination method and payment arrangement. The payment shall be made by bank transfer. Such terms shall be consistent with the principles and the terms of the Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Logistics and Delivery Services Framework Agreement, the latter shall prevail.

The prices for the services to be provided under the Logistics and Delivery Services Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the prevailing market prices of such services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contract. The prices for the services provided by the Company will not be less favourable to the Company than those available to independent third parties in similar transactions.

Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

The respective maximum annual transaction amounts payable by Bailian Group to the Company for each of the three years ending 31 December 2024 under the Logistics and Delivery Services Framework Agreement are RMB20,000,000.

As the highest applicable percentage ratio for the transactions contemplated under the Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Logistics and Delivery Services Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Logistics and Delivery Services Framework Agreement for the year ended 31 December 2024 is approximately RMB2,028 thousand.

On 9 October 2024, the Company entered into the Logistics and Delivery Services Framework Agreement with Bailian Group to renew and continue the transactions under the Existing Logistics and Delivery Services Framework Agreement, pursuant to which, the Company agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group for a term commencing from 1 January 2025 and ending on 31 December 2027.

The maximum aggregate annual transaction amounts in respect of the Logistics and Delivery Services Framework Agreement for each of the three years ending 31 December 2027 are RMB15 million.

As the highest applicable percentage ratio (other than profit ratio) in respect of the annual caps for the transactions contemplated under the Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Logistics and Delivery Services Framework Agreement are subject to the reporting, announcement, and annual review requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 24 September 2021 and dated 9 October 2024 for relevant details of the transaction.

Continuing Connected Transactions – Rajax Logistics and Delivery Services Framework Agreement

On 24 September 2021, the Company entered into the Rajax Logistics and Delivery Services Framework Agreement (the "Rajax Logistics and Delivery Services Framework Agreement") with Hangzhou Rajax Information Technology Co., Ltd.* (杭州拉紮斯信息科技有限公司)("Hangzhou Rajax"), pursuant to which, Hangzhou Rajax agreed to provide logistics and delivery services to the Group, including but not limited to the provision of delivery information, resources connection and delivery, allocation, and return of goods within Shanghai and delivery and storage management services outside Shanghai for a term commencing from 1 January 2022 to 31 December 2024.

Hangzhou Rajax and its subsidiaries agreed to provide logistics and delivery services to the Company and its subsidiaries, including but not limited to the provision of delivery information, resources connection and delivery, allocation, and return of goods within Shanghai and delivery and storage management services outside Shanghai. The operating units of both parties may enter into individual logistics and delivery services contracts setting out specific terms of logistics and delivery services, including the services to be provided, price determination method and payment. Such terms shall be consistent with the principles and the terms of Rajax Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Rajax Logistics and Delivery Services Framework Agreement, the latter shall prevail.

The prices for the services to be provided under the Rajax Logistics and Delivery Services Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contract. However, the payment shall be made by bank transfer. The prices for the services provided by Hongzhou Rajax will not be less favourable than those available from independent third parties in similar transactions.

Hangzhou Rajax is an indirect subsidiary of Alibaba Group, which is the holding company of Alibaba China. Alibaba China is a substantial Shareholder and therefore is a connected person of the Company. As such, Hangzhou Rajax is an associate of Alibaba China and a connected person of the Company. Accordingly, the transactions contemplated under the Rajax Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

The respective maximum annual transaction amounts payable by the Company for each of the three years ending 31 December 2024 under the Rajax Logistics and Delivery Services Framework Agreement are RMB7 million, RMB15 million and RMB28 million.

As the highest applicable percentage ratio for the transactions under the Rajax Logistics and Delivery Services Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Rajax Logistics and Delivery Services Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Rajax Logistics and Delivery Services Framework Agreement for the year ended 31 December 2024 is approximately RMB22,895 thousand.

Please refer to the announcement of the Company dated 24 September 2021 for relevant details of the transaction.

Continuing Connected Transactions – Logistics and Delivery Services Framework Agreement

The Company entered into the Logistics and Delivery Services Framework Agreement (the "Logistics and Delivery Services Framework Agreement") with Bailian Group on 22 December 2023. Pursuant to which, Bailian Group agreed to provide logistics and delivery services to the Group, for a term commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Bailian Group and/or its subsidiaries and its associates agreed to provide logistics and delivery services to the Group. The logistics and delivery services and related ancillary services provided by Bailian Group include but not limited to delivery services, allocation services, returning and exchanging services, warehousing, operation and management services and information data services, to the Group on a non-exclusive basis. Among them, (i) the provision of delivery services by Bailian Group refers to the delivery of goods provided by Bailian Group and/or its subsidiaries and its associates to the Group at the various outlets of the Group; (ii) the provision of warehousing, operation and management services refers to the delivery of goods provided to the Group into the warehouse, storage, sorting and retrieval of goods from the warehouse; and (iii) information data services refer to the provision of information data relating to goods to the Group.

The operating units of both parties may separately enter into individual logistics and delivery services contracts setting out specific terms of such services including price, settlement method and payment arrangement. Such terms shall be consistent with the principles and the terms of the Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Logistics and Delivery Services Framework Agreement, the latter shall prevail.

The price for the logistics and delivery services under the Logistics and Delivery Services Framework Agreement is determined principally by arm's length negotiations according to the principles of fairness and reasonableness between the relevant parties (including the parties to individual logistics and delivery services contracts) based on the following pricing basis:

(1) The logistics and delivery and related ancillary services provided under the Logistics and Delivery Services Framework Agreement shall be based on the market price of the same type of services in the industry;

(2) The order quantity, delivery unit price and delivery area of related logistics and delivery services, as well as the order quantity, service type, unit price and service area of ancillary services thereof shall be taken into consideration; and

(3) The prices for the services provided by Bailian Group to the Group shall not be less favourable than those available from independent third parties to the Group in similar transactions in the market.

The amounts payable under the individual logistics and delivery services contracts will be paid according to the terms of the individual logistics and delivery services contracts.

The respective maximum annual transaction amounts payable by the Group for the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 under the Logistics and Delivery Services Framework Agreement are RMB8 million, RMB9 million and RMB10 million.

As Bailian Group is a substantial Shareholder, Bailian Group is a connected person of the Company. Therefore, the transactions contemplated under the Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Logistics and Delivery Services Framework Agreement for the year ended 31 December 2024 is approximately RMB73 thousand.

Please refer to the announcement of the Company dated 22 December 2023 for relevant details of the transaction.

Continuing Connected Transactions – Logistics Resources Leasing Framework Agreement

On 24 September 2021, the Company entered into the logistics resources leasing framework agreement (the "Logistics Resources Leasing Framework Agreement") with Bailian Group, pursuant to which, Bailian Group and its subsidiaries agreed to lease to the Group logistics resources, including but not limited to trays and other logistics resources, for the Group's daily logistics needs for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

The operating units of both parties may enter into individual logistics resources leasing contracts setting out specific terms of such services including price, settlement method, payment method and time of payment. Such terms shall be consistent with the principles and the terms of the Logistics Resources Leasing Framework Agreement. If there is any discrepancy between the terms of an individual logistics resources leasing contract and the Logistics Resources Leasing Framework Agreement, the latter shall prevail.

The price for the logistics resources leased under the Logistics Resources Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market price of such services. The prices for the logistics resources provided by Bailian Group to the Company will not be less favourable than those available from independent third parties in similar transactions.

The payment under the individual logistics resources leasing contract is to be made according to the terms of the individual logistics resources leasing contract. The payment under the individual logistics resources leasing contract are to be made by bank transfer on a monthly or agreed period basis and shall be consistent with the market payment terms of leasing such kind of logistics resources.

The respective maximum annual rental amounts payable by the Company for each of the three years ending 31 December 2024 under the Logistics Resources Leasing Framework Agreement are RMB4,000 thousand.

The subject of this transaction is trays and other logistics resources. According to the individual contract entered into by the parties, the rental is settled pursuant to the quantity of trays and other logistics resources leased on a monthly basis. Since the unit rental price of the trays and other logistics resources is quite low and the rental is settled pursuant to the monthly leased quantity, the rental fluctuates greatly. Since the trays and other logistics resources are not specifically designated and are replaceable, and the value of the subject assets has no significant impact on the financial statements of the Group, the transaction contemplated under the existing logistics resources leasing framework agreement has been accounted with reference to low-value leases and included in the rental expenses without recognising the right-of-use assets after the implementation of Hong Kong Financial Reporting Standards (HKFRS) 16-Lease by the Company in 2019. Therefore, this transaction only set the annual caps for the rental, and did not set annual caps for the value of the right-of-use assets.

Bailian Group is a substantial Shareholder and is a connected person of the Company. Therefore, the transactions contemplated under the Logistics Resources Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the transactions under the Logistics Resources Leasing Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Logistics Resources Leasing Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Logistics Resources Leasing Framework Agreement for the year ended 31 December 2024 is approximately RMB1,974 thousand.

Please refer to the announcement of the Company dated 24 September 2021 for relevant details of the transaction.

Major Transactions and Continuing Connected Transactions – Financial Services Agreement

On 24 September 2021, the Company, Bailian Group and Bailian Group Finance Co., Ltd. (百聯集團財務有限責任公司)("Bailian Finance") entered into the financial services agreement (the "Financial Services Agreement"), pursuant to which, Bailian Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein for a term commencing from 1 January 2022 to 31 December 2024.

The major terms of the agreement are set out as follows:

1. Deposit cap: the maximum daily balance of the Group's deposits with Bailian Finance for each of the three years ending 31 December 2024 is RMB1.2 billion.

2. Bailian Finance has undertaken to adhere to the principles below in relation to the provision of the financial services to the Group:

   (i) the interest rate payable by Bailian Finance to the Group for any deposits shall not be lower than the benchmark interest rate for comparable deposits as announced by the PBOC and shall not be lower than the interest rate paid by other major commercial banks in the PRC for comparable deposits;

   (ii) the interest rate to be charged for loans to be granted to the Group by Bailian Finance shall not be higher than the Loan Prime Rate (LPR) as announced by the PBOC during the same period and shall not be higher than the lending rates charged by other major commercial banks in the PRC for comparable loans during the same period;

   (iii) the service fees to be charged by Bailian Finance for the provision of other financial services to the Group, other than the deposit and loan services, shall not be higher than the service fees charged by other financial institutions in the PRC for comparable services, and the total service fees to be charged by Bailian Finance for the provision of other financial services to the Group shall not be more than RMB5 million per year; and

   (iv) the terms of services to be provided to the Group by Bailian Finance shall be no less favourable than those of comparable services provided by other financial institutions in the PRC.

3. The Company and Bailian Finance will enter into individual financial services agreements for specific financial services, which will be subject to the proposed annual caps under the Financial Services Agreement. The terms of such individual financial services agreements will be consistent with the principles of the Financial Services Agreement. If there is any discrepancy between the terms of an individual financial services agreement and the Financial Services Agreement, the latter shall prevail.

Bailian Group is a substantial Shareholder and Bailian Finance is a subsidiary of Bailian Group. Accordingly, Bailian Finance and Bailian Group are connected persons of the Company. Therefore, the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in relation to the provision of deposit services under the Financial Services Agreement is more than 25%, the provision of deposit services under the Financial Services Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio for the highest proposed annual cap for the provision of deposit services under the Financial Services Agreement is more than 5%, the provision of deposit services under the Financial Services Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for other services provided by Bailian Finance to the Company is more than 0.1% but less than 5%, other services provided by Bailian Finance to the Company under the Financial Services Agreements are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The loan services to be provided by Bailian Finance to the Group under the Financial Services Agreement constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are fully exempt from all reporting, annual review, announcement and independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The provision of deposit services under the Financial Services Agreement and its proposed annual caps were approved by the independent Shareholders at the extraordinary general meeting on 2 December 2021.

The maximum daily deposit balance placed by the Group in Bailian Finance under the Financial Services Agreement for the year ended 31 December 2024 is approximately RMB1.2 billion.

The actual total service fees to be charged by Bailian Finance for the provision of other financial services to the Group under the Financial Service Agreement for the year ended 31 December 2024 is RMB656 thousand.

As the Existing Financial Services Agreement is expiring on 31 December 2024, the Company entered into the Financial Services Agreement with Bailian Finance and Bailian Group on 7 April 2024 to renew the transactions under the Existing Financial Services Agreement, pursuant to which, Bailian Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein for a term commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

The proposed annual caps in respect of the maximum daily deposit balance with Bailian Finance for the financial years ending 31 December 2025, 31 December 2026 and 31 December 2027 under the Financial Services Agreement are RMB2 billion. The proposed annual caps in respect of the maximum transaction amounts for other services payable by the Group to Bailian Finance for the financial years ending 31 December 2025, 31 December 2026 and 31 December 2027 under the Financial Services Agreement are RMB5 million.

As the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the provision of deposit services under the Financial Services Agreement is more than 25%, the provision of deposit services under the Financial Services Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest proposed annual cap under the Financial Services Agreement exceeds 5%, the provision of deposit services under the Financial Services Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the loan services to be provided by Bailian Finance to the Group are on normal commercial terms which are similar to or even more favourable than those offered by other major commercial banks in the PRC, and that no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent Shareholders' approval requirements.

As the highest applicable percentage ratio for other services provided by Bailian Finance to the Group is more than 0.1% but less than 5%, other services provided by Bailian Finance to the Group under the Financial Services Agreements are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Financial Services Agreement and the transactions contemplated thereunder were approved by the independent Shareholders at the 2023 annual general meeting on 20 June 2024.

Please refer to the announcements of the Company dated 24 September 2021 and dated 7 April 2024, and the circulars of the Company dated 26 October 2021 and dated 6 May 2024 for relevant details of the transactions.

Continuing Connected Transactions – Procurement of Goods Framework Agreement

On 30 September 2022, the Company entered into the Procurement of Goods Framework Agreement (the "Procurement of Goods Framework Agreement") with Bailian Group, pursuant to which, the Group agreed to procure and Bailian Group and/or its associates agreed to supply various kind of goods, including but not limited to fresh produce, food and industrial products, for sales in the outlets of the Group for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

The Group and Bailian Group and/or its associates will enter into individual procurement of goods contracts setting out specific terms. Such terms will be consistent with the principles and the terms of the Procurement of Goods Framework Agreement. If there is any discrepancy between the terms of an individual procurement of goods contract and the Procurement of Goods Framework Agreement, the latter shall prevail.

The pricing for the goods procured under the Procurement of Goods Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market price of such goods from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable than those available from independent third parties.

Depending on the specific goods to be procured and the practices of Bailian Group and/or its associates, the actual payments for the procurement of goods under the Procurement of Goods Framework Agreement are to be made as agreed in the agreement (which shall be determined by the market practice of the payment period of such particular type of goods procured and shall not be less favourable than those available from independent third parties). Details of the payment terms shall be set out in the individual procurement of goods contracts to be entered into between both parties with reference to the normal commercial terms of Bailian Group and/or its associates and on terms not less favourable than those available from independent third parties.

Bailian Group is a substantial Shareholder and is a connected person of the Company. Therefore, the Procurement of Goods Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The respective maximum annual transaction amounts payable by the Group to Bailian Group for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Procurement of Goods Framework Agreement are RMB500,000 thousand, RMB600,000 thousand and RMB700,000 thousand.

As each of the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Procurement of Goods Framework Agreement exceeds 5%, the transactions contemplated under the Procurement of Goods Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Procurement of Goods Framework Agreement and its proposed annual caps were approved by the independent Shareholders at the extraordinary general meeting on 1 December 2022.

The actual transaction amount under the Procurement of Goods Framework Agreement for the year ended 31 December 2024 is approximately RMB168,418 thousand.

Please refer to the announcement of the Company dated 30 September 2022, and the circular of the Company dated 16 November 2022 for relevant details of the transaction.

Continuing Connected Transactions – Framework Agreement between the Company and Bailian Group from 2022 to 2024

On 24 September 2021, the Company entered into various framework agreements with Bailian Group in respect of various transactions from 2022 to 2024, including transactions of smart cards arrangement, leasing and property management respectively.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
Smart cards arrangement agreement	Each of the Company and Bailian Group has its own smart cards system which enables its customers to make purchases by using smart cards with prepaid values. Pursuant to the Smart Cards Arrangement Agreement, the parties agreed to accept all payments of purchases from the customers by using the smart cards issued by the other party within their respective sales networks.	Each party shall charge the other party a management service fee of not more than 0.5% of such transaction amounts which are attributable to the other party. Such percentage shall be determined by arm's length commercial negotiations between the relevant parties with reference to the gross margin level of companies in the market using smart cards system for settlement of customers' purchases, size of transaction, application conditions and business operation conditions and set out in the individual smart cards arrangement contracts. The fee payable under the Smart Cards Arrangement Agreement is to be made by bank transfer on a monthly basis.	The maximum fee payable by Bailian Group to the Company for each of the three years ending 31 December 2024 is RMB20 million, whereas the maximum fee payable by the Company to Bailian Group for each of the three years ending 31 December 2024 is RMB20 million.	The actual fees paid by Bailian Group to the Company for the year ended 31 December 2024 is RMB4,404 thousand, whereas the actual fees paid by the Company to Bailian Group for the year ended 31 December 2024 is RMB6,767 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
	The relevant subsidiaries of the parties will enter into individual smart cards arrangement contracts setting out specific terms for the arrangement, including the technologies required, operation details, settlement arrangements and the fees and charges. Such terms will be consistent with the principles and the terms of the Smart Cards Arrangement Agreement. If there is any discrepancy between the terms of an individual smart cards arrangement contract and the Smart Cards Arrangement Agreement, the latter shall prevail.			

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
Leasing framework agreement	Pursuant to the Leasing Framework Agreement, Bailian Group agreed to lease certain premises to the Company for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices, but excluding hypermarkets. The parties and/or its subsidiaries will enter into individual leasing contracts setting out specific terms of leasing including the details of relevant premises, the principles of rent determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Leasing Framework Agreement. If there is any discrepancy between the terms of an individual leasing contract and the Leasing Framework Agreement, the latter shall prevail.	The rent for leasing certain premises under the Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market prices of similar properties in same locations from time to time. Depending on the specific conditions of transactions contemplated under the individual leasing contracts, the fee payable under the individual leasing contracts is to be made by bank transfer on a monthly, quarterly, half-yearly or annual basis. Transactions contemplated under the Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.	The maximum aggregate annual transaction amounts in respect of leasing services provided by Bailian Group and/or its subsidiaries under the Leasing Framework Agreement for each of the three years ending 31 December 2024 are RMB9 million. The annual caps for the value of right-of-use assets under the Leasing Framework Agreement for each of the three years ending 31 December 2024 are RMB38 million.	The actual transaction amount of the transactions under the Leasing Framework Agreement for the year ended 31 December 2024 is RMB5,666 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
Property management framework agreement	Pursuant to the Property Management Framework Agreement, Bailian Group agreed to provide property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term of three years commencing from 1 January 2022 to 31 December 2024.	The fee for the provision of property management services under the Property Management Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the property management fees of similar properties in the market from time to time. Depending on the different sizes of the properties managed, the different amounts of the annual property management fee and the business scale of the counterparties, the fee payable under the Property Management Framework Agreement is to be made by bank transfer on a monthly or quarterly basis. Transactions contemplated under the Property Management Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.	The maximum aggregate annual transaction amounts under the Property Management Framework Agreement for each of the three years ending 31 December 2024 are RMB18 million.	The actual transaction amount of the transactions under the Property Management Framework Agreement for the year ended 31 December 2024 is RMB8,941 thousand.

Agreement	Transaction Particulars	Principal Terms	Annual Cap	Actual Transaction Amount
	The parties and/or its subsidiaries will enter into individual property management contracts setting out specific terms of the provision of property management services including the principles of property management fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Property Management Framework Agreement. If there is any discrepancy between the terms of an individual property management contract and the Property Management Framework Agreement, the latter shall prevail.			

The parties will enter into individual contracts in respect of the transactions of smart cards arrangement, leasing and property management. Such terms will be consistent with the principles and the terms of each of the smart cards arrangement agreement, the leasing framework agreement and the property management framework agreement.

Bailian Group is a substantial Shareholder. Accordingly, Bailian Group is a connected person of the Company and the above-mentioned framework agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios for the smart cards arrangement agreement, the leasing framework agreement and the property management framework agreement are more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 9 October 2024, the Company entered into the Smart Cards Arrangement Agreement with Bailian Group to renew and continue the transactions under the Existing Smart Cards Arrangement Agreement, pursuant to which, the Company and Bailian Group agreed to make certain arrangements to enable them to accept payments of purchases from the customers by using the smart cards of the other party within their respective sales networks for a term commencing from 1 January 2025 and ending on 31 December 2027.

The maximum annual total transaction amount payable by Bailian Group to the Company in respect of the Smart Cards Arrangement Agreement for each of the three years ending 31 December 2027 are RMB10 million. The maximum annual total transaction amount payable by the Company to Bailian Group in respect of the Smart Cards Arrangement Agreement for each of the three years ending 31 December 2027 are RMB10 million.

As the highest applicable percentage ratio (other than profit ratio) in respect of the annual caps for the transactions contemplated under the Smart Cards Arrangement Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Smart Cards Arrangement Agreement is subject to the reporting, announcement, and annual review requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 31 December 2024, the Company entered into the Property Management Business Cooperation Framework Agreement (the "Property Management Business Cooperation Framework Agreement") with Bailian Group to renew and continue the Existing Property Management Framework Agreement, pursuant to which, Bailian Group and/or its subsidiaries agreed to provide property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

The respective maximum annual transaction amounts payable by the Company for each of the three years ending 31 December 2027 under the Property Management Business Cooperation Framework Agreement are RMB15 million.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Property Management Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Management Business Cooperation Framework Agreement are therefore subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 22 January 2025, the Company entered into the Housing Leasing Business Cooperation Framework Agreement (the "Housing Leasing Business Cooperation Framework Agreement") with Bailian Group to renew and continue the transactions under the Existing Leasing Framework Agreement, pursuant to which, Bailian Group and/or its subsidiaries agreed to lease certain premises to the Group for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

The respective maximum annual transaction amounts payable by the Company for each of the three years ending 31 December 2027 under the Housing Leasing Business Cooperation Framework Agreement are RMB9 million.

According to the Hong Kong Financial Reporting Standard 16, with respect to the continuing connected transactions under the Housing Leasing Business Cooperation Framework Agreement, the Company is required to set an annual cap on the value of right-of-use assets for the three years ending 31 December 2027. The right-of-use assets should be initially measured at estimated cost and be depreciated on a straight line basis over the lease term.

The respective maximum values of right-of-use assets of the Company for each of the three years ending 31 December 2027 under the Housing Leasing Business Cooperation Framework Agreement are RMB18 million.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Housing Leasing Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Housing Leasing Business Cooperation Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 24 September 2021, dated 9 October 2024, dated 31 December 2024 and dated 22 January 2025 for relevant details of the transactions.

Continuing Connected Transactions – Sales Agency Framework Agreement

The Company entered into the Sales Agency Framework Agreement (the "Sales Agency Framework Agreement") with Bailian Omni-channel E-commerce Co., Ltd.* (百聯全渠道電子商務有限公司, (the "Bailian Omni-channel")) on 27 September 2023, pursuant to which, Bailian Omni-channel agreed to sell the goods (the "Goods") on behalf of the Group through its e-commerce platform for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Bailian Omni-channel will settle the Selling Prices (as defined below) with the Company as agreed in the agreement. The fees payable by the Company are as follows:

(1) in respect of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through the main site of their e-commerce platforms, the Company will pay Bailian Omni-channel the platform usage fee which is equivalent to 4% of the total transaction amount of Goods sold and shall not exceed 4% of the sales budget of the Goods (whichever is lower). Besides, the Company shall also pay Bailian Omni-channel the payment handling fees which shall be charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold;

(2) in respect of Goods sold by third-party platforms through the main site of e-commerce platform of Bailian Omni-channel and/or its subsidiaries, the Company will pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold (together with the platform usage fee and payment handling fee described in paragraph (1) above, the "Bailian Omni-channel Platform Fees"); and

(3) the third party platform usage fee paid by Bailian Omni-channel on behalf of the Group at actual cost (the "Third Party Expenses").

The parties and/or its subsidiaries will enter into individual sales agency contracts setting out specific terms including the transaction price determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Sales Agency Framework Agreement. If there is any discrepancy between the terms of an individual sales agency contract and the Sales Agency Framework Agreement, the latter shall prevail.

The Company or its subsidiaries has the sole discretion to set the selling prices of the Goods (the "Selling Prices") to be sold on the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries. The prices at which the Company or its subsidiaries charges Bailian Omni-channel and/or its subsidiaries for the supply of the Goods is the same as the Selling Prices.

Consideration and Payment

(1) The Selling Prices are set solely by the Company or its subsidiaries with reference to the prevailing prices of the comparable Goods sold at the outlets of the Group during the same period and as such, the Selling Prices are subject to the same pricing policies as that of the Group with respect to its outlets. This would ensure that the Selling Prices would not be less favourable than those available from independent third parties in real-time.

(2) In respect of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through the main site of their e-commerce platforms, and the Goods sold by third-party platforms through the main site of Bailian Omni-channel's e-commerce platforms, the Company agrees to pay Bailian Omni-channel the Bailian Omni-channel Platform Fees.

In respect of the third-party platforms usage fee paid by Bailian Omni-channel on behalf of the Company at actual cost, the Company agrees to pay Bailian Omni-channel the Third Party Expenses.

(3) Depending on the specific conditions of transactions contemplated under the individual sales agency contracts, the platform usage fee payable by the Company or its subsidiaries to Bailian Omni-channel and/or its subsidiaries and the Selling Prices payable by Bailian Omni-channel and/or its subsidiaries to the Company or its subsidiaries under the individual sales agency contracts are to be made by bank transfer as agreed in the agreement and shall be consistent with the market payment terms of purchasing such particular type of Goods.

(4) The transactions contemplated under the Sales Agency Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Omni-channel on normal commercial terms and on terms not be less favourable than those available from independent third parties.

The shopping procedures and payment method for the transactions under the Sales Agency Framework Agreement are set out as follows:

(1) The end customer will place an order for the purchase of Goods and pay the Selling Prices to Bailian Omni-channel on its e-commerce platform. After Bailian Omni-channel and/or its subsidiaries receives an order from the end customer on its e-commerce platform, it will notify the Company or its subsidiaries of such order information. Upon receiving such notification, the Company or its subsidiaries will deliver the Goods to the end customer. Bailian Omni-channel shall pay to the Company upon the date falling six days after the relevant transaction date, in accordance with the terms of the relevant individual sales agency contracts based on arm's length negotiation between the parties on normal commercial terms with reference to the market practice, the amount equivalent to the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through its e-commerce platform as agreed in the agreement after deduction of the fees payable by the Company. The fees payable by the Company to Bailian Omni-channel comprise (i) the platform usage fee which is equivalent to 4% of the total transaction amount of Goods sold or 4% of the sales budget of the Goods (whichever is lower); and (ii) the payment handling fee which is charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold; and

(2) The end customer will place an order for the purchase of Goods of the Group and pay the Selling Prices to the third-party platforms on their ecommerce platforms. The third-party platforms will transmit the order information to Bailian Omni-channel, and Bailian Omni-channel will notify the Company or its subsidiaries of such order information. Upon receiving such notification, the Company or its subsidiaries will deliver the Goods to the end customer. The settlement period between Bailian Omni-channel and the third-party platforms is subject to the individual contracts entered into by them. Bailian Omni-channel will settle the Selling Prices with the Company on a monthly basis in accordance with the terms of the relevant individual sales agency contracts based on arm's length negotiation between the parties on normal commercial terms with reference to the market practice, which are equivalent to the total transaction amount of Goods sold through the third-party platforms as agreed in the agreement. After the Selling Prices are settled by Bailian Omni-channel, the Company will (i) pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold by the Group through the third party platforms; and (ii) pay the third party platforms usage fees paid by Bailian Omni-channel on behalf of the Group at actual cost, on a monthly basis in accordance with the terms of the individual sales agency contact.

The maximum annual transaction amount in respect of the Goods to be sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group for the three financial years ending 31 December 2026 under the Sales Agency Framework Agreement is RMB1,400 million, RMB1,500 million and RMB1,600 million respectively.

The maximum platform usage fee payable by the Group for the three financial years ending 31 December 2026 under the Sales Agency Framework Agreement is RMB95,000 thousand, RMB107,000 thousand and RMB120,000 thousand respectively. Amongst which, Bailian Omni-channel Platform Fees shall not exceed RMB31,000 thousand, RMB32,000 thousand and RMB33,000 thousand respectively.

Bailian Group is a substantial Shareholder of the Company. Bailian Omni-channel is a subsidiary of Bailian Group. Accordingly, Bailian Omni-channel is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Sales Agency Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest proposed annual cap under the Sales Agency Framework Agreement is more than 5%, the transactions contemplated under the Sales Agency Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Sales Agency Framework Agreement and its proposed annual caps were approved by the independent Shareholders at the extraordinary general meeting held on 21 December 2023.

The actual transaction amount in respect of the goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group under the Sales Agency Framework Agreement for the year ended 31 December 2024 is approximately RMB360,829 thousand. The actual platform usage fee paid by the Group under the Sales Agency Framework Agreement for the year ended 31 December 2024 is approximately RMB42,321 thousand.

Please refer to the announcement of the Company dated 27 September 2023 and the circular of the Company dated 6 November 2023 for relevant details of the transaction.

Continuing Connected Transactions – Membership Points Agency and Settlement Service Agreement

On 24 September 2021, the Company entered into the Membership Points Agency and Settlement Service Agreement (the "Membership Points Agency and Settlement Service Agreement") with Bailian Finance, pursuant to which, Bailian Finance agreed to provide the Group with deposit, withdrawal and settlement services for the membership points of the Company for a term of three years commencing from 1 January 2022 to 31 December 2024.

According to the Membership Points Agency and Settlement Service Agreement, Bailian Finance will (i) in accordance with the instructions of the Company, withdraw corresponding fees from the Company's relevant account in Bailian Finance and transfer the same to Bailian Finance's settlement account based on the membership points granted by the Company; and (ii) in accordance with the instructions of the Company, transfer corresponding fees to the Company's relevant account in Bailian Finance from Bailian Finance's settlement account based on the membership points received by the Company. The membership points granted by the Company and Bailian Group and their respective subsidiaries can be used by customers in purchasing goods or services from the Company and Bailian Group and their respective subsidiaries.

The parties and/or its subsidiaries will enter into individual membership points agency and settlement service contracts setting out specific terms of the provision of deposit, withdrawal and settlement services for membership points including the principles of service fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Membership Points Agency and Settlement Service Agreement. If there is any discrepancy between the terms of an individual membership points agency and settlement service contract and the Membership Points Agency and Settlement Service Agreement, the latter shall prevail.

The maximum aggregate annual transaction amounts to be withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for each of the three years ending 31 December 2024 are RMB30 million.

The maximum aggregate annual amounts to be transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement (including the interests to be paid by Bailian Finance) for each of the three years ending 31 December 2024 are RMB30 million.

Bailian Group is a substantial shareholder of the Company and Bailian Finance is a subsidiary of Bailian Group. Accordingly, Bailian Finance is a connected person of the Company. Therefore, the transactions under the Membership Points Agency and Settlement Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the transactions under the Membership Points Agency and Settlement Service Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Membership Points Agency and Settlement Service Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual amount withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for the year ended 31 December 2024 is approximately RMB12,006 thousand. The actual amount (including interests paid by Bailian Finance) transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement for the year ended 31 December 2024 is approximately RMB6,037 thousand.

On 9 October 2024, the Company entered into the Membership Points Agency and Settlement Service Agreement with Bailian Finance to renew and continue the transactions under the Existing Membership Points Agency and Settlement Service Agreement, pursuant to which, Bailian Finance agreed to provide the Company with deposit, withdrawal and agency settlement services for the membership points for a term commencing from 1 January 2025 and ending on 31 December 2027.

The maximum aggregate annual transaction amounts to be withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for each of the three years ending 31 December 2027 are RMB20 million.

The maximum aggregate annual amounts to be transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement (including the interests to be paid by Bailian Finance) for each of the three years ending 31 December 2027 are RMB20 million.

As the highest applicable percentage ratio (other than profit ratio) in respect of the annual caps for the transactions contemplated under the Membership Points Agency and Settlement Service Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Membership Points Agency and Settlement Service Agreement are subject to the reporting, announcement, and annual review requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 24 September 2021 and dated 9 October 2024 for relevant details of the transactions.

Continuing Connected Transactions – Property Leasing Framework Agreement

On 24 September 2021, the Company entered into the Property Leasing Framework Agreement (the "Property Leasing Framework Agreement") with Bailian Group, pursuant to which, the Company agreed to lease properties to Bailian Group and/or its subsidiaries (including but not limited to Bailian Financial Services Co., Ltd. and Shanghai Bailian) for use as shopping mall, offices or other purposes for a term commencing from 1 January 2022 to 31 December 2024.

The parties will enter into individual property leasing agreements setting out specific terms including the transaction price determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Property Leasing Framework Agreement. If there is any discrepancy between the terms of an individual property leasing agreements and the Property Leasing Framework Agreement, the latter shall prevail.

The rental of the properties leased by the Company to Bailian Group under the Property Leasing Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market prices of comparable properties in same locations from time to time.

Depending on the specific usages of different properties, their specific locations, amount of the annual rent and the business scale of the counterparties, the rentals payable by Bailian Group under the Property Leasing Framework Agreement are to be made by bank transfer on a monthly, quarterly, half-yearly or yearly basis and shall be consistent with the market payment terms of leasing the comparable properties.

The transactions contemplated under the Property Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.

Bailian Group is a substantial Shareholder of the Company. Accordingly, Bailian Group is a connected person of the Company. Therefore, the transactions under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum aggregate annual transaction amounts in respect of the lease of the properties to Bailian Group by the Company under the Property Leasing Framework Agreement for each of the three years ending 31 December 2024 are RMB38 million.

As the highest applicable percentage ratio for the transactions under the Property Leasing Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount of the individual lease transactions under the Property Leasing Framework Agreement for the year ended 31 December 2024 is approximately RMB11,351 thousand.

On 31 December 2024, the Company entered into the Property Leasing Business Cooperation Framework Agreement (the "Property Leasing Business Cooperation Framework Agreement") with Bailian Group to renew and continue the transactions under Existing Property Leasing Framework Agreement, pursuant to which, the Group agreed to lease properties to Bailian Group and/or its subsidiaries for use as shopping mall, offices or other purposes for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

The maximum annual transaction amounts in respect of the lease of the properties to Bailian Group by the Company under the Property Leasing Business Cooperation Framework Agreement for each of the three years ending 31 December 2027 are RMB15 million.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Property Leasing Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Leasing Business Cooperation Framework Agreement are therefore subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 24 September 2021 and dated 31 December 2024 for relevant details of the transactions.

Continuing Connected Transactions – Warehouse Leasing Framework Agreement

On 30 September 2022, the Company entered into the Warehouse Leasing Framework Agreement (the "Warehouse Leasing Framework Agreement") with Bailian Group, pursuant to which, the Group agreed to lease warehouses to Bailian Group and/or its subsidiaries for use as warehouses, offices or other purposes, for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

Both parties are entitled to conduct specific negotiations regarding the warehouse leasing business cooperation and are allowed to enter into individual lease agreements regarding the warehouse leasing business cooperation. The Company and Bailian Group will be allowed to authorise their subordinate operating units to perform the individual warehouse leasing business cooperation and to assume the relevant obligations. These authorised subordinate operating units are entitled to enter into, and execute, individual lease agreements regarding the warehouse leasing business cooperation. Individual lease agreements regarding the warehouse leasing business cooperation shall be subject to the principles and the terms of the Warehouse Leasing Framework Agreement. If there is any conflict between the terms of any such individual lease agreements and the Warehouse Leasing Framework Agreement, the latter shall prevail.

The rental of warehouses leased by the Group to Bailian Group and/or its subsidiaries under the Warehouse Leasing Framework Agreement is determined principally on arm's length commercial negotiations according to the principles of fairness and reasonableness with reference to the market rental of comparable properties.

Individual lease agreements to be entered into during the term of the Warehouse Leasing Framework Agreement regarding the warehouse leasing business cooperation should set out clearly the specific terms including the price determination method, settlement method, payment terms and timing of payment. Depending on the specific conditions of the transactions contemplated under the individual lease agreements, the rental payment under the specific lease agreements should be made by bank transfer on a monthly or agreed basis.

The transactions contemplated under the Warehouse Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable to the Company than those available to independent third parties.

Bailian Group is a substantial Shareholder of the Company and therefore is a connected person of the Company. As such, the transactions contemplated under the Warehouse Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The respective maximum annual rental payable by Bailian Group to the Company for each of the financial years ending 31 December 2025 under the Warehouse Leasing Framework Agreement is RMB20,000 thousand.

As the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Warehouse Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount paid by Bailian Group under the Warehouse Leasing Framework Agreement for the year ended 31 December 2024 is approximately RMB16,706 thousand.

Please refer to the announcement of the Company dated 30 September 2022 for relevant details of the transaction.

Continuing Connected Transactions – Leasing Agreements

Bailian Xijiao

The lease agreement dated 30 September 2003 was entered into between Century Lianhua as the lessee and Shanghai Bailian Xijiao Shopping Centre Co., Ltd. ("Bailian Xijiao", 上海百聯西郊購物中心有限公司), formerly known as Shanghai Friendship Shopping Centre Development Co., Ltd. (上海友誼購物中心發展有限公司), as the lessor in respect of the leasing of No. 88, Xian Xia West Road, Chang Ning District, Shanghai, the PRC ("Shanghai Xianxia Leasing Agreement"). The annual rent under this lease agreement for each of the three years ended 31 December 2011 is subject to an annual cap of RMB16,700,000, details of which are set out in the announcement of the Company dated 28 November 2008. The annual rent (including the basic rent, the turnover rent and management fees) under the lease agreement for each of the three years ended 31 December 2014 is subject to an annual cap of RMB20,000,000, details of which are set out in the announcement of the Company dated 28 November 2011.

Century Lianhua is a subsidiary of the Company and Bailian Xijiao is a subsidiary of Shanghai Bailian, a substantial shareholder of the Company and thus such transactions constitute continuing connected transactions of the Company.

On 23 December 2014, the Board announced that the estimate annual rental payable (including the basic rent, the turnover rent and management fees) by Century Lianhua under the lease agreement for each of the three years ended 31 December 2017 will be subject to an annual cap of RMB16,000,000, after taking into account the following factors: (i) the 5% increment of the basic rent; (ii) the management fees of RMB2,400,000 per year; and (iii) the expected turnover rent payable by Century Lianhua for the three years ended 31 December 2017 in view of the consumption power of the residents in the neighbourhood of the premise, the customer attraction capability of the business district where the premise locates in as well as the anticipated rises in prices of consumer goods in the PRC for the three years ending 31 December 2017.

On 28 November 2017, the Board announced that the estimate annual rental payable (including the basic rent, the turnover rent and management fees) by Century Lianhua under the lease agreement for each of the three years ending 31 December 2020 will be subject to an annual cap of RMB16,000,000, after taking into account the following factors: (i) the 5% increment of the basic rent; (ii) the management fees of RMB2,400,000 per year; and (iii) the expected turnover rent payable by Century Lianhua for the three years ended 31 December 2020 in view of the consumption power of the residents in the neighbourhood of the premise, the customer attraction capability of the business district where the premise locates in as well as the anticipated rises in prices of consumer goods in the PRC for the three years ending 31 December 2020.

On 24 December 2020, after taking into account the following factors: (i) the 5% increment of the basic rent; (ii) the management fees of RMB2,400,000 per year; and (iii) the expected Turnover Rent payable by Century Lianhua for the four years ending 31 December 2024 in view of the consumption power of the residents in the neighbourhoods of the Premises, the customer traffic of the business circle in which the Premises are located as well as the anticipated rises in prices of consumer goods in the PRC for the four years ending 31 December 2024, the Board would like to announce that the estimated annual rental payable (including the Basic Rent, Turnover Rent and management fees) under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 will be subject to an annual cap of RMB16,000,000.

As the Hong Kong Financial Reporting Standard 16 Leases has become effective on 1 January 2019 and applied to financial years beginning on or after 1 January 2019, with respect to the continuing connected transactions under the Shanghai Xianxia Leasing Agreement, the Company is required to set an annual cap on the value of right-of-use assets in accordance with the requirements of The Stock Exchange of Hong Kong Limited. The right-of-use assets should be initially measured at estimated cost and be depreciated on a straight line basis over the lease term. The annual cap for the value of right-of-use assets under the Shanghai Xianxia Leasing Agreement for each of the four years ending 31 December 2024 is RMB23,700,000.

The actual rental paid by Century Lianhua under the lease agreement for the year ended 31 December 2024 is approximately RMB0.

Given the transformation and upgrading needs of Bailian Xijiao (being the Landlord), all tenants are required to cease operation and withdraw from business, therefore, the hypermarket of the Company located in the Premise also ceased operation. On 30 January 2024, Shanghai Century Lianhua Changning Co., Ltd. (上海世紀聯華超市長寧有限公司)("Century Lianhua Changning"), a subsidiary of the Company, entered into the Termination Agreement (the "Termination Agreement") with Bailian Xijiao, in relation to, among others, the early termination of the Shanghai Xianxia Leasing Agreement after arms' length negotiation. Under the Termination Agreement, Century Lianhua Changning will be compensated for the early termination of the Shanghai Xianxia Leasing Agreement as requested by Bailian Xijiao. The principle terms of the Termination Agreement are as follows:

(1) Date of Termination: 27 June 2022.

(2) A total sum of RMB10 million is payable by Bailian Xijiao to Century Lianhua Changning as compensation payment for the early termination of the Shanghai Xianxia Leasing Agreement. The sum represents the entire sum payable by Bailian Xijiao to Century Lianhua Changning in connection to the early termination of the Shanghai Xianxia Leasing Agreement and covers compensation for all losses to be incurred by Century Lianhua Changning, including, among others, staff redundancy payment payable by Century Lianhua Changning, the loss on the fixed assets and the loss on inventory of goods.

(3) The compensation payment will be payable by Bailian Xijiao to Century Lianhua Changning no later than 31 January 2024 in one go.

(4) Both parties shall not be liable to each other for any breach of contract or compensation other than the compensation set out above.

Please refer to the announcements of the Company dated 28 November 2017, 24 December 2020 and 30 January 2024 for relevant details.

Bailian Central (Continuing Connected Transactions and Connected Transactions)

The lease agreement dated 15 September 2006 was entered into between Century Lianhua as the lessee and Shanghai Bailian Central Shopping Plaza Co., Ltd. ("Bailian Central", 上海百聯中環購物廣場有限公司), formerly known as Shanghai Bailian De Hong Shopping Mall Co., Ltd. (上海百聯德泓購物中心有限公司), as the lessor in respect of the leasing of portion of area located within Bailian Central Shopping Plaza at No.1288 Zhenguang Road, Shanghai, the PRC for a term from 21 December 2006 to 20 December 2026 (the "Existing Central Bailian Leasing Agreement"). The annual rent of the premises is RMB11,988,750 per year from the first year to the third year, and starting from the fourth year onwards, a 5% increment is calculated based on the previous three-year period for every three-year period thereafter, and the management fee of the premises is RMB3,011,000 per year, details of which are set out in the announcement of the Company dated 2 March 2009. Since Bailian Central is a subsidiary of Bailian Group, which is a substantial shareholder of the Company's, and thus such transactions constitute continuing connected transactions of the Company.

In September 2014, the counterparty to the Existing Central Bailian Leasing Agreement was changed from the Company to Shanghai Century Lianhua West Commercial Co.,Ltd. (上海世紀聯華西部商業有限公司, the "Century Lianhua West Commercial") Central Branch, a branch of Century Lianhua West Commercial.

On 13 September 2024, Century Lianhua West Commercial and Bailian Central agreed to renew the Existing Central Bailian Leasing Agreement by entering into the Termination Agreement (the "Termination Agreement") and the New Central Bailian Leasing Agreements (the "New Central Bailian Leasing Agreements") in relation to the Hypermarket Lease and Freight Elevator and Receiving Area Lease. Pursuant to the renewal of the Existing Central Bailian Leasing Agreement, Bailian Central and Century Lianhua West Commercial agreed to change the leasing area of Central Bailian Premises from approximately 13,170.02 sq.m. to a total of approximately 6,360.19 sq.m. and change the original lease term for a period of 20 years from 21 December 2006 to 20 December 2026 to a new lease term of 10 years commencing from 1 September 2024 to 31 August 2034.

Pursuant to the Termination Agreement, Bailian Central (as the landlord) and Century Lianhua West Commercial (as the tenant) agreed to terminate the Existing Central Bailian Leasing Agreement, and to revise the leasing area and lease term by entering into the New Central Bailian Leasing Agreements.

Save as disclosed above, other terms are similar to the Existing Central Bailian Leasing Agreement.

The unaudited value of the right-of-use asset recognised by the Company under the New Central Bailian Leasing Agreements amounts to approximately RMB70 million in aggregate, which is the present value of the total base rental payable during the term of the New Central Bailian Leasing Agreements in accordance with HKFRs 16. The total property management fee (inclusive of taxes) payable by the Group under the New Central Bailian Leasing Agreements is approximately RMB17,695,975.2. During the term of the New Central Bailian Leasing Agreements, the rent and property management fees are payable in advance by Century Lianhua West Commercial on a quarterly basis.

Based on HKFRs 16, the entering into of the New Central Bailian Leasing Agreements will require the Company to recognise the right-of-use asset in the consolidated financial statements of the Group in connection with the tenancy of the Central Bailian Premises. As such, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder will be regarded as a disclosable transaction under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transaction under the New Central Bailian Leasing Agreements, calculated based on the value of the right-of-use assets of the Central Bailian Premises under the New Central Bailian Leasing Agreements is more than 5% but less than 25%, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder are therefore subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Shanghai Bailian is a substantial Shareholder, and Bailian Central is a direct wholly-owned subsidiary of Shanghai Bailian. As such, Bailian Central is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder will be regarded as a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transactions under the New Central Bailian Leasing Agreements, calculated based on the value of the right-of-use assets of the Central Bailian Premises under the New Central Bailian Leasing Agreements is more than 5%, the entering into of the New Central Bailian Leasing Agreements and the transactions contemplated thereunder are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The renewal of the Existing Central Bailian Leasing Agreement and the transactions contemplated thereunder were approved by the independent Shareholders of the Company at the 2024 Second EGM held on 5 December 2024.

The actual rent fee paid by Century Lianhua to Bailian Central under the Existing Central Bailian Leasing Agreement and the New Central Bailian Leasing Agreements for the year ended 31 December 2024 is approximately RMB11,602 thousand.

Please refer to the announcement of the Company dated 13 September 2024 and the circular of the Company 19 November 2024 for relevant details.

Bailian Nanqiao

The lease agreement dated 1 July 2010 was entered into between Century Lianhua as the lessee and Shanghai Bailian Nanqiao Shopping Centre Co., Ltd. (上海百聯南橋購物中心有限公司) ("Bailian Nanqiao") as the lessor in respect of the property located at room G41-B01-1-001 at B1 floor and a portion of area at first and second floors of Shanghai Bailian Nanqiao Shopping Centre, No. 228-288 Bai Qi Lu, Shanghai, the PRC. The maximum annual amount of the transaction payable by Century Lianhua under this lease agreement are set out as follows:

Period	**Maximum amount of the transaction** (RMB)
From 1 January 2010 to 31 December 2010 (Note 1)	1,410,000
From 1 January 2011 to 31 December 2011	4,220,000
From 1 January 2012 to 31 December 2012	4,220,000
From 1 January 2013 to 31 December 2013	4,400,000
From 1 January 2014 to 31 December 2014	4,400,000
From 1 January 2015 to 31 December 2015	4,400,000
From 1 January 2016 to 31 December 2016	4,580,000
From 1 January 2017 to 31 December 2017	4,580,000
From 1 January 2018 to 31 December 2018	4,580,000
From 1 January 2019 to 31 December 2019	4,770,000
From 1 January 2020 to 31 December 2020	4,770,000

Period	Maximum amount of the transaction (RMB)
From 1 January 2021 to 31 December 2021	4,770,000
From 1 January 2022 to 31 December 2022	4,970,000
From 1 January 2023 to 31 December 2023	4,970,000
From 1 January 2024 to 31 December 2024	4,970,000
From 1 January 2025 to 31 December 2025 (Note 2)	2,490,000

Note 1: The maximum amount of the transaction represents the amount of the transaction for the period after the end of the rent-free period, i.e., from 28 September 2010 to 31 December 2010.

Note 2: The maximum amount of the transaction represents the amount of the transaction from 1 January 2025 to the expiration of the term, i.e., 27 May 2025.

The relevant details are set out in the announcement of the Company dated 1 July 2010. Century Lianhua is a subsidiary of the Company, and Bailian Nanqiao is accounted and consolidated as a subsidiary of Bailian Group. As Bailian Group is a substantial Shareholder of the Company, such transactions constitute continuing connected transactions of the Company.

The actual rent fee under the lease agreement paid by Century Lianhua to Bailian Nanqiao for the year ended 31 December 2024 is approximately RMB4,595 thousand.

Continuing Connected Transactions – Leasing Agreements and Termination Agreement

On 15 July 2011, Shanghai Century Lianhua Yuqiao Shopping Centre Ltd. ("Lianhua Yuqiao", 上海世紀聯華御橋購物廣場有限公司) as the lessor and Shanghai Bailian, as the lessee entered into a lease agreement in respect of the property located at the first to third floors of Century Lianhua Yuqiao Shopping Centre, No. 2420 Hu Nan Road, Pudong New District, Shanghai, the PRC. The maximum annual amount of the transactions payable by Shanghai Bailian under this lease agreement are set out as follows:

Period	Maximum Amount (RMB)
For each of the three years from 1 January 2012 to 31 December 2014	13,000,000
For each of the three years from 1 January 2015 to 31 December 2017	20,000,000
For each of the three years from 1 January 2018 to 31 December 2020	27,000,000
For each of the three years from 1 January 2021 to 31 December 2023	33,000,000
For each of the three years from 1 January 2024 to 31 December 2026	46,000,000

Lianhua Yuqiao is a subsidiary of the Company, and Shanghai Bailian is a subsidiary of Bailian Group. As Bailian Group is the controlling shareholder of Shanghai Bailian (a substantial shareholder of the Company), such transactions constitute continuing connected transactions of the Company. Given that each of the applicable percentage ratios in respect of the aggregated annual rent and management fees under the aforementioned lease agreement is below 5%, the lease agreement is only subject to the reporting, annual review and announcement requirements but is exempt from the independent Shareholders's approval requirements under Chapter 14A of the Listing Rules.

The actual transaction amount of the transactions under the lease agreement between Lianhua Yuqiao and Shanghai Bailian for the year ended 31 December 2024 is approximately RMB0.

Given the store located at the Premises recorded operating losses for successive years, Shanghai Bailian Dongjiao Shopping Centre Co., Ltd. (上海百聯東郊購物中心有限公司) ("Bailian Dongjiao"), a subsidiary of Shanghai Bailian, has decided to early terminate the Shanghai Yuqiao Leasing Agreement to close the store accordingly. On 30 January 2024, Century Lianhua Yuqiao entered into the Termination Agreement (the "Termination Agreement") with Bailian Dongjiao after arms' length negotiation, in relation to, among others, the early termination of the Shanghai Yuqiao Leasing Agreement. Under the Termination Agreement, Lianhua Yuqiao will be compensated for the early termination of the Shanghai Yuqiao Leasing Agreement as requested by Bailian Dongjiao. The principle terms of the Termination Agreement are as follows:

(1) Date of Termination: 30 November 2023.

(2) A total sum of RMB8.25 million is payable by Bailian Dongjiao to Century Lianhua Yuqiao as compensation payment for the early termination of the Shanghai Yuqiao Leasing Agreement. The sum represents the entire sum payable by Bailian Dongjiao to Century Lianhua Yuqiao in connection to the early termination of the Shanghai Yuqiao Leasing Agreement, which also takes into account factors such as the operating costs and the loss of revenue from merchant solicitation of Century Lianhua Yuqiao.

(3) The compensation will be payable by Bailian Dongjiao to Century Lianhua Yuqiao no later than 31 January 2024 in one go.

(4) Both parties shall not be liable to each other for any breach of contract or compensation other than the compensation set out above.

The relevant details are set out in the announcements of the Company dated 15 July 2011 and 30 January 2024.

The independent non-executive Directors have reviewed the above transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms (to the extent that there are comparable transactions) or if there are no comparable transaction to determine whether they are on normal commercial terms, on terms not less favourable to the Group than terms provided by or to (if applicable) independent third parties and conducted during the year under review; and

(3) in accordance with the respective agreements and on fair and reasonable terms and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the above transactions and given written notice to the Board to confirm that the above transactions:

(1) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not, in all material respects, conducted in accordance with the relevant agreements of the transactions;

(3) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Company; and

(4) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have exceeded the respective cap for each transaction.

By order of the Board

Pu Shao-hua
Chairman

28 March 2025
Shanghai, the PRC

Report of Corporate Governance

The Company focuses on the brand vision of "Increasing our customers' loyalty to us", establishes the brand mission of "Good commodities and good experience to build a good life", and the brand values of "Staying customer-oriented, pursuing excellence, leading by innovation, upholding integrity, devoting to retail industry". We adhere to the brand characteristics of "Integrity and reliability, sharing of favors, life inspiration, and family enjoyment", and use a strong brand matrix to assist consumers in pursuing high-quality life.

The Company believes that a healthy corporate culture is the core of good corporate governance and is crucial for achieving our vision and strategy. All Directors of the Company lead by example, uphold integrity, set a good example of business ethics, and promote corporate culture throughout the Company through various means, so that all employees understand the core values and behaviors of corporate culture, and continuously strengthen the concept of "acting in accordance with the law, ethics, and responsibility". In 2025, the Company will continue to strengthen emotional communication with consumers, enhance their impression and favorability towards the brand, and enable them to "Living wholeheartedly".

The Group fully acknowledges its obligations to its shareholders and investors. Since its listing in 2003, the Company has been in strict compliance with the relevant requirements of the applicable laws, regulations and rules of domestic or overseas securities regulatory authorities and has been committed to improving the transparency of its corporate governance and the quality of information disclosure. The Group also attaches great importance on communication with its shareholders and investors and strives to ensure the timeliness, completeness and accuracy of its information disclosure to its shareholders and investors and to the protection of the interests of investors. The Board has strictly complied with the principles of corporate governance and is dedicated to improving the management quality of the Company and the standard of corporate governance continually in order to protect and enhance value for shareholders. Therefore, the Company has adopted the principles in the Code on Corporate Governance set out in Appendix C1 to the Listing Rules since 1 January 2005 with an aim to enhance the quality of corporate governance of the Group. Such adoption was reflected in the Articles of Association, internal rules and regulations and the corporate governance implementation practices.

The Board is pleased to confirm that save for the matters as set out below, the Company has complied with all the code provisions in the "Corporate Governance Code" (the "Code") under Appendix C1 of the Listing Rules during the period under review. Apart from the following deviations, none of the Directors is aware of any information that would reasonably indicate that the Company is not or was not for any time of the period under review in compliance with the Code. Details of the deviations are set out as follows:

Provision B.2.2 of the Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Articles of Association provides that each Director shall be appointed at the general meeting of the Company and for a term of not more than 3 years, and eligible for re-election. Having taken into account the continuity of the implementation of the Company's operation and management policies, the Articles of Association contains no express provision for the mechanism of Directors' retirement by rotation, thus deviating from the aforementioned provision of the Code.

The code provision C.1.6 of the Code is regarding the non-executive Directors' regular attendance and active participation in Board meetings and general meetings.

Ms. Hu Xiao, the then non-executive Director, Mr. Wong Tak Hung, the then non-executive Director, and Mr. Chen Wei, an independent non-executive Director, were unable to attend the fourth meeting of the eighth session of the Board convened on 27 March 2024 by the Company due to their other business commitments.

Ms. Hu Xiao, the then non-executive Director, Ms. Zhang Shen-yu, the then non-executive Director, Mr. Dong Xiao-chun, the then non-executive Director and Mr. Xia Da-wei, an independent non-executive Director, were unable to attend the fifth meeting of the eighth session of the Board convened on 11 May 2024 by the Company due to their other business commitments.

Ms. Hu Xiao, the then non-executive Director, Ms. Zhang Shen-yu, the then non-executive Director and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the 2023 annual general meeting of the Company convened on 20 June 2024 (the "2023 AGM") due to their other business commitments.

Ms. Hu Xiao, the then non-executive Director, Ms. Zhang Shen-yu, the then non-executive Director and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the 2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares of the Company convened on 20 June 2024 (the "2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares") due to their other business commitments.

Ms. Hu Xiao, the then non-executive Director, Ms. Zhang Shen-yu, the then non-executive Director and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the 2024 Class Meeting of Holders of H Shares of the Company convened on 20 June 2024 (the "2024 Class Meeting of Holders of H Shares") due to their other business commitments.

Ms. Zhang Shen-yu, the then non-executive Director and Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the sixth meeting of the eighth session of the Board convened on 20 June 2024 by the Company due to their other business commitments.

Ms. Hu Xiao, the then non-executive Director, and Ms. Zhang Shen-yu, the then non-executive Director, were unable to attend the 2024 first extraordinary general meeting of the Company convened on 27 August 2024 (the "2024 First EGM") due to their other business commitments.

Ms. Hu Xiao, the then non-executive Director, and Ms. Zhang Shen-yu, the then non-executive Director, were unable to attend the seventh meeting of the eighth session of the Board convened on 29 August 2024 by the Company due to their other business commitments.

Ms. Shen Chen, a non-executive Director, Ms. Zhang Shen-yu, the then non-executive Director and Mr. Wong Tak Hung, the then non-executive Director, were unable to attend the 2024 second extraordinary general meeting of the Company convened on 5 December 2024 (the "2024 Second EGM") due to their other business commitments.

Ms. Shen Chen, a non-executive Director, Ms. Zhang Shen-yu, the then non-executive Director and Mr. Wong Tak Hung, the then non-executive Director, were unable to attend the eighth meeting of the eighth session of the Board convened on 5 December 2024 by the Company due to their other business commitments.

Ms. Shen Chen, a non-executive Director, and Mr. Wong Tak Hung, the then non-executive Director, were unable to attend the ninth meeting of the eighth session of the Board convened on 5 December 2024 by the Company due to their other business commitments.

Ms. Zhang Hui-qin, an executive Director, Ms. Shen Chen, a non-executive Director, and Mr. Cao Hai-lun, a non-executive Director, were unable to attend the tenth meeting of the eighth session of the Board convened on 28 March 2025 by the Company due to their other business commitments.

After receiving the relevant materials for the Board meetings, the above-mentioned Directors have authorized other Directors to attend the meetings and vote on their behalf. The matters considered at the Board meetings were ordinary matters or special matters and all resolutions were passed smoothly. The Company sent the related minutes of the relevant meeting subsequently to all members of the Board to enable the Directors who were unable to attend the meeting to understand the resolutions passed at the meeting.

Moreover, the Company has provided the relevant materials and all necessary information relating to the 2023 AGM, 2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares, 2024 Class Meeting of Holders of H Shares, 2024 First EGM and 2024 Second EGM (collectively referred to as the "2024 General Meetings") to all members of the Board before the 2024 General Meeting. All ordinary resolutions and special resolutions considered at the 2024 General Meetings were passed smoothly. The Company sent the related minutes of the 2024 General Meetings to all members of the Board after the 2024 General Meetings so that the Directors who were unable to attend the meeting were able to understand the resolutions passed at the meeting.

The Board

During the period under review, the Board of the Company consists of 11 Directors, three of whom are executive Directors including the vice Chairman of the Board and four of whom are non-executive Directors including the Chairman of the Board and four of whom are independent non-executive Directors. The number of independent non-executive Directors accounts for at least one third of the number of Directors. At least one of the independent non-executive Directors holds appropriate professional qualifications or accounting or related financial management expertise. Profiles and particulars of the chairman of the Company and other Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report. The Board comprises a balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors), which provides the Board with strong independence and enables it to exercise independent judgement effectively.

As approved at the 2022 AGM held on 15 June 2023, the eighth session of the Board was established and the term of office of each Director (including non-executive Directors) is three years, which will expire on the date of conclusion of the annual general meeting of the Company for the year 2025. Corresponding to the term of office, all the executive Directors have entered into service contracts, which are valid for a term ending on the date of conclusion of the annual general meeting of the Company for the year 2025, and such term is renewable subject to the laws and regulations. The names of the Directors referred herein are members of the eighth session of the Board as at the date of this report.

The principal responsibilities of the Board include:

– formulating overall strategies, monitoring operating and financial performance and determining proper policies to manage risks exposures arising in the course of achieving the Group's strategic goals;

– being responsible for the internal control system of the Company and reviewing its efficiency;

– being ultimately responsible for the preparation of accounts of the Company and assessing the Company's performance, financial position and prospects in a balanced, clear and comprehensible manner. Such responsibility is applicable during the preparation of the quarterly, interim and annual reports of the Company, other price-sensitive announcements issued and the financial information disclosed under the Listing Rules, reports submitted to the regulatory authorities and information disclosed under legal requirements;

– the executive Directors/officers in charge of various aspects of the operations of the Company are responsible for the day-to-day management of business of the Company. The Board is responsible for the policies, financial and shareholders' affairs affecting the overall strategy of the Company, including financial statements, dividends policies, material changes in accounting policies, annual operation budget, material contracts, major financing arrangements, major investments and risk management policies;

– the management has received clear directions and instructions in respect of their authorities, particularly in relation to the matters such as the circumstances under which they should report to the Board and seeking the Board's approval prior to making any decision or entering into any undertaking on behalf of the Company; and

– reviewing its responsibilities and functions and authorities delegated to the executive Directors/officers on a regular basis to ensure such arrangements are appropriate.

Board Meetings and General Meeting

The Company held six Board meetings, one 2023 AGM, two 2024 EGMs, one 2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares and one 2024 Class Meeting of Holders of H Shares during the year. Attendance record of the Directors is as follows:

Directors	Meetings Attended/Held Board Meetings	2023 AGM	2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares	2024 Class Meeting of Holders of H Shares	2024 First EGM	2024 Second EGM
Executive Directors						
Mr. Chong Xiao-bing (Note 1)	4/4	1/1	1/1	1/1	1/1	–
Ms. Wang Xiao-yan *(vice chairman)* (Note 2)	2/2	–	–	–	–	1/1
Ms. Zhang Hui-qin (Note 3)	6/6	1/1	1/1	1/1	1/1	1/1
Mr. Zhu Ding-ping (Note 4)	–	–	–	–	–	–
Non-executive Directors						
Mr. Pu Shao-hua *(chairman)*	6/6	1/1	1/1	1/1	1/1	1/1
Mr. Shi Xiao-long (Note 5)	–	–	–	–	–	–
Ms. Hu Xiao (Note 6)	1/4	0/1	0/1	0/1	0/1	–
Ms. Shen Chen (Note 7)	0/2	–	–	–	–	0/1
Ms. Zhang Shen-yu (Note 8)	1/5	0/1	0/1	0/1	0/1	0/1
Mr. Cao Hai-lun (Note 9)	1/1	–	–	–	–	–
Mr. Dong Xiao-chun (Note 10)	1/2	–	–	–	–	–
Ms. Yang Qin (Note 11)	4/4	1/1	1/1	1/1	1/1	1/1
Mr. Wong Tak Hung (Note 12)	3/6	1/1	1/1	1/1	1/1	0/1
Independent Non-executive Directors						
Mr. Xia Da-wei	5/6	1/1	1/1	1/1	1/1	1/1
Mr. Lee Kwok Ming, Don	5/6	0/1	0/1	0/1	1/1	1/1
Mr. Chen Wei	5/6	1/1	1/1	1/1	1/1	1/1
Mr. Zhao Xin-sheng	6/6	1/1	1/1	1/1	1/1	1/1

Notes:

1. Mr. Chong XIao-bing resigned from the office of executive Director of the Company on 27 November 2024.

2. Ms. Wang Xiao-yan was appointed as executive Director of the Company on 27 November 2024.

3. Ms. Zhang Hui-qin was appointed as executive Director of the Company on 7 February 2024.

4. Mr. Zhu Ding-ping was appointed as executive Director of the Company on 7 January 2025.

5. Mr. Shi Xiao-long resigned from the office of non-executive Director of the Company on 7 February 2024.

6. Ms. Hu Xiao resigned from the office of non-executive Director of the Company on 24 September 2024.

7. Ms. Shen Chen was appointed as non-executive Director of the Company on 24 September 2024.

8. Ms. Zhang Shen-yu resigned from the office of non-executive Director of the Company on 5 December 2024.

9. Mr. Cao Hai-lun was appointed as non-executive Director of the Company on 5 December 2024.

10. Mr. Dong Xiao-chun resigned from the office of non-executive Director of the Company on 24 May 2024.

11 Ms. Yang Qin was appointed as non-executive Director of the Company on 24 May 2024.

12. Mr. Wong Tak Hung resigned from the office of non-executive Director of the Company on 7 January 2025.

The attendance of the Directors by proxies (other Directors) has not been counted.

In addition to the above-mentioned regular Board meetings during the year, the Board would also hold meetings whenever Board's decision on any specific matter was required. All Directors will receive the notice of meeting, detailed agenda of the meeting and the relevant information at least 14 days prior to the meeting.

In addition to regular board meetings, the Chairman also held meetings with independent non-executive Directors without other Directors attending.

The members of the Board fully acknowledge their own duties and obligations in treating all shareholders on an equal basis and protecting the interests of all investors. The Company ensures that documents and information relating to the businesses of the Group are provided to Board members on a timely basis. The independent non-executive Directors perform their duties in compliance with relevant laws and regulations and safeguard the interests of the Company and its shareholders as a whole. The Company has received confirmation letters from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules.

To the best knowledge of the Board, no relationship (including financial, business, family or other material relevant relationship(s)) exists between members of the Board and senior management.

Trainings of Directors

All Directors shall participate in continuous professional development to develop and update their knowledge and skills to ensure that they are equipped with all the information and can continue to contribute to the Board when required.

During the period under review, the Company arranged trainings on the Listing Rules for its Directors. Relevant training materials were also sent to the Directors who were unable to attend the trainings for their reference.

Directors	Perusing the Training Materials on the Listing Rules	Participating in the Trainings on the Listing Rules Organised by the Company	Participating in the Trainings on the Listing Rules Organised by Other Organisations
Executive Directors			
Ms. Wang Xiao-yan	✓	✓	
Ms. Zhang Hui-qin	✓	✓	
Non-executive Directors			
Mr. Pu Shao-hua	✓	✓	
Ms. Shen Chen	✓		
Mr. Cao Hai-lun	✓	✓	
Ms. Yang Qin	✓	✓	
Independent Non-executive Directors			
Mr. Xia Da-wei	✓	✓	
Mr. Lee Kwok Ming, Don	✓	✓	
Mr. Chen Wei	✓	✓	
Mr. Zhao Xin-sheng	✓	✓	

Board Diversity Policy

During the period under review, the Board adopted a board diversity policy (which was embodied in the terms of reference of the Nomination Committee) setting out the approach to achieve diversity on the Board. The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments by the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee has set measurable objectives based on four focus areas: gender, age, ethnicity and professional experience to implement the board diversity policy. The Nomination Committee will review the board diversity policy, as appropriate; the measurable objectives that the Board has set for implementing the board diversity policy; and the progress on achieving the objectives, to ensure its continued effectiveness from time to time. The Nomination Committee is of the view that the Board has realized a diversified and balanced combination and is suitable for the business of the Group. The proportion of female members on the Board of the Company is currently 36% and the proportion of female employees on the Company's entire workforce is 68%. The Company will also take measures to maintain a diversified and balanced portfolio level for all employees.

Duties of the Board and the Management of the Company

During the period under review, the position of Chairman is assumed by Mr. Pu Shao-hua while the position of Manager (equivalent to "chief executive officer" under the Listing Rules) of the Company was assumed by Ms. Wang Xiao-yan, which complies with the requirement of Provision C.2.1 of the Code requiring that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman leads the Board and is responsible for approving and supervising the policies and strategies of the Group, approving annual budget and business plan, assessing the performance of the Company and supervising the work of the management of the Company. The Manager is responsible for the day-to-day operations of the Group and leads the management of the Company to exercise the powers conferred by the Articles of Association and delegated by the Board.

The Manager of the Company reports to the Board and performs the following duties:

(1) take charge of the production, operation and management affairs and implementation of the resolutions of the Board;

(2) implement the annual business plans and investment plans of the Company;

(3) formulate the internal organizational structure plan of the Company;

(4) formulate the basic management system of the Company;

(5) formulate the basic rules of the Company;

(6) make recommendations in respect of the appointment or removal of deputy manager and financial officer;

(7) appoint or remove management personnel except for those required to be appointed or removed by the Board;

(8) personally (or appoint a deputy manager to) convene and chair the management meetings to be attended by the manager, deputy managers and other members of senior management;

(9) determine matters of the Company relating to the reward or punishment, promotion or demotion, pay-rise or pay-cut, recruitment, employment, removal and dismissal of staff; and

(10) exercise other powers conferred by the Articles of Association or delegated by the Board.

Board Committees

The Company established the first session of Board Committees in 2003, including (1) the Remuneration and Appraisal Committee which establishes and determines the Company's reward and appraisal system; (2) the Strategic Committee which conducts consultation, survey, research and assessment on the Company's future investment strategies, and to enhances the Company's core competitiveness; (3) the Nomination Committee which optimizes the composition of the Board and the management of the Company; and (4) the Audit Committee which reviews the financial reporting procedures, internal control system and the completeness of financial reports of the Company.

A meeting of the Board of Directors was held on 17 June 2021 at which the seventh session of Environmental, Social and Governance (ESG) Committee was elected and established to guide and review the formulation of the Company's ESG policies and strategies to ensure that they are up-to-date, relevant and meet applicable legal and regulatory requirements. As approved by ordinary resolutions at the annual general meeting on 15 June 2023, the eighth session of the Board was established. On the same day, the Board established the eighth session of the Board Committees in accordance with the requirements of the Code. As at the date of publication of this annual report, members of each of the eighth session of the Board Committees are as follows:

Board Committees	Members				
The Audit Committee	Mr. Lee Kwok Ming, Don *(Chairman)*	Mr. Xia Da-wei	Mr. Zhao Xin-sheng	Ms. Yang Qin	–
The Remuneration and Appraisal Committee	Mr. Xia Da-wei *(Chairman)*	Ms. Zhang Hui-qin	Mr. Chen Wei	Mr. Zhao Xin-sheng	–
The Strategic Committee	Mr. Pu Shao-hua *(Chairman)*	Ms. Zhang Hui-qin	Ms. Wang Xiao-yan	Ms. Shen Chen	Mr. Cao Hai-lun
The Nomination Committee	Mr. Pu Shao-hua *(Chairman)*	Mr. Chen Wei	Mr. Xia Da-wei	Mr. Zhao Xin-sheng	–
The Environmental, Social and Governance (ESG) Committee	Ms. Wang Xiao-yan *(Chairman)*	Mr. Cao Hai-lun	Mr. Lee Kwok Ming, Don	Mr. Chen Wei	–

Note:

(1) The term of those current Directors above will end on the date of the 2025 annual general meeting of the Company.

(2) Mr. Dong Xiao-chun resigned from the office of a non-executive Director and a member of the Audit Committee of the Company on 24 May 2024. Ms. Yang Qin was appointed as a non-executive Director and a member of the Audit Committee of the Company on 24 May 2024. Mr. Shi Xiao-long resigned from the office of a non-executive Director, a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee of the Company on 7 February 2024. Ms. Zhang Hui-qin was appointed as an executive Director, a member of the Remuneration and Appraisal Committee and a member of the Strategic Committee of the Company on 7 February 2024. Mr. Chong Xiao-bing resigned from the office of an executive Director, a member of the Strategic Committee and a member and the chairman of the Environmental Social and Governance (ESG) Committee of the Company on 27 November 2024. Ms. Wang Xiao-yan was appointed as an executive Director, a member of the Strategic Committee and a member of the Environmental Social and Governance (ESG) Committee of the Company on 27 November 2024, and was appointed as the chairman of the Environmental Social and Governance (ESG) Committee of the Company on 5 December 2024. Ms. Hu Xiao resigned from the office of a non-executive Director and a member of the Strategic Committee of the Company on 24 September 2024. Ms. Shen Chen was appointed as a non-executive Director and a member of the Strategic Committee of the Company on 24 September 2024. Ms. Zhang Shen-yu resigned from the office of a non-executive Director, a member of the Strategic Committee and a member of the Environmental Social and Governance (ESG) Committee of the Company on 5 December 2024. Mr. Cao Hai-lun was appointed as a non-executive Director, a member of the Strategic Committee and a member of the Environmental Social and Governance (ESG) Committee of the Company on 5 December 2024.

To further enhance the independence of the Board Committees, written terms of reference of each of the committees were formulated by such Board Committees under the authorisation of the Board.

Audit Committee

The Board passed a resolution on 15 June 2023 to establish the eighth session of the Audit Committee. The Audit Committee currently comprises four members, including three independent non-executive Directors (including the chairman) and one non-executive Director. The Board confirms that each member of the Audit Committee has extensive business experience and the Audit Committee has a desirable mix of operational, accounting and financial expertise. The primary duties, roles and functions of the Audit Committee are:

(1) responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, as well as settling any questions raised by the resignation or dismissal of such auditor;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process. The committee should discuss with the auditor on the scope of the audit including the engagement letter. The committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. The external audit fees are to be negotiated by management, and presented to the committee for review and approval annually;

(3) to develop and implement policy on engaging an external auditor to provide non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm, or any entity as to a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identify and make recommendations on any matters where action or improvement is needed;

(4) to monitor the integrity of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review financial statements and significant financial reporting judgements contained in above mentioned reports. Before submitting the relevant accounts and reports to the Board, the Audit Committee should review particularly: (1) any changes in accounting policies and practices; (2) major judgmental areas; (3) significant adjustments resulting from the audit; (4) the on-going concern assumptions and any qualifications; (5) compliance with accounting and auditing standards; and (6) compliance with the Listing Rules and legal requirements;

(5) with regard to (d) above: (1) members of the committee should liaise with the Board and senior management, and the committee must meet, at least twice a year, with the external auditor; and (2) the committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(6) to review with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;

(7) to discuss the scope and quality of internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience of accounting and financial reporting, training programmes and budget of the Company's accounting and financial reporting function;

(8) to review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations and to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(9) to review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function has adequate resource and has appropriate standing within the Group;

(10) to review the Company's financial and accounting policies and practices and be familiar with the financial reporting principles and practices applied by the Group in preparing its financial statements;

(11) to discuss with external auditors about any recommendations arising from the audit (if necessary in the absence of management); and review the draft suggestions to the management by the auditor regarding the auditing ("Management Letter"), any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the queries raised;

(12) to ensure that the Board will provide a timely response to issues raised in the external auditor's Management Letter;

(13) to report to the Board on any matters in relation to the code provision relating to the Audit Committee set out in the Corporate Governance Code of the Listing Rules;

(14) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(15) to act as the key representative for overseeing the Company's relations with the external auditor;

(16) to review the draft representation letter prior to submission to the Board for approval;

(17) to evaluate the cooperation received by the external auditors from the management, including the external auditors' access to all requested records, data and information; obtain the comments from management regarding the responsiveness of the external auditor to the Group's needs; inquiry into whether there have been any disagreements between external auditors and management which, if not satisfactorily resolved, would result in the issuance of a report with qualification on the Group's financial statements;

(18) to seek from external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

(19) the engagement of the external auditor to perform non-audit services is generally prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, prior approval from the Audit Committee is required;

(20) to apprise the Board of significant progresses in the course of performing the above duties;

(21) to recommend to the Board any appropriate extensions to, or changes in, the duties of the Audit Committee;

(22) to reach agreement with the Board on the Company's policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Audit Committee will consider whether such hiring will bring any impairment to the auditor's judgment or independence in respect of its auditing;

(23) to make available the terms of reference of the Audit Committee, explain its role and the authority delegated to it by the Board by including them on the website of the Stock Exchange and the Company; and

(24) to consider and be responsible for other topics, as requested or delegated by the Board.

During the year ended 31 December 2024, the Audit Committee held two meetings and performed major work including review of annual and interim financial reports, internal control, continuing connected transactions and maintaining proper relationship between the Group and external and internal auditors etc.

The Audit Committee held a meeting on 20 March 2024 to review and discuss matters including the internal control of the Group, annual financial reports, remuneration and re-appointment of domestic and international auditors and continuing connected transactions for 2023, including the review of the Company's annual financial report prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS"). The Audit Committee was of the view that the annual financial report of the Group for the year 2023 had complied with the applicable accounting standards and requirements of the Stock Exchange and the relevant laws and had made adequate disclosures. The Audit Committee also conducted a review on the risk management and internal control system of the Company and its subsidiaries and was of the view that the Group had an effective risk management and internal control system. The Audit Committee was of the view that domestic and international auditors of the Company had carried out their work with professionalism and independence, and agreed to make recommendations to the Board in respect of their remuneration for 2023 and suggested to re-appoint the domestic and international auditors for 2024. The Audit Committee confirmed that the continuing connected transactions of the Company in 2023 did not exceed their respective caps.

The Group's chief financial officer, auditors and internal auditors also attended the meeting to address queries raised by the Audit Committee.

The Audit Committee held a meeting on 21 August 2024 to review and discuss with the management the matters including internal controls and interim financial report, including the review of the Company's condensed interim financial report prepared in accordance with the HKFRSs. The Audit Committee was of the view that the Group's interim financial report for the six months ended 30 June 2024 had complied with the applicable accounting standards, requirements of the Stock Exchange and relevant laws, and had made adequate disclosures. In relation to its review of the Group's internal audit function, risk management and internal control, the Audit Committee concluded that the Group's internal audit function, risk management and internal control system were effective.

The Group's chief financial officer, auditors and internal auditors also attended the meeting to address queries raised by the Audit Committee.

Set out below is the attendance records of the members of the Audit Committee in 2024:

Name	20 March 2024	21 August 2024
Independent Non-executive Directors		
Mr. Lee Kwok Ming, Don *(Chairman)*	Present	Present
Mr. Xia Da-wei	Present	Present
Mr. Zhao Xin-sheng	Present	Present
Non-executive Directors		
Mr. Dong Xiao-chun (Note)	Not Present	–
Ms. Yang Qin (Note)	–	Not Present

Note: Mr. Dong Xiao-chun resigned from the office of a member of the Audit Committee of the Company on 24 May 2024. Ms. Yang Qin was appointed as a member of the Audit Committee of the Company on 24 May 2024.

Remuneration and Appraisal Committee

On 15 June 2023, the Board passed a resolution to establish the eighth session of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee currently comprises four members, including three independent non-executive Directors (including the chairman) and one executive Director. The primary duties, roles and functions of the Remuneration and Appraisal Committee are:

(1) formulate and determine the remuneration plans or schemes of individual executive directors and senior management based on their job scope, responsibilities, significance and remuneration levels of similar position in other similar companies;

(2) remuneration plans or schemes include but not limited to performance appraisal criteria, procedures, assessment system, and plan and system for awards and punishments;

(3) review the fulfillment of duties of directors (non-independent directors) and senior management and appraise their annual performance;

(4) monitor the implementation of remuneration system of the Company;

(5) make recommendations to the Board on the Company's policy and structure for all directors' and senior managements' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(6) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(7) determine with the delegated responsibility the remuneration packages of individual executive directors and senior management; this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(8) make recommendations to the Board on the remuneration packages of non-executive directors;

(9) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(10) review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;

(11) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(12) ensure that no director or any of his associates is involved in deciding his own remuneration;

(13) have access to independent professional advice if necessary;

(14) handle specific matters related to employee equity incentives, report and make proposals to the Board (including reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules);

(15) consider other responsibilities authorized by the Board.

During the year ended 31 December 2024, the Remuneration and Appraisal Committee held one meeting and performed major work including determining the policy for the remuneration of Directors, assessing the performance of the executive Directors and senior management of the Company, approving the terms of executive Directors' service contracts and making recommendations to the Board on their remuneration packages.

The Remuneration and Appraisal Committee held a meeting on 27 March 2024. Having taken into account the factors including, but not limited to, the remuneration paid by comparable companies, time commitment of the Director and the Director's duties, hiring standards of other positions within the Group and performance-based remuneration, the committee made recommendations to the Board on the remuneration packages of the executive Director and approved the remunerations to an executive Director, a Supervisor, the senior management formed by general manager and deputy general managers for 2023.

Set out below is the attendance records of the members of the Remuneration and Appraisal Committee in 2024:

Name	27 March 2024
Independent Non-executive Directors	
Mr. Xia Da-wei *(Chairman)*	Present
Mr. Chen Wei	Present
Mr. Zhao Xin-sheng	Present
Non-Executive Director	
Mr. Shi Xiao-long (Note)	–
Executive Director	
Ms. Zhang Hui-qin (Note)	Present

Note: Mr. Shi Xiao-long resigned from the office of a member of the Remuneration and Appraisal Committee on 7 February 2024. Ms. Zhang Hui-qin was appointed as a member of the Remuneration and Appraisal Committee on 7 February 2024.

Strategic Committee

On 15 June 2023, the Board passed a resolution to establish the eighth session of the Strategic Committee. The Strategic Committee currently comprises five members, including two executive Directors and three non-executive Directors (including the chairman). The primary duties, roles and functions of the Strategic Committee are:

(1) to research and make suggestions on the Company's long-term development strategic plan;

(2) to research and approve the revision and adjustment of the Company's long-term development strategic plan;

(3) to ensure that the Company's long-term development strategic plan is formulated based on objectively and comprehensively analyzing and predicting future business opportunities and risks;

(4) to ensure that the Company's long-term development strategy plan conforms to the national industry development plan and industrial policy, conforms to the strategic adjustment direction of the national economic structure, highlights the main business and helps to enhance the Company's core competitiveness;

(5) to ensure that the Company's long-term development strategic plan is operable;

(6) to review the Company's strategy implementation review report every year;

(7) to research and make suggestions on other major issues that affect the Company's development;

(8) to inspect the implementation of the above matters;

(9) to deal with other responsibilities authorized by the Board.

During the year ended 31 December 2024, the Strategic Committee held one meeting. The main tasks performed include a review of the implementation of the Company's strategy in 2023.

Set out below is the attendance record of the members of the Strategic Committee in 2024:

Name	27 March 2024
Executive Directors	
Mr. Chong Xiao-bing (Note)	Present
Ms. Wang Xiao-yan	–
Ms. Zhang Hui-qin (Note)	Present
Non-executive Directors	
Mr. Pu Shao-hua *(Chairman)*	Present
Mr. Shi Xiao-long (Note)	–
Ms. Hu Xiao (Note)	Present
Ms. Shen Chen (Note)	–
Ms. Zhang Shen-yu (Note)	Present
Mr. Cao Hai-lun (Note)	–

Note: Mr. Chong Xiao-bing resigned from the office of a member of the Strategic Committee of the Company on 27 November 2024. Ms. Wang Xiao-yan was appointed as a member of the Strategic Committee of the Company on 27 November 2024. Ms. Zhang Hui-qin was appointed as a member of the Strategic Committee of the Company on 7 February 2024. Mr. Shi Xiao-long resigned from the office of a member of the Strategic Committee of the Company on 7 February 2024. Ms. Hu Xiao resigned from the office of a member of the Strategic Committee of the Company on 24 September 2024. Ms. Shen Chen was appointed as a member of the Strategic Committee of the Company on 24 September 2024. Ms. Zhang Shen-yu resigned from the office of a member of the Strategic Committee of the Company on 5 December 2024. Mr. Cao Hai-lun was appointed as a member of the Strategic Committee of the Company on 5 December 2024.

Nomination Committee

On 15 June 2023, the Board passed a resolution to establish the eighth session of the Nomination Committee. The Nomination Committee currently comprises four members, including three independent non-executive Directors and one non-executive Director (the chairman). The primary duties, roles and functions of the Nomination Committee are:

(1) to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(2) to consider the skills mix needed in respect of the appointed directors with due regard for the benefits of diversity of the Board, and make recommendations to the Board;

(3) to study the criteria and procedures in selecting directors and managers and make appropriate suggestions to the Board;

(4) to broadly search for and identify qualified candidates for directors and managers;

(5) to review, comment and make recommendations to the Board on the candidates for directors and managers;

(6) to review and comment on the candidates for other senior management, whose employment are subject to the approval of the Board;

(7) to review regularly the time to be committed by each director in order to perform their duties;

(8) to assess the independence of independent non-executive directors;

(9) to review the board diversity policy, as appropriate; and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives;

(10) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive; and

(11) to deal with other responsibilities authorized by the Board.

During the year ended 31 December 2024, the Nomination Committee held seven meetings. The meetings were in compliance with the provisions under the Implementation Rules for the Nomination Committee under the Board and performed major work including reviewing the time committed by each Director in order to perform their duties, and the structure, size and composition of the Board, making recommendation to the Board on the candidates for Directors of the eighth session of the Board, on the candidates for the members of the eighth session of the Board Committees and on the candidates of the management, which were approved and passed by way of resolutions at these meetings.

Please refer to the paragraph headed "Board Diversity Policy" for details on the Board's policy on board diversity, measurable objectives that it has set for implementation the policy and progress on achieving those objectives.

Please refer to the Terms of Reference of the Nomination Committee of the Company published on the website of the Stock Exchange for details of the policy for the nomination of directors.

Set out below is the attendance record of the members of the Nomination Committee in 2024:

Name	7 February 2024	27 March 2024	24 May 2024	20 June 2024	24 September 2024	27 November 2024	5 December 2024
Independent Non-executive Directors							
Mr. Chen Wei	Present	Present	Present	Present	Present	Present	Present
Mr. Xia Da-wei	Present	Present	Present	Present	Present	Present	Present
Mr. Zhao Xin-sheng	Present	Present	Present	Present	Present	Present	Present
Non-Executive Director							
Mr. Pu Shao-hua *(chairman)*	Present	Present	Present	Present	Present	Present	Present

Environmental, Social and Governance Committee

On 15 June 2023, the Board passed a resolution to establish the eighth session of the Environmental, Social and Governance (ESG) Committee. The Environmental, Social and Governance (ESG) Committee currently comprises four members, including an executive Director (the chairman), a non-executive Director and two independent non-executive Directors. The primary duties, roles and functions of the Environmental, Social and Governance (ESG) Committee are:

(a) to guide and review the formulation of Lianhua Supermarket's ESG policies and strategies to ensure that they are up-to-date, relevant and meet applicable legal and regulatory requirements;

(b) to monitor the formulation and implementation of Lianhua Supermarket's ESG goals, including: overseeing the formulation of Lianhua Supermarket's ESG management performance goals; reviewing progress towards the achievement of the goals and advising on the actions required for the achievement of such goals;

(c) to monitor the external ESG trends and report to the Board on important trends which may affect the formulation of Lianhua Supermarket's ESG policies and strategies as well as the goals;

(d) to guide and review the identification and sequencing of key ESG issues of Lianhua Supermarket;

(e) to review the Company's annual Environmental, Social and Governance Report and other ESG-related disclosures and report to the Board;

(f) to identify the ESG risks related to Lianhua Supermarket, assess the impact of such risks on the Company and give advice to the Board on risk response;

(g) to provide the ESG-related training materials to the Board;

(h) such other duties delegated by the Board.

During the year ended 31 December 2024, the Environmental, Social and Governance (ESG) Committee held two meetings. These meetings have reviewed and approved the 2023 ESG Report of the Company and elected Ms. Wang Xiao-yan as the chairman of the eighth session of the Environmental, Social and Governance (ESG) Committee.

Set out below is the attendance record of the members of the Environmental, Social and Governance Committee in 2024:

Name	27 March 2024	5 December 2024
Independent Non-executive Directors		
Mr. Lee Kwok Ming, Don	Present	Present
Mr. Chen Wei	Present	Present
Executive Directors		
Mr. Chong Xiao-bing (Note)	Present	–
Ms. Wang Xiao-yan *(chairman)* (Note)	–	Present
Non-Executive Directors		
Ms. Zhang Shen-yu (Note)	Present	–
Mr. Cao Hai-lun (Note)	–	Present

Note: Mr. Chong Xiao-bing resigned the office of a member and chairman of the Environmental, Social and Governance (ESG) Committee of the Company on 27 November 2024. Ms. Wang Xiao-yan was appointed as a member of the Environmental, Social and Governance (ESG) Committee of the Company on 27 November 2024. Ms. Zhang Shen-yu resigned the office of a member of the Environmental, Social and Governance (ESG) Committee of the Company on 5 December 2024. Mr. Cao Hai-lun was appointed as a member of the Environmental, Social and Governance (ESG) Committee of the Company on 5 December 2024.

Corporate Governance Functions

During the period under review, the Board and the Board Committees performed the below corporate governance duties:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct applicable to the employees and Directors of the Company; and

(v) to review the Company's compliance with the Corporate Governance Code and disclosure requirements in the Corporate Governance Report.

Directors' and Auditors' Responsibilities for the Accounts

The Directors hereby confirm their responsibilities for the preparation of the accounts of the Company. The Directors confirm that the preparation of the financial statements of the Group for this year complied with the relevant laws and applicable accounting standards and that the Group will publish the financial statements of the Company on timely basis. The responsibilities of external auditors to the shareholders are set out on pages 147 to 148 of the annual report.

Compliance with Model Code

The Company has adopted the Model Code as the code of conduct for securities transactions by all Directors and relevant employees. After making specific enquiries with the Directors and relevant employees, the Board is pleased to confirm that all the Directors and relevant employees have fully complied with the provisions under the Model Code during the year ended 31 December 2024.

Remuneration of Auditors

The Audit Committee is responsible for considering the appointment of auditors and reviewing their remuneration. For the year under review, RMB4,085 thousand was payable by the Company to the external auditors (including the PRC and international auditors) as service charge for their audit and due diligence consultancy services. For the year under review, the external international auditors had not provided any non-auditing service to the Company.

Company Secretary

Ms. Xu Xiao-yi has been appointed by the Board as the company secretary of the Company with effect from 2 July 2023. Ms. Xu Xiao-yi is the company secretary, secretary of the Board of Directors and chief financial officer of the Company.

In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2024, Ms. Xu Xiao-yi received not less than 15 hours of the relevant professional training.

Risk Management and Internal Supervision

The Board confirms its responsibility to oversee the Company's and its subsidiaries' risk management and internal control systems on an on-going basis and to review their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in the performance of its regulatory and corporate governance role in the Group's finance, operation, compliance, risk management and internal controls, as well as financial and internal audit functions.

The Company has established an organizational structure featured with a clear level of accountability and reporting procedures. The Group's internal audit department assists the Board and/or the Audit Committee to continuously review the effectiveness of the Group's risk management and internal control systems. The Directors are regularly informed through such committees of significant risks which may affect the performance of the Group, hence, supplementing and improving risk control and management measures.

The structure also includes appropriate policy and monitoring systems being established and formulated to ensure that the secured assets will not be used or disposed of without authorization. The Group would comply with the relevant rules to maintain reliable financial and accounting records in accordance with the relevant accounting standards and regulatory requirements, as well as the proper identification and management of the major risks that may affect the performance of the Group. Relevant systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, and are designed to manage rather than eliminate the risk of failing to meet business objectives.

Internal Review

The Company's internal audit department coordinates corporate risk management and reviews the Group's significant risk management areas and is responsible for assessing the adequacy and effectiveness of the Group's risk management and risk monitoring systems and providing impartial advice on the system and reporting to the Audit Committee, the chairman and the relevant senior management to ensure that all issues have been satisfactorily resolved, depending on the nature of the business of the individual business unit and the risks involved. The scope of the internal audit department covers the review of all important aspects of internal control (including finance, operation, information, risk management, legal and compliance controls, etc.). The management of the Group regularly evaluates it and shall at least annually verify that the relevant matters are properly and effectively operated. The Company believes that this will strengthen its future corporate governance and business practices.

The internal audit department will meet at least once a year with the Audit Committee to review the risks identified by the internal audit department and other potential risks. According to the annual internal control and internal audit plan, the internal audit department will submit the Group's risk assessment and internal control report to the Audit Committee and the Board, which will be reviewed and approved at the end of the relevant year.

The Audit Committee is responsible for the management of connected transactions, including the review on the management system for connected transactions, the review and approval of material connected transactions and the annual review report, and consideration and approval of connected transactions. The Audit Committee has designated the internal audit department to be responsible for routine review of connected transactions. The relevant materials of routine review and management findings of the Audit Committee will be submitted to independent Directors for their review. Independent Directors conducted review on, among others, the fairness of material connected transactions and the execution of internal review and approval procedure in order to minimize relevant risks of connected transactions and safeguard the interest of the Company and the shareholders. The Company regularly collates and calculates the reported total transaction amount of connected transactions to ensure that the annual cap is not exceeded.

Review of the Effectiveness of Risk Management and Internal Monitoring System

The Group's internal audit department provides independent assurance to the Board, the Audit Committee and the senior management of the Group as to whether the Group's internal controls are adequate and effective. The senior management of the Group is responsible for the design, implementation and monitoring of risk management and internal control systems with the assistance of the internal audit department of the Group and submits periodic reports on the effectiveness of such systems to the Board and/or the Audit Committee.

In 2024, the internal audit department worked closely with the operating units, senior management and the Directors to strengthen the risk management system. The work includes but not limited to increasing the number of training sessions; further harmonizing the internal control and risk assessment methods; normalizing internal control and risk assessment; and making the internal monitoring and evaluation more closely aligned with their potential risks. Moreover, the internal audit department collects potential risk information from operating units and assesses the level of risk based on implementation of risk management measures that would be facilitated, all of which form part of the process used by the Company to identify, evaluate and manage potential material risk. The key risks identified, managed and monitored during the year included downward pressure on China's economy and action plans to effectively respond to the identified risks were formulated and implemented during the year accordingly. The internal audit department has submitted to the Board and the Audit Committee the latest report on the monitoring of risk management during the year and to assist the Directors in reviewing the effectiveness of the Group's risk management and internal control systems.

In 2024, the Group's internal audit department conducted a selective review on the effectiveness of the Group's risk management and internal control systems in terms of financial, operational and compliance monitoring, focusing on intangible asset management, information system maintenance, inventory management, and procurement expenses to review the effectiveness of risk management and internal control system. In addition, the responsible person of the main business and corporate functions need to self-assess their own major monitoring matters. The results were reviewed by the Group's internal audit department and reported to the Audit Committee. The Audit Committee then reviewed the information and reported to the Board. The Audit Committee and the Board did not find any matter or failure which requires special attention relating to the Group's financial condition or results of operations. In case any material internal control defects are identified by the internal audit department, the responsible unit and the Board will discuss and assess the cause of the defect and an action plan will be formulated to rectify the defects. The Board has conducted a review and considered that the risk management and internal control system as a whole is adequate and effective, including the areas of accounting, internal audit and the Group's procedure for financial reporting and compliance with the Listing Rules are effective. There are sufficient resources, staff qualifications and experience in the financial reporting function, as well as adequate staff training courses and budget.

Inside Information

The Board is the governing body of the Company's inside information. The Chairman of the Board takes the main responsibility of the Company's inside information management. The disclosure committee under the Board is comprised of the Chairman of the Board and all executive Directors. It is responsible for managing the disclosure of the inside information. The company secretary is responsible for the Company's inside information monitoring, disclosure and insider registration, filing and other daily management work. The office of the Board is the only information disclosure department of the Company. It is responsible for the record management, the disclosure and the registration of insider of inside information and the daily custody of relevant information materials when inside information arises. Without the approval of the disclosure committee, review and consent of the company secretary, any department and individual of the Company shall not disclose, report or transmit the contents concerning the Company's inside information and information disclosure to any person prohibited by applicable laws and regulations.

Liability Insurance

The Company has insured directors and senior management responsibility insurance to protect the Directors and senior management of the Company from potential legal liability.

Organizational Structure

The Group has established an organizational structure, which sets out the relevant operating policies and procedures, duties and authorities.

Authorities and Controls

The executive Director and senior management have been authorized to deal with relevant matters in respect of corporate strategies, policies and contractual undertakings. Budget controls and the budgets for operation of the financial reporting systems are formulated by relevant departments and are subject to review by the Directors in charge before implementation. The Group has formulated relevant procedures to assess, review and approve significant capital and recurrent expenses, while operating results will be compared against the budgets and reported to the executive Director on a regular basis.

Training on Internal Control

Directors and senior management have participated in internal control training courses provided by the Group, which are designed to equip them with proper and full knowledge on internal control, and provide guidance to them to apply internal control systems on a consistent basis.

Accounting System Management

The Group has implemented a comprehensive accounting management system, so as to provide the management with indicators to evaluate the financial and operating performance and financial information for reporting and disclosure purposes. Any deviation from expected objectives will be analysed and explained, or the budget objectives will be amended correspondingly in line with the change in business.

The Group has established appropriate internal control procedures to ensure comprehensive, proper and timely recording of accounting and management information, which will be reviewed and inspected on a regular basis to ensure the financial statements are prepared in accordance with the generally accepted accounting principles, the accounting policies of the Group and applicable laws and regulations.

Internal Audit

In order to assess the effectiveness and efficiency of the internal control system in a more effective manner, the internal audit department of the Company inspected, supervised and evaluated the disclosure of financial information, operations and internal controls of the Group and its associated companies on a regular basis and whenever required based on the potential risks and significance of the internal control systems of different businesses and procedures of the Group, with the aims to ensure the transparency of the information disclosure of the Company, operating efficiency and the effectiveness of its corporate control mechanisms, as well as to provide an objective opinion and advice in the form of an audit report. Internal audit staff shall be entitled to full access of all information of the Group and to make enquiries with relevant staff. The manager of the audit department shall directly report to the Chairman of the Board on the results and advice of such work.

The Company has established the systems and procedures to identify, measure, manage and control risks, including legal, credit, market, centralisation, operation, environment, behaviour and other risks which may affect the development of the Company.

Continuing Operation

During the year, there were no material events or conditions that may affect the operation of the Group as an on-going concern.

Anti-Corruption and Whistle-Blowing Policy

The Company has formulated an anti-corruption and whistle-blowing policy to regulate conduct and ensure compliance with anti-corruption policies and regulations. Employees are encouraged to report corruption, bribery, fraud and unethical behavior. The Company will also include publicity on anti-corruption and whistle-blowing policies in daily employee training.

Investor Relations

The Company reports to the Shareholders on the corporate information of the Group on a timely and accurate basis.

The Company places great emphasis on communication with the Shareholders and investors of the Company and in enhancing the Company's transparency. As such, a dedicated department has been set up and designated officers are assigned to handle relations with investors and analysts. During the period under review, the Company received 20 batches of fund managers and analysts and patiently answered their relevant inquiries. Site visits to stores were arranged for them so as to enhance their understanding of the Company's operation and also its latest business developments. The Company made disclosures in a careful, true, accurate, complete and timely manner in strict accordance with applicable laws and regulations, the Articles of Association and the Listing Rules. At the same time, the Company places great emphasis on collecting and analysing various comments and recommendations from analysts and investors on the Company's operation, which will be compiled into reports regularly and adopted selectively in its operation. The Company has set up a website, allowing investors to have access to the Company's particulars, statutory announcements, management and recent operating affairs. All published annual reports, interim reports, circulars and announcements since its listing are included in the "Investors Relations" section of the website. The Company persistently adheres to its information disclosure principle of honesty and integrity and actively initiates communications with various parties. In particular, it has held seminars, press conferences and one-on-one investor meetings following the announcement of interim and annual results and decisions on major investments. The Company also participates in a series of investor activities and conducts one-on-one communication with investors on a regular basis. During the period under review, through the above measures of communication with investors, the Company has reviewed and examined the implementation and effectiveness of the Shareholders' Communication Policy and is of the view that the Shareholders' Communication Policy of the Company was implemented fully and effectively.

Changes in Company's Constitutional Document

1. The First Amendments to the Articles of Association Company

On 29 December 2023, the newly revised Company Law of the People's Republic of China (the "New Company Law") was promulgated by the Standing Committee of the National People's Congress, which came into effect on 1 July 2024. In addition, in light of the repeal of the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Mandatory Provisions for the Articles of Association of Companies Listing Overseas (《到境外上市公司章程必備條款》), as well as the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》)(the "Trial Measures") and relevant guidelines issued by the CSRC (together with the New Company Law, the "PRC Regulation Changes"), corresponding amendments have been made to the Listing Rules and other applicable regulations.

In view of the above, the Board proposes to amend certain articles of the Company's existing Articles of Association, to, amongst others, reflect (i) the PRC Regulation Changes; (ii) other requirements of the Listing Rules; (iii) the relevant amendments of the New Company Law; and (iv) the actual conditions of the Company (collectively, the "Proposed Amendments"). According to the existing Articles of Association and the relevant laws and regulations, the amendments to the Articles of Association are subject to the approval of the Shareholders by way of a special resolution at each of the extraordinary general meeting, the class meeting of holders of H Shares, and class meeting of holders of domestic Shares and unlisted foreign Shares of the Company. The Proposed Amendments shall become effective on 1 July 2024 subject to the approval of Shareholders at the relevant meetings. The Articles of Association are prepared in Chinese with no official English version. Any English translation is for reference only. In the event of any inconsistency, the Chinese version shall prevail.

The Company convened 2023 AGM, 2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares and 2024 Class Meeting of Holders of H Shares on 20 June 2024 to review and approve the special resolution to approve the Proposed Amendments to the Articles of Association of the Company. The special resolution to approve the Proposed Amendments to the Articles of Association of the Company was approved by 2023 AGM, 2024 Class Meeting of Holders of Domestic Shares and Unlisted Foreign Shares and 2024 Class Meeting of Holders of H Shares. Therefore, according to the provisions of the Articles of Association of the Company, the special resolution to amend the Articles of Association of the Company was approved.

2. The Second Amendments of the Articles of Association of the Company

As approved by the Shareholders at the EGM held on 27 August 2024, certain amendments to the Articles of Association proposed by the Board have taken effect upon completion of the Domestic Share Subscription on 25 February 2025, in order to reflect the latest registered capital and shareholding structure of the Company as a result of completion of the Domestic Share Subscription.

(1) The original provisions in the Articles of Association before the amendments:

(a) Article 21

When the Company was established, it issued 415,000,000 shares of common stock, including:

(1) Friendship Group subscribed for 211,640,000 shares;

(2) Shanghai Industrial Commerce subscribed for 131,683,000 shares;

(3) Mitsubishi subscribed for 41,900,000 shares;

(4) Wong Sun Hing subscribes for 17,557,000 shares;

(5) Shanghai Liding subscribed for 12,220,000 shares.

Until the effective date of the Articles of Association, The Company shall issue a total number of 1,119,600,000 ordinary shares, which consist of:

(1) 715,397,400 domestic shares (289,661,400 shares to be held by Bailian Group Co. Ltd.; 224,208,000 by Shanghai Bailian Group Co., Limited; and 201,528,000 by Alibaba (China) Technology Co.,Ltd.), and 31,602,600 non-listed foreign shares (31,602,600 by Wong Sun Hing);

(2) total number of 372,600,000 overseas-listed foreign shares.

(b) Article 22

The registration capital of the Company is RMB1,119,600,000 Yuan.

(2) The new provisions in the Articles of Association effective after the amendments:

(a) Article 21

When the Company was established, it issued 415,000,000 shares of common stock, including:

(1) Friendship Group subscribed for 211,640,000 shares;

(2) Shanghai Industrial Commerce subscribed for 131,683,000 shares;

(3) Mitsubishi subscribed for 41,900,000 shares;

(4) Wong Sun Hing subscribed for 17,557,000 shares;

(5) Shanghai Liding subscribed for 12,220,000 shares.

Until the effective date of the Articles of Association, the Company shall issue a total number of 1,479,600,000 ordinary shares, which consist of:

(1) 1,075,397,400 domestic shares (649,661,400 shares to be held by Bailian Group Co. Ltd.; 224,208,000 by Shanghai Bailian Group Co., Limited; and 201,528,000 by Alibaba (China) Technology Co.,Ltd.), and 31,602,600 non listed foreign shares (31,602,600 by Wong Sun Hing);

(2) total number of 372,600,000 overseas-listed foreign shares.

(b) Article 22
The registration capital of the Company is RMB1,479,600,000 Yuan.

Shareholder's Rights

Convening extraordinary general meetings by shareholders

According to the provisions of Article 70 of the Articles of Association of the Company:

Shareholders demanding the convening of an extraordinary shareholders' meeting shall proceed in accordance with the following procedures:

(I) Shareholders who individually or collectively hold more than ten per cent have the right to request the Board to convene an extraordinary shareholders' meeting, which shall be submitted to the Board in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, give written feedback on whether to agree or disagree to convene an extraordinary shareholders' meeting within ten days after receiving the request.

If the Board agrees to convene an shareholders' extraordinary meeting, it shall issue a notice on the convening of the shareholders' meeting within five days after the resolution of the Board is made, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

(II) If the Board does not agree to convene a shareholders' extraordinary meeting or fails to provide feedback within ten days after receiving the request, shareholders who individually or collectively hold more than ten percent of the company's shares have the right to propose to the Supervisory Committee to convene a shareholders' extraordinary meeting and shall submit a request in writing to the board of supervisors.

If the Supervisory Committee agrees to convene a shareholder's extraordinary meeting, it shall issue a notice of convening the shareholders' meeting within five days of receiving the request. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

(III) If the Supervisory Committee fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the Supervisory Committee has not convened and presided over the shareholders' meeting, and shareholders who individually or collectively hold more than ten percent of the company's shares for more than 90 consecutive days may convene and preside over it on their own.

Raising Proposals at General Meetings

According to the provisions of the Article 52 of the Articles of Association of the Company:

When the Company is to convene a meeting of shareholders, shareholders holding more than one percent (including one percent) of the Company's total voting shares shall be entitled to move new motions in writing to the Company. After receiving the motions, the Company shall notify other shareholders within two days and include into the agenda of the meeting the matters in the motions that comply with laws, administrative regulations and the Articles of Association of the Company and fall within the scope of duties of the shareholders' meeting, provided that such motions shall be delivered to the Company ten days before the shareholders' meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries (by post, fax or email) to the following address, fax number or email addresses of the Company:

13th Floor, No. 1258, Zhen Guang Road, Shanghai, the PRC
Fax: 86 (21) 5279 7976
Email: wuying@chinalh.com, chenxiating@chinalh.com

Report of the Supervisory Committee

Dear Shareholders,

During the period under review, all members of the Supervisory Committee complied with the applicable requirements of the Company Law of the People's Republic of China and Articles of Association, adhered to the principle of integrity and performed their supervisory duties in good faith to protect the interests of the Shareholders and the Group.

During the period under review, as a company listed on the Stock Exchange, the Company faced with the higher standards on governance imposed continuously by the Listing Rules, the Corporate Governance Code and the internal control policy. As such, the Supervisory Committee focused on the following three aspects: (1) to further improve the corporate governance structure of the Group; (2) to urge the Company and the Board to provide an open, fair, impartial and transparent environment for its investors in strict compliance with the Listing Rules and other regulations; and (3) to monitor the major operating activities of the Group and remind the Board and the Group to avoid significant operational risks.

During the period under review, the Supervisory Committee held eight meetings.

On 9 January 2024, the Supervisory Committee held a meeting to review and approve the proposal on the early termination of the Shanghai yuqiao leasing agreement between Shanghai Century Lianhua Yuqiao Shopping Centre Co.,Ltd. and Shanghai Bailian Dongjiao Shopping Centre Co., Ltd., and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the early termination of the Shanghai xianxia leasing agreement between Shanghai Bailian Xijiao Shopping Center Co., Ltd. and Shanghai Century Lianhua Changning Co., Ltd., and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.

On 27 March 2024, the Supervisory Committee held a meeting, at which the Supervisory Committee objectively evaluated the Group's business operation for the year of 2023, and was fully satisfied with the work done by the Group in 2023, including the Group's development plan, network expansion in the year, improvement of the internal control systems and conduct of connected transactions. The Supervisory Committee also received reports on the financial conditions of the Group for 2023 and discussed and adopted the report of the Supervisory Committee for 2023. The Supervisory Committee reviewed and approved the Company's 2023 audit reports issued by domestic auditors and overseas auditors in accordance with relevant standards. The Supervisory Committee reviewed and approved the Company's proposal on the Company's 2023 profit distribution. The Supervisory Committee reviewed and approved the proposal on making provision for losses from store closures. The Supervisory Committee reviewed and approved the proposal on the major transaction of Shanghai Century Lianhua Supermarket Nanhui Co., Ltd. entering into the supplementary tenancy agreement to the Shanghai Nanhui original lease agreement with Shanghai Tengteng Industrial Co., Ltd. and Shanghai Jiaping Property Management Co., Ltd., and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the major transaction and continuing connected transaction of the financial services agreement for 2025 to 2027 between the Company and Bailian Group Co., Ltd. and Bailian Finance Co., Ltd., and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.The Supervisory Committee reviewed and approved the proposal on the Company applying for financing line and credit line from the bank for 2024, and authorized the General Manager's Office of the Company to sign various legal documents related to the above credit line.

On 11 May 2024, the Supervisory Committee held a meeting to review and approve the proposal on increasing capital in certain subsidiaries. The Supervisory Committee reviewed and approved the proposal on requesting the shareholders' meeting to agree that the substantial shareholders apply to the Hong Kong Securities Regulatory Commission for a whitewash exemption from the obligation to make a general offer in accordance with the Hong Kong Takeover Code. The Supervisory Committee reviewed and approved the proposal on the Company entering into a connected transaction with Bailian Group Co., Ltd. for a share subscription contract with effectiveness conditions for the Company's private placement of domestic shares and the issuance of no more than 360,000,000 new domestic shares pursuant to the special mandate granted by shareholders, and confirmed that the terms of the above transactions are fair and reasonable and in the interests of the Shareholders as a whole.

On 24 May 2024, the Supervisory Committee held a meeting to review and approve the proposal to appoint Lego Corporate Finance Limited as the Company's independent financial advisor.

On 20 June 2024, the Supervisory Committee held a meeting to review and approve the proposal on the disclosable transaction of the lease agreement between Shanghai Century Lianhua Supermarket Luwan Co., Ltd. and Shanghai Shen Da (Group) Co., Ltd. and Shanghai Xinghai Fashion Property Management Co., Ltd. for the premises and basement at No. 645, Xietu Road, Huangpu District, Shanghai, and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the disclosable transaction of the lease agreement between Shanghai Century Lianhua Supermarket Development Co., Ltd. and Shanghai Vanguard Supermarket Co., Ltd. for the premises at No. 580, Yixian Road, Hongkou District, Shanghai, and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the connected transaction of the 2025-2027 smart cards arrangement between the Company and Bailian Group, and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the connected transaction of the 2025-2027 membership points agency and settlement service agreement between the Company and Bailian Finance, and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the connected transaction of the 2025-2027 logistics and delivery services framework agreement between the Company and Bailian Group, and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.

On 29 August 2024, the Supervisory Committee convened a meeting regarding the operating conditions of the first half of the year ended 30 June 2024 and received reports from the management of the Group relating to the financial condition of the first half of 2024. The Supervisory Committee reviewed and approved the proposal on the "Information Disclosure Management System". The Supervisory Committee reviewed and approved the proposal on the "Management System for Related Transactions". The Supervisory Committee reviewed and approved the proposal on the "Management System for Raising Funds through Stock Issuance". The Supervisory Committee reviewed and approved the proposal on the"Draft Rules of Procedure for the Supervisory Committee". The Supervisory Committee reviewed and approved the proposal on the provision for impairment of long-term equity investments. The Supervisory Committee reviewed and approved the proposal on the connected transaction of termination of the Shanghai Qingpu Premise Lease Agreement between Shanghai Century Lianhua Supermarket Qingpu Co., Ltd. and Yinggang Road Branch of Shanghai Qingpu Bailian Orient Shopping Center Co., Ltd. and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the discloseable transaction and the connected transaction of renew the existing leasing agreement by entering into the termination agreement and the new leasing agreements between Shanghai Century Lianhua West Commercial Co., Ltd. and Shanghai Bailian Central Shopping Plaza Co., Ltd. for the premises at No. 1288, Zhenguang Road, Shanghai, and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.

On 27 September 2024, the Supervisory Committee held a meeting to review and approve the proposals on the major transactions and connected transactions of the equity transfer agreements of three subsidiaries entered into between the Company and Century Lianhua Development and Shanghai Dongran Industrial Co., Ltd., and confirmed that the above transactions were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposals on the continuing connected transactions of the entrustment management agreement of three transfer companies entered into between the Company and Shanghai Dongran Industrial Co., Ltd., and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.

On 5 December 2024, the Supervisory Committee held a meeting to review and approve the proposal on the connected transaction of the 2025-2027 property management business cooperation framework agreement between the Company and Bailian Group Co., Ltd., and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the connected transaction of the 2025-2027 housing leasing business cooperation Framework Agreement between the Company and Bailian Group Co., Ltd., and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the connected transaction of the 2025-2027 property leasing business cooperation framework agreement between the Company and Bailian Group, and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole. The Supervisory Committee reviewed and approved the proposal on the connected transaction of the 2025-2027 business cooperation framework agreement between the Company and Rajax Network Technology (Shanghai) Co., Ltd., and confirmed that the above transactions were ordinary businesses of the Company and were conducted on normal commercial terms, and the terms of the transactions were fair and reasonable and in the interests of the Shareholders as a whole.

During the period under review, the Supervisory Committee reviewed the financial system, annual financial report and internal auditing report of the Group, and was of the view that the information included in the Group's financial budget, final accounts, annual report and interim report was true and reliable, and the audit opinion issued by the auditors was objective and fair.

Report of the Supervisory Committee

During the period under review, the Supervisory Committee conducted supervision on the operating activities of the Group with respect to the financial control, operation control, compliance control and risk management, and considered that the Group had established an improved internal control system, has achieved significant progress in formulating and implementing internal procedures, and effectively controlled various corporate operating risks. The Group has performed its duties in accordance with the laws and regulations of the State, the Articles of Association and the procedures.

The Supervisory Committee conducted supervision on the performance of the Directors and the management of the Company and the execution of resolutions of general meetings. The Supervisory Committee considered that the Directors and the management of the Company had duly performed their duties in accordance with the resolutions of general meetings. The Directors and the management of the Company actively protected the interest of the Group when performing their duties. None of the Directors and other management of the Company have been found to be in breach of the laws and regulations and the Articles of Association or involved in acts detrimental to the interests of the Shareholders during the execution of their duties.

The Supervisory Committee conducted a review on the Group's operating activities such as mergers and acquisitions and disposal of assets. The Supervisory Committee considered that the considerations for the Group's merger and acquisition and assets disposal were fair and reasonable. It was not aware of any insider dealings or any event detrimental to the interests of Shareholders, in particular the interests of minority Shareholders.

The Supervisory Committee conducted a review on the Group's connected transactions for the period under review which were subject to conditional exemptions. It confirmed that such connected transactions had complied with legal and statutory procedures and the transactions were conducted on fair commercial terms and in line with the financial policies of the Group and the transaction amounts did not exceed their respective caps.

The Supervisory Committee considers that the eighth session of the Board have formulated and implemented the operating strategies for the development of the Group in accordance with the operation objectives as determined in the general meetings since its inauguration. Under the circumstances of the keen competition in the domestic retail market, the Board has made proper decisions according to the operating environment, sought proactive expansion and operated prudently. At the same time, the Supervisory Committee considered that each Director in the Board had performed their duties in a diligent and responsible manner. The Supervisory Committee also appreciated the Board and management for their persistent efforts in improving various internal control systems of the Group according to the requirements applicable to public companies.

As more and more retail chain companies are seeking listing in Hong Kong, international investors maintain their interests in the potential of retail businesses in the PRC. Good corporate governance and open and fair information disclosures will facilitate the Group in building up a good corporate image in the international capital market. As such, the Group will continue to improve its internal work and systems. In the coming year, the Supervisory Committee will diligently take its responsibilities to protect and ensure maximization of the interests of the Group and its Shareholders.

Deloitte.
德勤

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TO THE SHAREHOLDERS OF LIANHUA SUPERMARKET HOLDINGS CO., LTD.
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Lianhua Supermarket Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 149 to 245, 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 and other explanatory 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 ("HKSAs") issued by 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.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

KEY AUDIT MATTER (Continued)

Key audit matter *Impairment assessment on certain identified property, plant and equipment and right-of-use assets*	**How our audit addressed the key audit matter**
We identified impairment assessment on certain identified property, plant and equipment and right-of-use assets with unsatisfactory performance as a key audit matter because the amounts of these property, plant and equipment and right-of-use assets were significant and impairment assessment involved significant estimations and assumptions. The reasons of impairment loss made on these property, plant and equipment and right-of-use assets and details of the value-in-use calculations for these cash-generating units were set out in Note 20 to the consolidated financial statements. During the year ended 31 December 2024, the Group has recognised impairment losses of nil and RMB9,236,000 on property, plant and equipment and right-of-use assets.	Our audit procedures in relation to the impairment assessment on certain identified property, plant and equipment and right-of-use assets include: • Understanding the management consideration and process for the identification of property, plant and equipment and right-of-use assets which have impairment indicators; • Understanding of internal controls in relation to the impairment assessment and evaluating the design and implementation of these controls; • Understanding the methodology and the process management applied in preparing the cash flow forecast, including the key assumptions such as the growth rate, discount rate and budgeted gross margin; • Assessing whether the management estimates and judgements are appropriate and reasonable with regards to our understanding and the operating performance of the Group; • Evaluating whether the model used by the management to calculate the value-in-use of the individual cash-generating unit is in compliance with the requirement under Hong Kong Accounting Standard 36 *Impairment of Assets*; and • Evaluating the disclosures relating to impairment assessment of property, plant and equipment and right-of-use assets in Note 20 to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA 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.

Those charged with governance are 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 HKSAs 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 HKSAs, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors of the Company's 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 purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 Kay Man Wo, Dick.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2024

	Notes	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue	5	**19,710,114**	21,835,879
Cost of sales		**(17,338,195)**	(19,054,807)
Gross profit		**2,371,919**	2,781,072
Other revenue	5	**1,701,850**	1,903,566
Other income and other gains and losses	7	**636,073**	507,769
Impairment losses under expected credit loss ("ECL") model, net of reversal	9	**(2,345)**	(128)
Distribution and selling expenses		**(3,990,455)**	(4,286,547)
Administrative expenses		**(716,541)**	(782,154)
Other expenses	10	**(54,224)**	(118,928)
Share of results of associates		**6,226**	(361,398)
Finance costs	8	**(203,573)**	(232,641)
Loss before tax	11	**(251,070)**	(589,389)
Income tax expense	12	**(56,838)**	(124,837)
Loss and total comprehensive expense for the year		**(307,908)**	(714,226)
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(358,765)**	(791,317)
Non-controlling interests		**50,857**	77,091
		(307,908)	(714,226)
Loss per share – basic (RMB)	15	**0.32**	0.71

Consolidated Statement of Financial Position

At 31 December 2024

	Notes	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current assets			
Property, plant and equipment	16	**2,954,612**	3,221,869
Construction in progress	17	**9,199**	14,339
Right-of-use assets	18	**4,363,238**	5,022,128
Intangible assets	19	**115,363**	126,477
Goodwill	21	**144,175**	146,096
Interests in associates	22	**237,525**	231,382
Financial assets at fair value through profit or loss ("FVTPL")	23	**67,565**	53,851
Finance lease receivables-non-current	25	**42,953**	57,441
Term deposits	24	**3,214,024**	4,278,060
Deferred tax assets	27	**83,028**	77,712
Other non-current assets	28	**150,701**	157,090
		11,382,383	13,386,445
Current assets			
Inventories	29	**1,879,688**	2,431,542
Finance lease receivables-current	25	**33,771**	23,512
Prepaid rental	26	**4,157**	5,128
Trade and bills receivables	30	**262,893**	238,326
Deposits, prepayments and other receivables	31	**735,843**	486,561
Financial assets at FVTPL	23	**1,333,454**	996,485
Amount due from an ultimate holding company	32	**8**	690
Amount due from fellow subsidiaries	32	**48,118**	41,855
Amount due from an associate	33	**581**	479
Term deposits	24	**2,005,933**	930,500
Restricted bank balances	34	**16,356**	–
Cash and cash equivalents	34	**1,602,613**	2,447,620
		7,923,415	7,602,698
Assets classified as held for sale	39	**356,572**	–
		8,279,987	7,602,698
Total assets		**19,662,370**	20,989,143

(continued)

At 31 December 2024

	Notes	31/12/2024 RMB'000	31/12/2023 RMB'000
Capital and reserves			
Share capital	40	**1,119,600**	1,119,600
Reserves		**(1,406,239)**	(1,047,474)
Equity attributable to owners of the Company		**(286,639)**	72,126
Non-controlling interests	41	**354,570**	376,221
Total equity		**67,931**	448,347
Non-current liabilities			
Deferred tax liabilities	27	**161,006**	127,613
Lease liabilities	38	**3,698,516**	4,305,173
		3,859,522	4,432,786
Current liabilities			
Trade and bills payables	35	**3,870,893**	4,402,499
Tax payable		**108,714**	203,460
Other payables and accruals	36	**1,718,446**	1,756,847
Lease liabilities	38	**628,976**	833,025
Coupon liabilities and advance from customers	37	**8,730,204**	8,899,355
Amount due to an ultimate holding company	32	**61,545**	–
Amounts due to fellow subsidiaries	32	**195,673**	12,074
Amounts due to associates	33	**746**	750
		15,315,197	16,108,010
Liabilities associated with assets classified as held for sale	39	**419,720**	–
		15,734,917	16,108,010
Total liabilities		**19,594,439**	20,540,796
Net current liabilities		**(7,454,930)**	(8,505,312)
Total equity and liabilities		**19,662,370**	20,989,143

The consolidated financial statements on pages 149 to 245 were approved and authorised for issue by the board of directors of the Company on 28 March 2025 and are signed on its behalf by:

Pu Shao-hua	**Wang Xiao-yan**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company							
	Share capital RMB'000	Capital reserve RMB'000 (note a)	Other reserve RMB'000 (note b)	Statutory common reserve fund RMB'000 (note c)	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000 (note 41)	Total RMB'000
At 1 January 2023 (audited)	1,119,600	258,353	(235,497)	559,800	(884,115)	818,141	367,270	1,185,411
Adjustments	–	–	–	–	45,302	45,302	15,558	60,860
At 1 January 2023 (restated)	1,119,600	258,353	(235,497)	559,800	(838,813)	863,443	382,828	1,246,271
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	(791,317)	(791,317)	77,091	(714,226)
Dividends to non-controlling interests	–	–	–	–	–	–	(83,698)	(83,698)
At 31 December 2023	1,119,600	258,353	(235,497)	559,800	(1,630,130)	72,126	376,221	448,347
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	(358,765)	(358,765)	50,857	(307,908)
Dividends to non-controlling interests	–	–	–	–	–	–	(72,508)	(72,508)
At 31 December 2024	1,119,600	258,353	(235,497)	559,800	(1,988,895)	(286,639)	354,570	67,931

notes:

(a) Capital reserve of the Company represents share premium arising from issue of H shares net of share issuance expenses.

(b) Other reserve of the Group mainly represents:

i. the fair value difference of a subsidiary's net asset, arising from a business combination in 2005, and the Group's original equity interest in that subsidiary;

ii. the financial impact of adopting merger accounting to account for the acquisition of subsidiaries during the year ended in 2009 and 2011;

iii. acquisition of additional equity interests in subsidiaries; and

iv. share of the other comprehensive income of the associates.

(c) Pursuant to the relevant regulations of the People's Republic of China (the "PRC") and the Articles of Association of the subsidiaries registered in the PRC, the Group are required to transfer 10% of its net profit, as determined under the PRC Company Law, to statutory common reserve fund until the fund aggregates to 50% of its registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders. No further transfer is required when the fund has reached 50% of the registered capital of the subsidiaries registered in the PRC.

The statutory common reserve fund shall only be used to offset previous years' losses, to expand its operations, or to increase its capital. The statutory common reserve fund may be converted into the capital, provided that the balance of the reserve fund after such conversion is not less than 25% of the registered capital.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(251,070)**	(589,389)
Adjustments for:		
Depreciation of property, plant and equipment	**329,007**	331,043
Depreciation of right-of-use assets	**918,304**	983,734
Amortisation of intangible assets	**28,462**	21,930
Loss on disposal of property, plant and equipment	**12,135**	19,701
Net gain on termination of right-of-use assets and lease liabilities	**(103,712)**	(29,563)
Impairment loss on property, plant and equipment	**–**	14,380
Reversals of impairment loss on right-of-use assets	**(37,370)**	–
Decrease in goodwill	**1,921**	1,921
(Reversals of write-down) write-down of inventories	**(3,644)**	650
Impairment losses under ECL model, net of reversal	**2,345**	128
Gain on changes in fair value of financial assets at FVTPL	**(84,088)**	(35,858)
Dividends from financial assets at FVTPL	**(1,309)**	(960)
Income from breakage	**(27,519)**	(8,015)
Share of results of associates	**(6,226)**	361,398
Interest income on bank balances and term deposits	**(230,198)**	(276,999)
Finance lease income	**(6,560)**	(15,999)
Finance costs	**203,573**	232,641
Operating cash flows before movements in working capital	**744,051**	1,010,743
Decrease in inventories	**507,757**	604,605
(Increase) Decrease in trade and bills receivables	**(30,543)**	4,601
(Increase) Decrease in deposits, prepayments and other receivables	**(183,053)**	45,565
Decrease (increase) in prepaid rental	**971**	(401)
Decrease (increase) in restricted term deposits	**498,588**	(202,160)
Increase in restricted bank balances	**(28,570)**	–
Decrease in finance lease receivables	**794**	171,699
Increase in amount due from an associate	**(102)**	(116)
Decrease in amounts due from fellow subsidiaries and an ultimate holding company	**(5,581)**	6,096
Increase (decrease) in amount due to an ultimate holding company	**61,545**	(6,814)
Increase (decrease) in amounts due to fellow subsidiaries	**38,076**	(1,977)
Decrease in amounts due to associates	**(4)**	(403)
Decrease in trade and bills payables	**(105,741)**	(573,170)
Increase (decrease) in other payables and accruals	**32,243**	(257,401)
Decrease in coupon liabilities and advance from customers	**(114,094)**	(28,853)
Cash generated from operations	**1,416,337**	772,014
Income taxes paid	**(123,507)**	(99,780)
Interest received	**150,906**	375,243
Interest paid	**(185,772)**	(215,495)
Net cash from operating activities	**1,257,964**	831,982

(continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment and construction in progress	**(123,601)**	(177,928)
Proceeds from disposal of property, plant and equipment and intangible assets	**5,982**	18,659
Payments for purchase of intangible assets	**(17,539)**	(25,402)
Payments for rental deposits	**(5,216)**	(4,148)
Refund of rental deposits	**9,156**	3,262
Dividends from financial assets at FVTPL	**1,309**	960
Purchase of financial assets at FVTPL	**(703,000)**	(490,000)
Proceeds from disposal of financial assets at FVTPL	**436,405**	385,005
Advanced receipt from disposal of 3 Target Companies (as defined in Note 39)	**145,523**	–
Placement of unrestricted term deposits	**(1,565,000)**	(1,310,015)
Withdrawal of unrestricted term deposits	**1,055,015**	695,300
Net cash used in investing activities	**(760,966)**	(904,307)
FINANCING ACTIVITIES		
Proceeds from notes financing	**2,682,199**	2,182,854
Payments for notes financing	**(3,050,000)**	(1,750,000)
Dividends paid to non-controlling shareholders	**(84,633)**	(7,259)
Repayments of leases liabilities	**(867,946)**	(1,104,595)
Payments of issue costs	**(2,532)**	–
Net cash used in financial activities	**(1,322,912)**	(679,000)
Net decrease in cash and cash equivalents	**(825,914)**	(751,325)
Cash and cash equivalents at 1 January	**2,447,620**	3,198,945
Bank balances of 3 Target Companies eliminated upon transfer to assets classified as held for sale	**(19,093)**	–
Cash and cash equivalents at 31 December	**1,602,613**	2,447,620

1. GENERAL

Lianhua Supermarket Holdings Co., Ltd. (the "Company") is a joint stock limited company incorporated in the PRC with limited liability. The address of its registered office and principal place of business are Room 713, 7th Floors, No. 1258, Zhen Guang Road, Putuo District, Shanghai, the PRC. The Company is listed on the main board of The Stock Exchange of Hong Kong Limited.

The directors of the Company consider that the Company's direct holding company is Bailian Group Co., Ltd ("Bailian Group"), a state-owned enterprise established in the PRC, and Shanghai Bailian Group Co., Limited., a company incorporated in the PRC and listed on the Shanghai Stock Exchange, and the Company's ultimate holding company is Bailian Group.

The principal activities of the Company and its subsidiaries (the "Group") are operation of chain stores including supermarkets, hypermarkets and convenience stores primarily in the eastern region of the PRC.

As of 31 December 2024, the Group had net current liabilities of RMB7,454,930,000 (2023: RMB8,505,312,000). Taking into account of the historical settlement and addition pattern of the coupon liabilities (disclosed under coupon liabilities and advance from customers) and the Group's ability to withdraw the non-current unrestricted term deposits of RMB1,690,000,000 (2023: RMB2,955,015,000), the directors of the Company consider that the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

The consolidated financial statements are presented in Renminbi (the "RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*
Amendments to HKAS 1	*Non-current Liabilities with Covenants*
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature – dependent Electricity*[3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRs Accounting Standards	*Annual Improvements to HKFRS Accounting Standards – Volume 11*[3]
Amendments to HKAS 21	*Lack of Exchangeability*[2]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs mentioned above will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments to HKFRS 9 clarify the recognition and derecognition for financial asset and financial liability and add an exception which permits an entity to deem a financial liability to be discharged before the settlement date if it is settled in cash using an electronic payment system if, and only if certain conditions are met.

The amendments also provide guidance on the assessment of whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. The amendments specify that an entity should focus on what an entity is being compensated for rather than the compensation amount. Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost. The amendments state that, in some cases, a contingent feature may give rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs. Furthermore, the description of the term "non-recourse" is enhanced and the characteristics of "contractually linked instruments" are clarified in the amendments.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments (Continued)

The disclosure requirements in HKFRS 7 in respect of investments in equity instruments designated at fair value through other comprehensive income are amended. In particular, entities are required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. An entity is also required to disclose any transfers of the cumulative gain or loss within equity related to the investments derecognised during the reporting period. In addition, the amendments introduce the requirements of qualitative and quantitative disclosure of contractual terms that could affect the contractual cash flow based on a contingent event not directly relating to basic lending risks and cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS *18 Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Material accounting policy information

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 when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year 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 item of other comprehensive income 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations or asset acquisitions

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill, and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interests in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Interests in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 Financial Instruments ("HKFRS 9"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Changes in the Group's interests in associates

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Non-current assets held for sale (Continued)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 5 and 37.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

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.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases for convenience stores that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

The Group presents lease liabilities as separate line items on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

Lease liabilities (Continued)

Lease modifications

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 leases 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 as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, 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 accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

The Group as a lessor

Classification and measurement of leases

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 incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they are earned.

Interest and rental income which are derived from the Group's ordinary course of business are presented as other revenue.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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, not with reference to the underlying asset.

Lease modifications

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Lease modifications (Continued)

(ii) Finance leases

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 leases 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 modification to a finance lease that is not accounted for as a separate lease, if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification; and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. Otherwise, the Group accounts for the modification in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

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 are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Government grants (Continued)

Government grants related to income 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. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income and other gains and losses".

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are 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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries and associates 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 and 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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purposes (other than properties under construction as described below). 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.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, for qualifying assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) 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 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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Impairment on property, plant and equipment, construction in progress, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, construction in progress, right-of-use assets and intangible assets with finite useful lives 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, construction in progress, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of cash-generating units.

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.

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 a 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 cash-generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Financial instruments

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

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 HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at 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 at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 (see below). 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 from the next reporting period. If 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 from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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. 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 income and other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (trade and bills receivables, other receivables, amounts due from an ultimate holding company/fellow subsidiaries/an associate, term deposits and bank balances and cash), and other items (finance lease receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m 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 increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk 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.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- 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;
- 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 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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, 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.

(iii) 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. 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 HKFRS 16.

Lifetime ECL for certain trade receivables and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 entity.

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 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 the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables, amount/amounts due to an ultimate holding company/fellow subsidiaries/associates are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS 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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 judgments in applying accounting policies

The following are the critical judgments, 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 in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in chain store operation including hypermarket, supermarket and convenience stores. The Group acts as the principal for daily sales of merchandise transactions as it controls the specified goods before it is transferred to the customer after taking into consideration of the key indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk on the merchandises.

Allocation of the consideration between lease components and non-lease components

For a contract that contains multiple lease components and 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.

The Group applies judgements to allocate the consideration between the lease components and non-lease components. The assessment of stand-alone price for the non-lease components significantly affects the amount of lease liabilities and right-of-use assets recognised.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Estimated impairment of certain identified property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgements and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the carrying value of an asset (as detailed in Note 20 for those identified property, plant and equipment and right-of-use assets); (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including growth rate, discount rate and budgeted gross margin. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rate, the growth rates or the budgeted gross margins in the cash flow projections, could materially affect the recoverable amounts used in the impairment test.

As at 31 December 2024, the carrying amounts of those identified property, plant and equipment and right-of-use assets with impairment indicator are RMB115,216,000 (2023: RMB77,954,000) and RMB630,288,000 (2023: RMB301,804,000) respectively, after taking into account the impairment losses of nil (2023: RMB3,430,000) and RMB9,236,000 (2023: RMB29,980,000) in respect of those identified property, plant and equipment and right-of-use assets that have been recognised, respectively. Details of the impairment of property, plant and equipment and right-of-use assets are set out in Note 20.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) at a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows, a material impairment loss may arise.

As at 31 December 2024, the carrying amount of goodwill was RMB144,175,000 (2023: RMB146,096,000) (net of accumulated impairment loss of RMB29,751,000 (2023: RMB27,830,000)). Details of the impairment testing on goodwill are set out in Note 21.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Deferred tax assets

As at 31 December 2024, no deferred tax asset has been recognised in respect of the tax losses of RMB3,220,445,000 (2023: RMB3,181,486,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2024, the carrying amount of property, plant and equipment was RMB2,954,612,000 (net of accumulated depreciation and impairment losses of RMB3,165,849,000 (2023: RMB3,221,869,000 (net of accumulated depreciation and impairment losses of RMB3,480,585,000)).

Estimated store closure provision

The Group follows HKAS 37 Provisions, Contingent Liabilities and Contingent Assets to recognise store closure provision. Provisions are recognised when the Group has a constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Store closure provision comprises mainly lease termination cost and employee compensations with corresponding amounts included in other expenses. The determination of provision requires the use of estimates. As at 31 December 2024, the carrying amount of store closure provision was RMB130,113,000 (2023: RMB181,697,000).

Estimated amount of breakage

Determining the breakage amount requires an estimation of the ratio and proportion to the pattern of rights exercised by the customer. The Group recognises the amount at an expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilised by the customers for certain period of time. The breakage amounts are recognised as other income from coupon liabilities according to HKFRS 15. During the year ended 31 December 2024, the income from breakage amounted to RMB27,519,000 (2023: RMB8,015,000).

5. REVENUE AND OTHER REVENUE

The Group is principally engaged in operation of chain stores including supermarkets, hypermarkets and convenience stores. Analysis of the Group's revenue recognised during the year is as follows:

(i) Disaggregation of revenue from contracts with customers

Type of Revenue

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue		
Sales of merchandise	**19,710,114**	21,835,879
Services		
Income from suppliers (service income)	**1,221,607**	1,379,217
Franchising income from franchised stores	**36,175**	39,026
Commission income on coupon redemption at other retail shops	**2,620**	1,856
	1,260,402	1,420,099
Total	**20,970,516**	23,255,978

Timing of revenue recognition

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
At a point in time	**19,712,734**	21,837,735
Over time	**1,257,782**	1,418,243
Total	**20,970,516**	23,255,978

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue from contracts with customers – sales of merchandise	**19,710,114**	21,835,879
Other revenue from contracts with customers – services	**1,260,402**	1,420,099
Rental income from leasing of shop premises	**441,448**	483,467
	1,701,850	1,903,566
Total revenue and other revenue	**21,411,964**	23,739,445

5. REVENUE AND OTHER REVENUE (Continued)

(ii) Performance obligations for contracts with customers

Sales of merchandise

For merchandise sold in stores, revenue is recognised at the point of sales terminals. For online or wholesale of merchandise, revenue is recognised on collection by the customers.

Service income from suppliers

Service income from suppliers include information technology services, promotion services as well as logistic services. Such service income are recognised over time at the rate of each service item specified in the contract.

Franchising income from franchise stores

Franchising income is charged to the franchisee for the utilisation of the brand of the Group. Franchising income is recognised over time in accordance with the rate specified in the contract.

Commission income on coupon redemption at other retail shops

Commission income is charged to the retailers when customers redeem the Group's coupon at their retail shops. Commission fee is recognised at a point in time when customers redeemed the coupons.

(iii) Leases

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
For operating leases:		
Fixed lease payments	**434,888**	467,468
For finance leases:		
Finance income on the net investment in the lease	**6,560**	15,999
Total revenue arising from leases	**441,448**	483,467

The Group recognises 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 the customer.

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

5. REVENUE AND OTHER REVENUE (Continued)

(iii) Leases (Continued)

Including granting of a licence that is distinct from other goods or services, 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 or enhances an asset that the customer controls as the Group performs; 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 good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

5. REVENUE AND OTHER REVENUE (Continued)

(iii) Leases (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

Sales of goods that result in rewarding credits for customers under the certain customer loyalty incentive program are identified by the Group as the contracts with multiple performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, for example, service contracts in which the Group bills at the rate of each service item specified in the contract, the Group recognises revenue in the amount to which the Group has the right to invoice.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

5. REVENUE AND OTHER REVENUE (Continued)

(iii) Leases (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for specified goods or services to be provided by the other party.

6. SEGMENT INFORMATION

Information reported to the Group's general manager, who is the chief operating decision maker of the Group for the purposes of resource allocation and assessment of performance, focuses on three main operations of the Group identified in accordance with the business nature and the size of the operations.

Specifically, the reportable segments of the Group under HKFRS 8 *Operating Segments* are as follows:

- Hypermarket chain operation ("Hypermarket")
- Supermarket chain operation ("Supermarket")
- Convenience store chain operation ("Convenience store")
- Other operations

There are no significant sales or other transactions among the segments. Other operations of the Group principally comprise sales of merchandise to wholesalers, provision of logistic services for wholesale business, and online sales. Other operations of the Group are aggregated when the information is reported to the Group's general manager.

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue (including revenue and other revenue) and results from continuing operations by operating and reportable segments:

	Segment revenue		Segment results	
	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000	**Year ended 31/12/2024 RMB'000**	Year ended 31/12/2023 RMB'000
Hypermarket	**9,174,143**	10,777,339	**(26,531)**	(40,953)
Supermarket	**10,705,355**	11,232,233	**(8,449)**	47,609
Convenience store	**1,470,005**	1,638,780	**(47,480)**	(17,782)
Other operations	**62,461**	91,093	**(7,586)**	(23,593)
	21,411,964	23,739,445	**(90,046)**	(34,719)

The reconciliation of the total segment results to consolidated loss before tax is as follows:

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Segment results	**(90,046)**	(34,719)
Share of results of associates	**6,226**	(361,398)
Unallocated interest income	**30,139**	19,848
Unallocated expenses	**(211,193)**	(224,685)
Unallocated gain on change in fair value of financial assets at FVTPL	**13,804**	11,565
Consolidated loss before tax	**(251,070)**	(589,389)

All of the segment revenues reported above are from external customers.

All of the Group's revenues and segment results are attributable to customers in the PRC.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results did not include share of results of associates, allocation of headquarter income and expenses (including certain interest income relating to funds centrally managed) and unallocated gain on change in fair value of financial assets at FVTPL. This is the measure reported to the Group's general manager for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (Continued)

Segment assets

The following is the analysis of the Group's assets by reportable and operating segments:

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
– Hypermarket	**8,938,483**	11,673,099
– Supermarket	**7,212,326**	6,610,379
– Convenience store	**380,526**	419,873
– Other operations	**280,318**	180,321
Total segment assets	**16,811,653**	18,883,672
Interests in associates	**237,525**	231,382
Deferred tax assets	**83,028**	77,712
Other unallocated assets	**2,530,164**	1,796,377
Total assets	**19,662,370**	20,989,143

For the purpose of monitoring segment performance and allocating resources among segments, all assets are allocated to operating segments other than interests in associates, deferred tax assets, certain financial assets, cash and cash equivalents centrally managed by headquarter.

Other segment information

Year ended
31/12/2024

	Hypermarket RMB'000	Supermarket RMB'000	Convenience store RMB'000	Other operations RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets (Note)	492,248	369,850	33,468	2,332	897,898
Depreciation and amortisation	642,987	556,463	61,138	15,185	1,275,773
(Reversals of) impairment losses on property, plant and equipment and right-of-use assets	(41,764)	4,394	–	–	(37,370)
Impairment losses (reversals of impairment losses) on trade receivables and other receivables	512	630	(5)	1,208	2,345
Loss (gain) on disposal of property, plant and equipment	5,660	6,975	7	(507)	12,135
Net gain on termination of right-of-use assets and lease liabilities	(83,062)	(16,919)	(3,731)	–	(103,712)
Interest income on bank balances and term deposits	(143,106)	(56,605)	(185)	(163)	(200,059)
Interest income on finance lease receivables (Note 5)	(6,560)	–	–	–	(6,560)
Finance costs	130,721	69,849	3,003	–	203,573

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Year ended
31/12/2023

	Hypermarket RMB'000	Supermarket RMB'000	Convenience store RMB'000	Other operations RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets (Note)	335,098	379,813	65,119	65	780,095
Depreciation and amortisation	684,567	574,979	65,356	11,805	1,336,707
Impairment losses on property, plant and equipment and right-of-use assets	14,380	–	–	–	14,380
Impairment losses (reversals of impairment losses) on trade receivables and other receivables	199	(288)	1	216	128
Loss (gain) on disposal of property, plant and equipment	19,095	385	(990)	1,211	19,701
Net gain on termination of right-of-use assets and lease liabilities	(23,173)	(5,901)	(489)	–	(29,563)
Interest income on bank balances and term deposits	(182,520)	(73,855)	(297)	(479)	(257,151)
Interest income on finance lease receivables (Note 5)	(15,999)	–	–	–	(15,999)
Finance costs	152,433	76,518	3,690	–	232,641

Note: Addition to non-current assets include the additions of RMB102,262,000 to property, plant and equipment (2023: RMB130,655,000), RMB16,050,000 to construction in progress (2023: RMB21,215,000), RMB762,047,000 to right-of-use assets (2023: RMB602,823,000) and RMB17,539,000 to intangible assets (2023: RMB25,402,000).

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations and non-current assets are substantially located in the PRC. Revenues from external customers are substantially derived from customers located in the PRC. Therefore, no analysis of geographical information is presented.

Information about major customers

None of the revenue from any customers contributed over 10% of the total revenue of the Group for both reporting periods.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Interest income on bank balances and term deposits	**230,198**	276,999
Government grants (Note i)	**40,225**	64,495
Gain on change in fair value of financial assets at FVTPL	**84,088**	35,858
Dividends from financial assets at FVTPL	**1,309**	960
Net gain on termination of right-of-use assets and lease liabilities	**103,712**	29,563
Reversals of impairment loss on right-of-use assets	**37,370**	–
Salvage sales	**12,291**	15,758
Income from breakage (Note ii)	**27,519**	8,015
Coupon charges	**9,358**	11,765
Penalty income	**59,774**	29,276
Others	**30,229**	35,080
Total	**636,073**	507,769

Notes:

i. During the current year, the Group received unconditional government grants of RMB40,225,000 (2023: RMB64,495,000) from the PRC local government as an encouragement for the operation of subsidiaries in certain jurisdictions.

ii. The Group recognises the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilised by the customers for certain period of time. The breakage amounts are recognised as other income from coupon liabilities.

8. FINANCE COSTS

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Interest expense on lease liabilities	**185,772**	215,495
Expense on discounting of bill receivables	**17,801**	17,146
	203,573	232,641

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Impairment losses recognised (reversed) on:		
– trade receivables	**1,992**	(74)
– deposits and other receivables	**353**	202
	2,345	128

Details of impairment assessment are set out in Note 46b.

10. OTHER EXPENSES

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Store closure expenses	**27,576**	74,844
Loss on disposal of property, plant and equipment	**12,135**	19,701
Impairment losses on property, plant and equipment (Note 20)	**–**	14,380
Others	**14,513**	10,003
	54,224	118,928

11. LOSS BEFORE TAX

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Loss before tax has been arrived at after charging (crediting):		
Amortisation and depreciation		
Depreciation of property, plant and equipment (Note 16)	**329,007**	331,043
Depreciation of right-of-use assets (Note 18)	**918,304**	983,734
Amortisation of intangible assets (Note 19)	**28,462**	21,930
Total amortisation and depreciation	**1,275,773**	1,336,707
Share of results of associates		
Share of results before tax	**(8,221)**	330,286
Share of income tax expense	**1,995**	31,112
	(6,226)	361,398
Impairment losses (reversed) recognised on property, plant and equipment and right-of-use assets included in		
– Other income and other gains and losses	**(37,370)**	–
– Other expenses	**–**	14,380
Auditors' remuneration	**6,100**	5,904
Directors' remuneration (Note 13)	**5,634**	2,532
Salaries, wages and other employee benefits of other staff	**1,740,536**	1,975,211
Retirement benefits scheme contribution of other staff	**189,569**	193,419
Total staff costs	**1,935,739**	2,171,162
Impairment losses recognised under ECL model, net of reversal	**2,345**	128
Cost of inventories recognised as expenses (including (reversals of write-down) write-down of inventories amounting to RMB(3,644,000) (2023: RMB650,000))	**17,338,195**	19,054,807

12. INCOME TAX EXPENSE

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Current tax on the PRC Enterprise Income Tax ("EIT")	**28,780**	161,207
Over provision of PRC EIT in prior years	**(19)**	(7,379)
Deferred tax expense (credit) (Note 27)	**28,077**	(28,991)
	56,838	124,837

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on EIT ("EIT Law") and Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries is 25% for both years. Certain subsidiaries are entitled to EIT at preferential rate of 15% as those entities are located in the western China. Certain subsidiaries which are identified as small low-profit enterprises are entitled to enjoy preferential EIT rate ranging from 5% to 10%.

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Loss before tax	**(251,070)**	(589,389)
Tax at PRC EIT tax rate of 25% (2023: 25%)	**(62,768)**	(147,347)
Tax effect of share of results of associates	**(1,557)**	90,350
Tax effect of expenses not deductible for tax purpose	**281**	725
Tax effect of income not taxable for tax purpose	**(2,794)**	(2,635)
Tax effect of tax losses not recognised	**228,824**	192,565
Tax effect of deductible temporary differences not recognised	**(93,717)**	14,225
Utilisation of tax losses previously not recognised	**(10,853)**	(14,764)
Over provision of PRC EIT in prior years	**(19)**	(7,379)
Effect of different tax rates of subsidiaries	**(559)**	(903)
Income tax expense for the year	**56,838**	124,837

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION

(1) Directors' emoluments

The remuneration of each director for the years ended 31 December 2024 and 2023 is set out below:

Name of director	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (Note a)		Retirement benefits costs		Medical benefits		Total	
RMB'000	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Executive/Non-executive Directors:												
Mr. Chong Xiao-bing (Note h)	–	–	1,287	1,533	50	247	110	113	37	39	1,484	1,932
Mr. Pu Shao-hua	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Shi Xiao-long (Note d)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Dong Xiao-chun (Note e)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Wong Tak-Hung	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Zhang Shen-yu (Note g)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Xu Pan-hua (Note b)	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Hu Xiao (Note c)	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Wang Xiao-yan (Note f)	–	–	94	–	–	–	9	–	3	–	106	–
Ms. Zhang Hui-qin (Note i)	–	–	294	–	3,018	–	104	–	28	–	3,444	–
Ms. Yang Qin (Note j)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Cao Hai-lun (Note k)	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Shen Chen (Note l)	–	–	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors:												
Mr. Xia Da-wei	150	150	–	–	–	–	–	–	–	–	150	150
Mr. Lee Kwok Ming, Don	150	150	–	–	–	–	–	–	–	–	150	150
Mr. Chen Wei	150	150	–	–	–	–	–	–	–	–	150	150
Mr. Zhao Xin-sheng	150	150	–	–	–	–	–	–	–	–	150	150
Total	600	600	1,675	1,533	3,068	247	223	113	68	39	5,634	2,532

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

Notes:

(a) The discretionary bonus is determined based on the Group's and personal performance.

(b) Mr. Xu Pan-hua resigned from the non-executive director of the Company on 15 June 2023.

(c) Ms. Hu Xiao was elected as the non-executive director of the Company on 15 Jun 2023 and resigned as the non-executive director of the Company on 24 September 2024.

(d) Mr. Shi Xiao-Long resigned as the non-executive director of the Company on 7 February 2024.

(e) Mr. Dong Xiao-Chun resigned as the non-executive director of the Company on 24 May 2024.

(f) Ms. Wang Xiao-Yan was elected as the executive director of the Company on 27 November 2024.

(g) Ms. Zhang Shen-Yu resigned as the non-executive director of the Company on 5 December 2024.

(h) Mr. Chong Xiao-bing resigned as the executive director of the Company on 27 November 2024.

(i) Ms. Zhang Hui-qin was elected as the executive director of the Company on 7 February 2024.

(j) Ms. Yang Qin was elected as the non-executive director of the Company on 24 May 2024.

(k) Mr. Cao Hai-lun was elected as the non-executive director of the Company on 5 December 2024.

(l) Ms. Shen Chen was elected as the non-executive director of the Company on 24 September 2024.

The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. For in-service executive directors, they received all their emoluments from Bailian Group.

The non-executive director's emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the general manager waived or agreed to waive any emoluments during the years ended 31 December 2024 and 2023.

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(2) Supervisory committee members' emoluments

The remuneration of each supervisor for the years ended 31 December 2024 and 2023 is set out below:

Name of supervisor	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (Note a)		Retirement benefits costs		Medical benefits		Total	
RMB'000	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Ms. Tian Ying-jie (Note b)	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Li Feng	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Tang Hao	–	–	619	619	50	309	105	100	40	42	814	1,070
Mr. Luo Yang-hong (Note c)	–	–	–	–	–	–	–	–	–	–	–	–
Total	–	–	619	619	50	309	105	100	40	42	814	1,070

Notes:

(a) The supervisors' emoluments shown above were for their services as supervisors of the Company. Certain supervisors did not receive emoluments from the Group and receive their emoluments from Bailian Group instead during the year. There was no arrangement under which a supervisor waived or agreed to waive any emoluments during both current and prior reporting period.

(b) Ms. Tian Ying-jie resigned from the supervisor of the Company on 15 June 2023.

(c) Mr. Luo Yang-hong was elected as the supervisory of the Company on 15 June 2023.

(3) Senior management's emoluments

The remuneration of each senior management for the years ended 31 December 2024 and 2023 is set out below:

Name	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (Note a)		Retirement benefits costs		Medical benefits		Total	
RMB'000	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Mr. Liang Bao-long	–	–	421	560	38	280	78	100	30	42	567	982
Ms. Zhang Hui-qin (Note c)	–	–	–	294	–	3,580	–	94	–	25	–	3,993
Mr. Dong Gang	–	–	945	1,199	50	255	105	100	40	42	1,140	1,596
Ms. Xu Xiao-yi (Note b)	–	–	682	682	50	204	105	100	40	42	877	1,028
Mr. Gu Feng-min	–	–	732	766	50	38	105	100	40	42	927	946
Mr. Zhang Qi-qiang (Note d)	–	–	115	–	13	–	26	–	10	–	164	–
Ms. Tang Hai-li (Note e)	–	–	17	–	143	–	9	–	2	–	171	–
Mr. Li Xiao-xian (Note f)	–	–	63	–	–	–	9	–	3	–	75	–
Mr. Wei Qing (Note g)	–	–	49	–	–	–	9	–	3	–	61	–
Total	–	–	3,024	3,501	344	4,357	446	494	168	193	3,982	8,545

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(3) Senior management's emoluments (Continued)

Notes:

(a) The discretionary bonus is determined based on the Group's and personal performance.

(b) Ms. Xu Xiao-yi was appointed as the Company Secretary on 2 July 2023.

(c) Ms. Zhang Hui-qin was resigned from the Executive Deputy General Manager of the Company and was appointed as the Deputy General Manager of the Company on 27 November 2024.

(d) Mr. Zhang Qi-qiang served as Deputy Secretary of the Party Committee, Secretary of the Commission for Discipline Inspection and person in charge of the Trade Union in 20 September 2024.

(e) Ms. Tang Hai-li was appointed as the Deputy General Manager of the Company on 5 December 2024.

(f) Mr. Li Xiao-xian was appointed as the Chief Information Officer of the Company on 5 December 2024.

(g) Mr. Wei Qing was appointed to the position of General Counsel of the Company on 5 December 2024.

The senior managements' emoluments shown above were for their services as one of the key management teams rendered to the Company.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group include 1 director (2023: nil) of the Company whose emoluments are set out above for the year ended 31 December 2024. The emoluments of the remaining 4 employees (2023: 5) for the year ended 31 December 2024 are as follows:

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Basic salaries, allowances and benefits in kind	**878**	1,185
Discretionary bonuses	**8,490**	14,009
Retirement benefits	**414**	397
Medical benefits	**114**	108
	9,896	15,699

14. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees include 1 director (2023: nil) of the Company whose remuneration fell within the following bands:

	Number	
	Year ended 31/12/2024	Year ended 31/12/2023
HK$2,000,001 — HK$2,500,000	**1**	–
HK$2,500,001 — HK$3,000,000	**3**	1
HK$3,000,001 — HK$3,500,000	**–**	2
HK$3,500,001 — HK$4,000,000	**1**	1
HK$4,000,001 — HK$4,500,000	**–**	1

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

15. LOSS PER SHARE

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

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Loss for the year attributable to owners of the Company	**(358,765)**	(791,317)

	Year ended 31/12/2024	Year ended 31/12/2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,119,600,000**	1,119,600,000

No diluted loss per share is presented as there was no potential ordinary shares in issue for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Transportation vehicles and equipment RMB'000	Operating and office equipment RMB'000	Total RMB'000
COST					
At 1 January 2023	3,443,214	2,107,552	254,642	1,327,787	7,133,195
Additions	3,801	56,374	10,425	60,055	130,655
Transfer from construction – in progress (Note 17)	–	11,206	–	–	11,206
Disposals	–	(277,069)	(32,925)	(262,608)	(572,602)
At 31 December 2023	3,447,015	1,898,063	232,142	1,125,234	6,702,454
Additions	–	68,192	3,335	30,735	102,262
Transfer from construction – in progress (Note 17)	–	21,190	–	–	21,190
Transfer to assets classified as held for sale (Note 39)	(18,896)	(164,120)	(16,376)	(85,635)	(285,027)
Disposals	–	(178,731)	(25,199)	(216,488)	(420,418)
At 31 December 2024	**3,428,119**	**1,644,594**	**193,902**	**853,846**	**6,120,461**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2023	1,047,673	1,422,955	195,275	1,003,501	3,669,404
Provided for the year	102,158	127,917	16,984	98,364	345,423
Eliminated on disposals	–	(257,166)	(30,370)	(246,706)	(534,242)
At 31 December 2023	1,149,831	1,293,706	181,889	855,159	3,480,585
Provided for the year	98,746	134,708	15,714	79,839	329,007
Transfer to assets classified as held for sale (Note 39)	(7,424)	(142,512)	(15,017)	(76,481)	(241,434)
Eliminated on disposals	–	(162,715)	(23,751)	(215,843)	(402,309)
At 31 December 2024	**1,241,153**	**1,123,187**	**158,835**	**642,674**	**3,165,849**
CARRYING VALUES					
At 31 December 2024	**2,186,966**	**521,407**	**35,067**	**211,172**	**2,954,612**
At 31 December 2023	2,297,184	604,357	50,253	270,075	3,221,869

Notes:

The depreciation expense for the year amongst which RMB290,256,000 and RMB38,751,000 (2023: RMB291,221,000 and RMB39,822,000) were included in distribution and selling expenses and administrative expenses, respectively.

The above items of property, plant and equipment are depreciated, taking into account their residual values, on a straight-line basis as follows:

Buildings	25-40 years
Leasehold improvements	Over the shorter of the term of the lease, or 5-8 years
Transportation vehicles and equipment	5-8 years
Operating and office equipment	3-8 years

Details of the impairment assessment are set out in Note 20.

17. CONSTRUCTION IN PROGRESS

	Construction in progress RMB'000
At 1 January 2023	4,330
Additions	21,215
Transfer to property, plant and equipment (Note 16)	(11,206)
At 31 December 2023	14,339
Additions	**16,050**
Transfer to property, plant and equipment (Note 16)	**(21,190)**
At 31 December 2024	**9,199**

18. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Buildings RMB'000	Total RMB'000
At 31 December 2024			
Carrying amount	676,678	3,686,560	4,363,238
At 31 December 2023			
Carrying amount	701,467	4,320,661	5,022,128
For the year ended 31 December 2024			
Depreciation charge	(24,789)	(893,515)	(918,304)
New leases entered	–	762,047	762,047
Lease modification	–	(62,869)	(62,869)
Lease termination	–	(302,575)	(302,575)
Reversal of impairment loss	–	37,370	37,370
Transfer to assets classified as held for sale (Note 39)	–	(174,559)	(174,559)
For the year ended 31 December 2023			
Depreciation charge	(24,789)	(958,945)	(983,734)
New leases entered	–	602,823	602,823
Lease modification	–	(157,229)	(157,229)
Lease termination	–	(178,193)	(178,193)

Note:

Details of the impairment assessment are set out in Note 20.

18. RIGHT-OF-USE ASSETS (Continued)

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Expense relating to short-term leases	**33,759**	43,300
Variable lease payments not included in the measurement of lease liabilities	**7,292**	9,146
Total cash outflow for leases	**1,094,769**	1,372,536
Additions to right-of-use assets	**762,047**	602,823

For both years, the Group leases various chain stores for its operations. Lease contracts are entered into for fixed term of over 1 year to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained all the land use right certificates for all leasehold lands.

The Group regularly enters into short-term leases for convenience stores. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

18. RIGHT-OF-USE ASSETS (Continued)

Variable lease payments

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on 0.3% to 8% (2023: 0.3% to 8%) of sales and minimum annual lease payments that are fixed over the lease term. No variable payment term includes cap clauses. Such payment terms are common in retail stores in the PRC where the Group operates. The amounts of fixed and variable lease payments paid/payable to relevant lessors for both years are presented as follows:

For the year ended 31 December 2024

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores without variable lease payments	1,211	1,044,537	–	1,044,537
Retail stores with variable lease payments	45	9,181	7,292	16,473
	1,256	1,053,718	7,292	1,061,010

For the year ended 31 December 2023

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores without variable lease payments	1,236	1,310,456	–	1,310,456
Retail stores with variable lease payments	52	9,634	9,146	18,780
	1,288	1,320,090	9,146	1,329,236

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

Restrictions or covenants on leases

In addition, lease liabilities of RMB4,327,492,000 are recognised with related right-of-use assets of RMB3,686,560,000 as at 31 December 2024 (2023: lease liabilities of RMB5,138,198,000 are recognised with related right-of-use assets of RMB4,320,661,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of impairment assessment of right-of-use assets are set out in Note 20.

19. INTANGIBLE ASSETS

	Software RMB'000
COST	
At 1 January 2023	333,575
Additions	25,402
Disposals	(8,055)
At 31 December 2023	350,922
Additions	17,539
Transfer to assets classified as held for sale (Note 39)	(10,285)
Disposals	(23,936)
At 31 December 2024	**334,240**
AMORTISATION	
At 1 January 2023	210,570
Charge for the year	21,930
Eliminated on disposals	(8,055)
At 31 December 2023	224,445
Charge for the year	28,462
Transfer to assets classified as held for sale (Note 39)	(10,102)
Eliminated on disposals	(23,928)
At 31 December 2024	**218,877**
CARRYING VALUES	
At 31 December 2024	**115,363**
At 31 December 2023	126,477

notes:

(a) The amortisation expense for the year amongst which RMB5,290,000 and RMB23,172,000 (2023: RMB4,482,000 and RMB17,448,000) were included in distribution and selling expenses and administrative expenses, respectively.

(b) Software has finite useful lives and is amortised on a straight-line basis over 5 to 10 years.

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

Due to the unsatisfactory performance of certain retail stores, 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 with carrying amounts of RMB115,216,000 and RMB630,288,000, respectively (2023: RMB77,954,000 and RMB301,804,000). The Group estimates the recoverable amount of the cash-generating units ("CGUs") of retail stores to which the asset belongs are having impairment indicators.

The recoverable amount of respective CGU has been determined based on a value in use calculation. The Group uses cash flow projections based on financial budgets approved by the management covering the following 5 years with a pre-tax discount rate of 9.8% as at 31 December 2024 (2023: 10.4%). The annual growth rate used is ranging from 2.0% to 4.7% (2023: from 2.5% to 2.9%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated within the lease term. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the CGUs' past performance and management judgements on expectations for the market development.

Based on the result of the assessment, management determined that the recoverable amounts of certain 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, impairment of nil (2023: RMB14,380,000) and RMB9,236,000 (2023: nil) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively within the relevant factions to which these assets related.

21. IMPAIRMENT TESTING ON GOODWILL

	RMB'000
COST AND CARRYING VALUE	
At 31 December 2022	148,017
Decreased (note)	(1,921)
At 31 December 2023	146,096
Decreased (note)	(1,921)
At 31 December 2024	**144,175**

Note: The decrease in goodwill for both years was mainly due to the effect of the subsequent decrease in deferred tax liabilities arising from business combination. Deferred tax liabilities decreased subsequently as the future taxable temporary difference arising from the fair value adjustment of the property, plant and equipment acquired on acquisition date has been decreased due to the additional depreciation and amortisation charged subsequent to acquisition date.

21. IMPAIRMENT TESTING ON GOODWILL (Continued)

For the purpose of impairment testing, goodwill has been allocated to each individual CGU identified according to the separate acquisition. The goodwill allocated to these CGUs is as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Hangzhou Lianhua Huashang Supermarket Group Co., Ltd. * (杭州聯華華商集團有限公司)	**69,534**	69,534
Guangxi Lianhua Supermarket Joint Stock Co., Ltd. * (廣西聯華超市股份有限公司)	**47,638**	47,638
Zhejiang Bailian Supermarket Co., Ltd. * (浙江百聯超市有限公司)	**16,222**	18,143
Others	**10,781**	10,781
	144,175	146,096

* English name is for the identification purpose only.

In addition to goodwill, property, plant and equipment, intangible assets and right-of-use assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amounts of the CGUs are determined based on a value-in-use calculations. Their recoverable amounts are based on certain similar key assumptions. The value-in-use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period as extrapolated for perpetuity using a growth rate of 0% (2023: 0%). The annual growth rates are 0.2% to 7.2% (2023: 0.2% to 8.4%), which are Consumer Price Index and growth rate of online retail sales, as appropriate, and a discount rate at 9.8% (2023: 10.4%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted gross margin, such estimations are based on these relevant CGUs' past performance and the management's expectations for the market condition. The management believes that any reasonably possible change in any of these assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the relevant CGUs.

22. INTERESTS IN ASSOCIATES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Unlisted equity investments	**470,118**	470,118
Share of post-acquisition loss and other comprehensive expense net of dividends received	**(232,593)**	(238,736)
	237,525	231,382

22. INTERESTS IN ASSOCIATES (Continued)

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of registration/ Principal place of business	Proportion of ownership interest and voting rights held by the Group		Principal activities
		31/12/2024 %	31/12/2023 %	
Shanghai Carhua Supermarket Co., Ltd.("Carhua") * (上海聯家超市有限公司("聯家"))	The PRC	**45.00**	45.00	Hypermarket
Shanghai Sanming Taige information technology Co., Ltd. * (上海三明泰格信息技術有限公司)	The PRC	**45.00**	45.00	Trading Company
Shanghai Gude commerce Company * (上海谷德商貿合作公司)	The PRC	**27.00**	27.00	Trading Company
Tianjin Yishang Friendship Holdings Co.,Ltd. ("Tianjin Yishang") * (天津一商友誼股份有限公司("天津一商"))	The PRC	**20.00**	20.00	Department Stores
Shanghai Aofa Trading Development Co., Ltd. * (上海澳發商貿發展有限公司)	The PRC	**30.00**	30.00	Trading Company
Bailian Financial Services Co., Ltd. ("Bailian Financial Services") * (百聯金融服務有限公司("百聯金服"))(note i)	The PRC	**11.77**	11.77	E-commerce
Hangzhou Jiangtou Lianhua Supermarket Co., Ltd. * (杭州江投聯華超市股份有限公司)	The PRC	**49.00**	49.00	Supermarket

* English name is for the identification purpose.

Note:

i. The Group is able to exercise significant influence over Bailian Financial Services as there is material transactions between the Group and Bailian Financial Services.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

Carhua

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	**178,971**	1,140,216
Non-current assets	**94,582**	164,337
Current liabilities	**1,288,255**	1,832,358
Non-current liabilities	**–**	22,019

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue	**543,287**	1,029,683
Loss and total comprehensive expense for the year	**(464,878)**	(1,364,971)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Net liabilities of Carhua	**(1,014,702)**	(549,824)
Proportion of the Group's ownership interest in Carhua	**45%**	45%
The Group's share of net liabilities of Carhua	**(456,616)**	(247,421)
Carrying amount of the Group's interest in Carhua (note)	**–**	–

22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Carhua (Continued)

The Group has unrecognised share of losses of the associate:

	Year end 31/12/2024 RMB'000	Year end 31/12/2023 RMB'000
The unrecognised share of loss of the associate for the year	**(209,195)**	(247,421)

	31/12/2024 RMB'000	31/12/2023 RMB'000
Cumulative unrecognised share of loss of the associate	**(456,616)**	(247,421)

Note:

Carhua recognised significant amount of expected credit loss to certain of its financial assets which is mainly non-trade nature to its related parties. The financial assets are credit-impaired as those related parties of Carhua have financial difficulties and there is no realistic prospect of recovery. Therefore, the Group recognised share of loss of Carhua amounting to approximately RMB367,000,000 in profit and loss under the equity method during the year ended 31 December 2023 and the Group's interest in Carhua has been reduced to zero. Additional losses are not provided because the Group has not incurred legal or constructive obligations or made payments on behalf of the associate.

Tianjin Yishang

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	**539,488**	84,884
Non-current assets	**664,134**	818,342
Current liabilities	**2,019,386**	2,123,562
Non-current liabilities	**–**	38,180

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue	**115,421**	246,951
Profit (loss) and total comprehensive income (expense) for the year	**442,752**	(368,346)

22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Tianjin Yishang (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Net liabilities of Tianjin Yishang	**(815,764)**	(1,258,516)
Proportion of the Group's ownership interest in Tianjin Yishang	**20%**	20%
The Group's share of net liabilities of Tianjin Yishang	**(163,153)**	(251,703)
Goodwill	**6,787**	6,787
Carrying amount of the Group's interest in Tianjin Yishang (note)	**–**	–

The Group has unrecognised share of losses of the associate:

	Year end 31/12/2024 RMB'000	Year end 31/12/2023 RMB'000
The unrecognised share of profit (loss) of the associate for the year	**88,550**	(73,669)

	31/12/2024 RMB'000	31/12/2023 RMB'000
Cumulative unrecognised share of loss of the associate	**(156,366)**	(244,916)

Note:

The Group's interest in Tianjin Yishang has been reduced to zero. Additional losses are not provided because the Group has not incurred legal or constructive obligations or made payments on behalf of the associate.

22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Bailian Financial Services

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	**8,370,825**	8,627,276
Non-current assets	**34,953**	38,179
Current liabilities	**6,419,579**	6,734,974
Non-current liabilities	**3,855**	3,496

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue	**109,523**	112,458
Profit and total comprehensive income for the year	**55,359**	51,858

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Net assets of Bailian Financial Services	**1,982,344**	1,926,985
Proportion of the Group's ownership interest in Bailian Financial Services	**11.77%**	11.77%
The Group's share of net assets of Bailian Financial Services	**233,223**	226,710
Carrying amount of the Group's interest in Bailian Financial Services	**233,223**	226,710

Aggregate information of associates that are not individually material:

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
The Group's share of loss and total comprehensive expense for the year	**(287)**	(683)

	31/12/2024 RMB'000	31/12/2023 RMB'000
Aggregate carrying amount of the Group's interests in these associates	**4,302**	4,672

23. FINANCIAL ASSETS AT FVTPL

	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current		
Unlisted equity instruments	**797**	797
Equity securities listed in Shanghai Stock Exchange	**66,768**	53,054
Total	**67,565**	53,851
Current		
Equity securities listed in Shanghai Stock Exchange	**861**	857
Unlisted financial products (note)	**1,332,593**	995,628
Total	**1,333,454**	996,485

Note:

Unlisted financial products investments are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including bonds, trusts, cash funds or unlisted equity investments in the PRC in accordance with the entrusted agreements entered into between the parties involved. The gain on change in fair value of RMB58,969,000 (2023: RMB25,458,000) is credited to "other income and other gains and losses" in the current year.

24. TERM DEPOSITS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current		
Restricted term deposits	**1,524,024**	1,323,045
Other non-current unrestricted term deposits	**1,690,000**	2,955,015
Total	**3,214,024**	4,278,060
Current		
Restricted term deposits	**933**	700,500
Other current unrestricted term deposits	**2,005,000**	230,000
Total	**2,005,933**	930,500

24. TERM DEPOSITS (Continued)

Term deposits are placed with banks in the PRC and denominated in RMB. Deposits with a maturity period over 3 months but within 1 year are presented as current assets whilst deposits with a maturity period over 1 year but not exceeding 5 years are presented as non-current assets.

Restricted term deposits are term deposits placed by the Group to certain banks as a security for coupons issued to customers and are not available for other use by the Group.

The remaining term deposits are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rates on term deposits range from 1.35% to 4.30% (2023: 1.40% to 4.99%) per annum for the Group. The carrying amounts of the term deposits of the Group approximated their fair value.

25. FINANCE LEASE RECEIVABLES

As part of the chain store operations, the Group entered into finance lease arrangements as an intermediate lessor for subleases of buildings. The average terms of finance leases entered into usually range from 3 to 12 years (2023: 4 to 12 years). All interest rates inherent in the leases are fixed at the contract date over the lease terms.

There is no guaranteed residual values for the lease contracts. The risk arising from unguaranteed residual value on buildings under lease is not significant, because of the existence of a secondary market with respect to the buildings.

	Minimum lease payment 31/12/2024 RMB'000	**Present value of minimum lease payment 31/12/2024 RMB'000**	Minimum lease payment 31/12/2023 RMB'000	Present value of minimum lease payment 31/12/2023 RMB'000
Finance lease receivable comprise:				
Within one year	**39,021**	**33,771**	29,094	23,512
In the second year	**23,443**	**22,797**	24,230	20,438
In the third year	**10,890**	**9,627**	15,005	12,500
In the fourth year	**8,518**	**7,967**	15,021	13,553
In the fifth year	**2,297**	**2,234**	8,951	8,390
After five years	**343**	**328**	2,641	2,560
	84,512	**76,724**	94,942	80,953
Unguaranteed residual values	**–**	**–**	–	–
Gross investment in the lease	**84,512**	**N/A**	94,942	N/A
Less: unearned finance income	**(7,788)**	**N/A**	(13,989)	N/A
Present value of minimum lease payment receivables	**76,724**	**N/A**	80,953	N/A
Analysed as:				
Current	**39,021**	**33,771**	29,094	23,512
Non-current	**45,491**	**42,953**	65,848	57,441
	84,512	**76,724**	94,942	80,953

25. FINANCE LEASE RECEIVABLES (Continued)

Interest rates implicit in the above finance leases range from 5% to 8% (2023: 8%).

There is no accumulated impairment loss in the carrying amount of the above finance lease receivables as at 31 December 2024 and 2023.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB, same as the functional currency of the group entities.

Details of impairment assessment are set out in Note 46b.

26. PREPAID RENTAL

Prepaid rental represents advance payment for the short-term lease of certain store premises and is amortised over the relevant lease periods.

27. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2024 **RMB'000**	31/12/2023 RMB'000 (restated)
Deferred tax assets	**83,028**	77,712
Deferred tax liabilities	**(161,006)**	(127,613)
	(77,978)	(49,901)

27. DEFERRED TAX ASSETS/LIABILITIES (Continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during both years:

	Fair value adjustments	ECL provision and inventory allowances	Accrued income	Lease liabilities	Right-of-use assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023 (audited)	(62,834)	2,394	(80,439)	–	–	1,127	(139,752)
Adjustments	–	–	–	1,283,221	(1,222,361)	–	60,860
As at 1 January 2023 (restated)	(62,834)	2,394	(80,439)	1,283,221	(1,222,361)	1,127	(78,892)
(Charge) credit to profit or loss	(3,703)	92	24,559	(156,991)	164,104	930	28,991
As at 31 December 2023	(66,537)	2,486	(55,880)	1,126,230	(1,058,257)	2,057	(49,901)
(Charge) credit to profit or loss	(17,396)	664	(19,824)	(152,349)	162,561	(1,733)	(28,077)
As at 31 December 2024	**(83,933)**	**3,150**	**(75,704)**	**973,881**	**(895,696)**	**324**	**(77,978)**

The unrecognised tax losses and deductible temporary differences are as follows:

	31/12/2024	31/12/2023
	RMB'000	RMB'000
Unrecognised unused tax losses	**3,220,445**	3,181,486
Unrecognised deductible temporary differences	**696,040**	1,070,908
	3,916,485	4,252,394

At the end of the reporting period, the Group had unused tax losses of RMB3,220,445,000 (2023: RMB3,181,486,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses and deductible temporary difference due to the unpredictability of future profit streams.

The unrecognised unused tax losses will expire as follows:

	31/12/2024	31/12/2023
	RMB'000	RMB'000
Year of expiring		
2024	–	653,816
2025	**582,739**	642,632
2026	**596,225**	662,573
2027	**406,494**	452,205
2028	**719,692**	770,260
2029	**915,295**	–
	3,220,445	3,181,486

28. OTHER NON-CURRENT ASSETS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Interest receivable on term deposits	**150,701**	157,090

29. INVENTORIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Merchandise for resale	**1,850,527**	2,413,314
Write-down for obsolescence	**–**	(3,864)
	1,850,527	2,409,450
Low value consumables	**29,161**	22,092
	1,879,688	2,431,542

During the year 2024, the management assessed that there was reversal of write-down of inventories amounting to RMB3,644,000 (2023: provision of inventories amounting to RMB650,000).

30. TRADE AND BILLS RECEIVABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Trade receivables – contracts with customers	**270,006**	239,429
Bills receivables	**1,900**	6,000
Less: impairment loss allowance (Note 46b)	**(9,013)**	(7,103)
	262,893	238,326

As at 1 January 2023, trade receivable from contracts with customers amounted to RMB250,030,000.

The aging analysis of the trade receivables net of allowance for credit losses at the end of the reporting period, arising principally from the Group sales of merchandise with credit terms ranging from 30 to 60 days (2023: 30 to 60 days), presented as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
0-30 days	**250,710**	220,292
31-60 days	**–**	2,968
61-90 days	**1,189**	811
Over 90 days	**9,094**	8,255
	260,993	232,326

The aging is determined from the date on which the control of the goods or services is transferred to the customers till the end of the reporting period.

30. TRADE AND BILLS RECEIVABLES (Continued)

The following is an ageing analysis of bills receivables presented based on the issue dates of bills receivables.

	31/12/2024 RMB'000	31/12/2023 RMB'000
0-180 days	**1,900**	6,000

The following is a maturity analysis of bills receivables presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

	31/12/2024 RMB'000	31/12/2023 RMB'000
0-180 days	**1,900**	6,000

The trade receivables are mainly public institutions with good credit standing. The management considered the credit quality of the trade receivables that are neither past due nor impaired were good and there was no default from those debtors in historical record. For trade receivables which are past due, the Group has applied provision matrix to measure the ECL.

Aging of trade receivables which are past due:

	31/12/2024 RMB'000	31/12/2023 RMB'000
1-30 days past due	**1,189**	811
More than 30 days past due	**9,094**	8,255
	10,283	9,066

Details of impairment assessment of trade receivables and bills receivables are set out in Note 46b.

31. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Deposits and prepayments	**443,035**	295,803
VAT recoverable	**47,672**	23,153
Interest receivables	**152,090**	66,409
Other receivables	**95,632**	106,143
Deferred issue costs (Note)	**2,532**	–
Less: impairment loss allowance (Note 46b)	**(5,118)**	(4,947)
	735,843	486,561

Note: On 12 May 2024, the Company entered into a share subscription agreement with Bailian Group to issue domestic shares. Deferred issue costs represent the qualifying portion of issue costs incurred up to 31 December 2024, which will be debited to equity of the Company as share issue costs in respect of the issue of new domestic shares to ultimate holding company upon the completion of subscription.

Details of impairment assessment of other receivables are set out in Note 46b.

32. AMOUNT/AMOUNTS DUE FROM/TO AN ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amount/amounts due from/to an ultimate holding company/fellow subsidiaries (excluding amount of RMB145,523,000) are trade in nature, unsecured, interest free, with credit terms ranging from 30 to 90 days (2023: 30 to 90 days). As at 31 December 2024, balances of both amount/amounts due from/to an ultimate holding company/fellow subsidiaries (excluding amount of RMB145,523,000) are all aged within 90 days (2023: 90 days).

The amount of RMB145,523,000 represents the consideration received in advance in respect of the proposed disposal of 3 Target Companies, details of which are set out in Note 39.

33. AMOUNTS DUE FROM/TO ASSOCIATES

Amounts due from/to associates represent balances arising from expenses paid on behalf of certain associates and purchase of merchandise from associates. Balances are all aged within 90 days (2023: 90 days) and the credit terms of the trade balances aged from 30 to 90 days (2023: 30 to 90 days). Such balances with associates are unsecured and interest free.

34. CASH AND CASH EQUIVALENTS/RESTRICTED BANK BALANCES

Cash and cash equivalents comprise cash on hand and short-term bank deposits, placed with banks with an original maturity of three months or less in the PRC and denominated in RMB. The remittance of these funds out of the PRC is subject to the exchange control imposed by the PRC government.

Bank balances carry interest at prevailing market rates ranging 0% to 1.6% (2023: 0% to 2.4%) per annum as at 31 December 2024.

At 31 December 2024, restricted bank balances represent bank deposits which are mainly restricted for litigations and carry fixed rate interests ranging from 0.1% to 1.1% per annum.

Details of impairment assessment of bank balances are set out in Note 46b.

35. TRADE AND BILLS PAYABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Trade payables	**2,765,969**	2,952,499
Bills payables (Note)	**1,104,924**	1,450,000
	3,870,893	4,402,499

Note:

During the years ended 31 December 2024 and 31 December 2023, certain of the Company's subsidiaries received bills from the other subsidiaries and discounted the bills to banks. At 31 December 2024, the outstanding balance of such bills which have not been matured was RMB1,100,000,000 (2023: RMB1,450,000,000). The cash flows of such transactions have been presented in cash flow statement as financing activities.

The aging analysis of trade payables at the end of the reporting period, arising mainly from purchase of merchandise with credit terms ranging from 30 to 60 days (2023: 30 to 60 days), is as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
0-30 days	**769,929**	957,899
31-60 days	**540,407**	623,032
61-90 days	**381,477**	349,075
Over 90 days	**1,074,156**	1,022,493
	2,765,969	2,952,499

The aging is determined from the date on which the control of the goods or services is transferred to the Group till the end of the reporting period.

35. TRADE AND BILLS PAYABLES (Continued)

The following is an aging analysis of bills payables presented based on issue dates at the end of each reporting period:

	31/12/2024 RMB'000	31/12/2023 RMB'000
0-180 days	**1,104,924**	1,350,000
Over 180 days	**–**	100,000
	1,104,924	1,450,000

The following is an aged analysis of bills payables presented based on maturity date at the end of each reporting period:

	31/12/2024 RMB'000	31/12/2023 RMB'000
0-180 days	**1,104,924**	1,450,000

36. OTHER PAYABLES AND ACCRUALS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Payroll, staff welfare and other staff cost payable	**221,490**	258,945
Value added tax and other tax payables	**100,291**	82,908
Deposits from lessees, franchisees and other third parties	**303,318**	307,206
Dividend payable to non-controlling interests	**64,434**	76,559
Amounts payables to other retailers upon customers' redemption of coupon issued by the Group	**4,291**	4,452
Prepayments received from franchisees and other third parties	**703,508**	649,031
Payables for acquisition of property, plant and equipment and low value consumables	**86,322**	91,740
Store closure provision (Note)	**130,113**	181,697
Accruals	**85,891**	78,445
Other miscellaneous payables	**18,788**	25,864
	1,718,446	1,756,847

Note: As part of the daily management process, the management of the Group review and measure the operating performance of each segment reported by the regional management team to determine the operation and development strategy of the Group. Management will exercise judgement to close those stores which are unprofitable or not viable to continue taking into account the timescale and turnaround ability. Store closure provision comprises mainly lease termination cost and employee compensations with corresponding amounts included in other expenses. The Group utilised amount of RMB79,160,000 (2023: RMB40,835,000) during the year ended 2024.

37. COUPON LIABILITIES AND ADVANCE FROM CUSTOMERS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Coupon liabilities issued by the Group (Note)	**7,168,026**	7,186,436
Coupon liabilities sold on behalf of fellow subsidiaries	**1,425,938**	1,512,378
Advance from customers	**136,240**	200,541
Total	**8,730,204**	8,899,355

A contract liability, mainly including coupon liabilities issued by the Group and advance from customers, represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

As at 1 January 2023, coupon liabilities amounted to RMB8,928,208,000.

Note:

Gift card carries no expiry date and 100% of its face value was paid by the customers for purchasing the gift cards.

The Group recognises the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupon issued by the Group but not yet utilised by the customers for a period of time. Coupon charges are presented under "other income and other gains and losses".

In addition, amount of RMB733,909,000 (31 December 2023: RMB726,643,000) value added tax to be paid are included in the balance of coupon liabilities issued by the Group.

The following table shows how much of the revenue recognised in the current year relates to carried-forward coupon liabilities issued by the Group and advance from customers, and how much relates to performance obligations that were satisfied in prior years.

	Year ended 31/12/2024 RMB '000	Year ended 31/12/2023 RMB '000
Revenue recognised that was included in the balance of coupon liabilities issued by the Group and advance from customers at the beginning of the year	**4,555,877**	4,741,826

38. LEASE LIABILITIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Lease liabilities payable:		
Within one year	**628,976**	833,025
Within a period of more than one year but not exceeding two years	**696,461**	885,859
Within a period of more than two years but not exceeding five years	**1,524,768**	1,791,204
Within a period of more than five years	**1,477,287**	1,628,110
	4,327,492	5,138,198
Less: Amount due for settlement within 12 months shown under current liabilities	**(628,976)**	(833,025)
Amount due for settlement after 12 months shown under non-current liabilities	**3,698,516**	4,305,173

The incremental borrowing rates applied to lease liabilities is 3.42-3.84% (2023: 3.42-3.84%) per annum.

39. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 27 September 2024, the Company entered into 3 sale and purchase agreements with Shanghai Dongran Industrial Co., Ltd.* (上海動燃實業有限公司) ("Shanghai Dongran"), a fellow subsidiary, pursuant to which the Company has conditionally agreed to sell, and Shanghai Dongran has conditionally agreed to purchase each of the entire equity interest in i) Lianhua Supermarket (Jiangsu) Co., Ltd.* (聯華超市(江蘇)有限公司) ("Jiangsu Lianhua"), ii) Anhui Century Lianhua Development Co., Ltd.* (安徽世紀聯華發展有限公司) ("Anhui Lianhua") and iii) Shanghai Century Lianhua Supermarket Hongkou Co., Ltd.* (上海世紀聯華超市虹口有限公司) ("Hongkou Century Lianhua") (collectively referred to as the "3 Target Companies"), which owned and operated certain stores in the PRC. The cash consideration of the disposal of the 3 Target Companies were approximately RMB145,523,000.

The disposal is still underway as at 31 December 2024 as certain conditions precedent have not yet been met. The transaction was approved by general meeting of shareholders of the Company on 5 December 2024. The management of the Group believes that the sale of each of the 3 Target Companies is highly probable to be completed within twelve months from the date of classification. Assets and liabilities of each of the 3 Target Companies, which are expected to be sold within twelve months, have been classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively, and are presented separately in the consolidated statement of financial position as at 31 December 2024 (see below). The results, assets and liabilities in relation to 3 Target Companies were included in the Group's hypermarket and supermarket for segment reporting purposes (see note 6). The net proceeds of disposal are expected to exceed the carrying amount of the relevant net assets and accordingly, no impairment loss has been recognised. The major classes of assets and liabilities of the 3 Target Companies as at 31 December 2024, which have been presented separately in the consolidation statement of financial position (see below).

* English name is for identification purpose only

39. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

	31/12/2024 RMB'000
Property, plant and equipment	43,593
Right-of-use assets	174,559
Intangible assets	183
Finance lease receivables	9,995
Inventories	47,741
Trade and bills receivables	3,984
Deposits, prepayments and other receivables	45,210
Restricted bank balances	12,214
Cash and cash equivalents	19,093
Total asset classified as held for sale	356,572
Lease liabilities	235,651
Trade and bills payables	75,865
Other payables and accruals	53,147
Coupon liabilities and advance from customers	55,057
Total liabilities classified as held for sale	419,720

Subsequent to the end of the reporting period, the legal titles transfer of 3 Target Companies has been completed.

40. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Ordinary shares of RMB1.00 each		
Registered, issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	1,119,600,000	1,119,600

The share capital of the Company as at 31 December 2024 and 2023 comprises:

	Number of shares of RMB1.00 each		Nominal value	
	31/12/2024	31/12/2023	31/12/2024 RMB'000	31/12/2023 RMB'000
Domestic shares	715,397,400	715,397,400	715,397	715,397
Unlisted foreign shares	31,602,600	31,602,600	31,603	31,603
H shares	372,600,000	372,600,000	372,600	372,600
	1,119,600,000	1,119,600,000	1,119,600	1,119,600

40. SHARE CAPITAL (Continued)

The H shares rank pari passu in all respects with the domestic shares and the unlisted foreign shares and rank equally for all dividends declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Taiwan, Macau Special Administrative Region of the PRC or any countries other than the PRC. The transfer of the domestic and unlisted foreign shares is subject to such restrictions as the PRC laws may impose from time to time.

41. NON-CONTROLLING INTERESTS

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Balance at beginning of year	**376,221**	382,828
Share of profit for the year	**50,857**	77,091
Dividends to non-controlling interests during the year	**(72,508)**	(83,698)
Balance at end of year	**354,570**	376,221

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Lianhua Huashang and its subsidiaries (collectively referred to as the "Lianhua Huashang Group") at the end of the reporting period is set out below:

Lianhua Huashang Group

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	**8,870,820**	9,144,942
Non-current assets	**5,582,213**	6,038,395
Current liabilities	**10,535,214**	10,906,929
Non-current liabilities	**3,057,093**	3,365,673
Equity attributable to owners of the Company	**561,809**	592,342
Non-controlling interests	**298,917**	318,393

41. NON-CONTROLLING INTERESTS (Continued)

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue	**10,222,241**	10,942,551
Total cost of sales, expense and other income	**(10,013,144)**	(10,685,795)
Profit and total comprehensive income for the year	**209,096**	256,756
Profit and total comprehensive income attributable to owner of the Company	**157,365**	184,426
Profit and total comprehensive income attributable to non-controlling interests	**51,731**	72,330
Dividends paid to the Group	**187,898**	219,731
Dividends paid to non-controlling shareholders	**71,207**	82,399
Net cash from operating activities	**1,125,564**	867,321
Net cash (used in) from investing activities	**(736,238)**	51,517
Net cash used in financing activities	**(1,081,857)**	(263,276)
Net (decrease) increase in cash and cash equivalents	**(692,531)**	655,562

42. RETIREMENT BENEFIT PLANS

Defined contribution plans

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expenses recognised in profit or loss of RMB189,792,000 (2023: RMB193,532,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

43. OPERATING LEASE ARRANGEMENT

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 1 to 7 years (2023: 1 to 8 years). The lessee does not have an option to purchase the property at the expiry of the lease period.

Undiscounted minimum lease payments receivable on leases are as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Within one year	**174,839**	303,644
In the second year	**108,434**	218,738
In the third year	**60,163**	107,967
In the fourth year	**38,072**	61,613
In the fifth year	**22,369**	38,661
After five years	**33,063**	51,256
	436,940	781,879

44. CAPITAL COMMITMENTS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided in the consolidated financial statements	**38,165**	50,348

45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group generally represents equity attributable to owners of the Company, comprising issued share capital, various reserves, accumulated losses and non-controlling interests.

The management reviews the capital structure regularly. The Company considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as issue of new debts or the redemption of existing debts.

46. FINANCIAL INSTRUMENTS

46a. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets

	31/12/2024 RMB'000	31/12/2023 RMB'000
Financial assets at FVTPL	**1,401,019**	1,050,336
Financial assets at amortised cost	**7,408,359**	8,219,336
	8,809,378	9,269,672

Financial liabilities

	31/12/2024 RMB'000	31/12/2023 RMB'000
Financial liabilities at amortised cost	**4,606,010**	4,921,144

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bills receivables, other receivables, financial assets at FVTPL, finance lease receivables, other non-current assets, term deposits, cash and cash equivalents, amount/amounts due from/to an ultimate holding company/fellow subsidiaries/associates, trade and bills payables, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and term deposits (see Notes 34 and 24 for details). The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank balances, related party borrowings and term deposits. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Total interest income from financial assets and finance lease income is as follows:

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Interest income		
– Financial assets at amortised cost	**230,198**	276,999
– The net investment in the lease	**6,560**	15,999

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances and term deposits. The analysis is prepared assuming the variable-rate financial assets outstanding at the end of the reporting period were outstanding for the whole year. A 10-basis point (2023: 10-basis point) increase or decrease in the interest rates is the sensitivity rate used when reporting interest risk internally to key management personal and represent the management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 10-basis point (2023: 10-basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the years ended 31 December 2024 and 2023 would have decreased/increased by approximately RMB5,129,000 and RMB5,742,000 respectively.

Other price risk

The Group is exposed to equity and debt security price risk in relation to its financial assets at FVTPL which mainly include listed equity investments. The unlisted equity investments and legal person shares are measured at FVTPL. In the management's opinion, the sensitivity of these investments is then insignificant to the Group.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

Credit risk and impairment assessment

As at 31 December 2024, the Group's maximum exposure to credit risk 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 as trade and bills receivables, other receivables, amount/amounts due from an ultimate holding company/fellow subsidiaries/associate, finance lease receivables, deposits, cash and cash equivalents, term deposits, financial assets at FVTPL and other non-current assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Amount/amounts due from an ultimate holding company/fellow subsidiaries and an associate

The Group regularly monitors the business performance of the ultimate holding company, the associate and fellow subsidiaries. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2024 and 2023, the Group assessed the ECL for amount/amounts due from an ultimate holding company/fellow subsidiaries and an associate are insignificant and thus no allowance was recognised.

Finance lease receivables

For finance lease receivables, the Group makes periodic individual assessment on the recoverability of finance lease receivables based on historical settlement record, past experience, and also quantitative and qualitative information that are reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for finance lease receivables are insignificant and thus no loss allowance is recognised.

Trade receivables

Trade receivables are due from regular institutional customers with an appropriate financial strength. The Group did not experience any significant defaults by the debtors.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current and the forecast direction of conditions at the reporting date.

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of the reporting period:

At 31 December 2024

	Expected loss rate %	Gross amount of trade receivables RMB'000	Loss allowance RMB'000
Current (not past due)	**2**	**256,361**	**(5,651)**
1-30 days past due	**2**	**1,213**	**(24)**
More than 30 days past due	**27**	**12,432**	**(3,338)**
		270,006	**(9,013)**

At 31 December 2023

	Expected loss rate %	Gross amount of trade receivables RMB'000	Loss allowance RMB'000
Current (not past due)	2	228,523	(5,263)
1-30 days past due	2	828	(17)
More than 30 days past due	18	10,078	(1,823)
		239,429	(7,103)

Other receivables

For other receivables, most of which are interest receivables from bank and deposits paid to lessors or other third parties, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 December 2024, ECL on other receivables amounting to RMB353,000 was recognised (2023: RMB202,000 was recognised) in the profit or loss.

Deposits

The directors of the Company believe that there are no significant increase in credit risk of deposits since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for deposits were insignificant and thus no loss allowance was recognised.

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL

The credit risk on liquid funds, i.e., bank balances, restricted bank balances, and short-term term deposits, is limited because the counterparties are banks with high reputation in the PRC. In addition, the credit risk on long-term term deposits and unlisted financial products recognised as financial assets at FVTPL is also limited because the counterparties are either banks with high reputation or nationwide and regional renowned financial institutions in the PRC.

As at 31 December 2024, the Group's bank balances and term deposits deposited in the major five banks in the PRC accounted for 56.5% (2023: 59.1%) of total term deposits and cash and cash equivalents of the Group.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	Amount is >30 days past due or there have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	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	Amount is written off

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and finance lease receivables, which are subject to ECL assessment:

2024	notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Amount due from an associate	33	Low risk	12m ECL	581
Amounts due from fellow subsidiaries	32	Low risk	12m ECL	48,118
Amount due from an ultimate holding company	32	Low risk	12m ECL	8
Trade receivables	30	Low risk	Lifetime ECL (not credit-impaired)	256,361
		Watch list	Lifetime ECL (not credit-impaired)	1,213
		Doubtful	Lifetime ECL (not credit-impaired)	10,735
		Loss	Lifetime ECL (credit-impaired)	1,697
			Total	270,006
Other receivables	31	Low risk or watch list	12m ECL	175,874
		Doubtful	Lifetime ECL (not credit-impaired)	71,192
		Loss	Lifetime ECL (credit-impaired)	656
			Total	247,722
Deposits	31	Low risk	12m ECL	90,603
Finance lease receivables	25	Low risk	12m ECL	76,724
Term deposits	24	Low risk	12m ECL	5,219,957
Cash and cash equivalents	34	Low risk	12m ECL	1,602,613
Restricted bank balances	34	Low risk	12m ECL	16,356
Other non-current assets	28	Low risk	12m ECL	150,701

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL (Continued)

2023	notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Amount due from an associate	33	Low risk	12m ECL	479
Amounts due from fellow subsidiaries	32	Low risk	12m ECL	41,855
Amount due from an ultimate holding company	32	Low risk	12m ECL	690
Trade receivables	30	Low risk	Lifetime ECL (not credit-impaired)	228,523
		Watch list	Lifetime ECL (not credit-impaired)	828
		Doubtful	Lifetime ECL (not credit-impaired)	8,535
		Loss	Lifetime ECL (credit-impaired)	1,543
			Total	239,429
Other receivables	31	Low risk or watch list	12m ECL	122,828
		Doubtful	Lifetime ECL (not credit-impaired)	49,181
		Loss	Lifetime ECL (credit-impaired)	543
			Total	172,552
Deposits	31	Low risk	12m ECL	100,347
Finance lease receivables	25	Low risk	12m ECL	80,953
Term deposits	24	Low risk	12m ECL	5,208,560
Cash and cash equivalents	34	Low risk	12m ECL	2,447,620
Other non-current assets	28	Low risk	12m ECL	157,090

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL (Continued)

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2024

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
Amount due from an associate	–	581	581
Amounts due from fellow subsidiaries	–	48,118	48,118
Amount due from an ultimate holding company	–	8	8
Trade receivables	13,645	256,361	270,006
Other receivables	71,848	175,874	247,722
Deposits	–	90,603	90,603
Finance lease receivables	–	76,724	76,724

2023

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
Amounts due from an associate	–	479	479
Amounts due from fellow subsidiaries	–	41,855	41,855
Amount due from an ultimate holding company	–	690	690
Trade receivables	10,906	228,523	239,429
Other receivables	49,724	122,828	172,552
Deposits	–	100,347	100,347
Finance lease receivables	–	80,953	80,953

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2023	6,013	1,164	7,177
Changes due to financial instruments recognised as at 1 January 2023:			
– Transfer to credit-impaired	(189)	189	–
– Impairment losses recognised	40	190	230
– Impairment losses reversed	(304)	–	(304)
As at 31 December 2023	5,560	1,543	7,103
Changes due to financial instruments recognised as at 1 January 2024:			
– Transfer to credit-impaired	(78)	78	–
– Impairment losses recognised	1,960	76	2,036
– Impairment losses reversed	(44)	–	(44)
– Transfer to assets classified as held for sale (Note 39)	(82)	–	(82)
As at 31 December 2024	7,316	1,697	9,013

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As of 31 December 2024, the Group has net current liabilities of RMB7,454,930,000 (2023: RMB8,505,312,000). Taking into account of the historical settlement and addition pattern of the coupon liabilities and the Group's ability of withdrawal of non-current unrestricted term deposits of RMB1,690,000,000 (2023: RMB2,955,015,000) the directors of the Company consider the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are contractual undiscounted cash flows.

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Weighted average interest rate	On demand or less than 12 months	1-5 years	more than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2024						
Trade and bills payables	**–**	**3,870,893**	**–**	**–**	**3,870,893**	**3,870,893**
Other payables and accruals	**–**	**477,153**	**–**	**–**	**477,153**	**477,153**
Lease liabilities	**3.42-3.84**	**918,062**	**2,614,242**	**2,635,490**	**6,167,794**	**4,327,492**
Amount due to an ultimate holding company	**–**	**61,545**	**–**	**–**	**61,545**	**61,545**
Amounts due to fellow subsidiaries	**–**	**195,673**	**–**	**–**	**195,673**	**195,673**
Amounts due to associates	**–**	**746**	**–**	**–**	**746**	**746**
		5,524,072	**2,614,242**	**2,635,490**	**10,773,804**	**8,933,502**
As at 31 December 2023						
Trade and bills payables	–	4,402,499	–	–	4,402,499	4,402,499
Other payables and accruals	–	505,821	–	–	505,821	505,821
Lease liabilities	3.42-3.84	1,177,273	3,129,113	1,861,408	6,167,794	5,138,198
Amount due to an ultimate holding company	–	–	–	–	–	–
Amounts due to fellow subsidiaries	–	12,074	–	–	12,074	12,074
Amounts due to associates	–	750	–	--	750	750
		6,098,417	3,129,113	1,861,408	11,088,938	10,059,342

46c. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group discussed with banks (representing the counterparties of the Group's purchased financial assets at FVTPL) to perform the valuation. The chief financial officer works closely with the bankers to establish the appropriate valuation techniques, inputs to the model and verifies the indicated expected return with the actual return on date of maturity. The chief financial officer reports the findings to the board of directors of the Company at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets.

46. FINANCIAL INSTRUMENTS (Continued)

46c. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(i) Fair value measurements recognised in the consolidated statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
		31/12/2024 RMB'000	31/12/2023 RMB'000			
1)	Investments in unlisted financial products which are managed by licensed financial institutions in the PRC classified as financial assets at FVTPL in the consolidated statement of financial position	**1,332,593**	995,628	Level 2	Discounted cash flows method, estimated based on expected return and market interest rate	Not applicable
2)	Investment in equity shares listed in Shanghai Stock Exchange classified as financial assets at FVPTL in the consolidated statement of financial position	**67,629**	53,911	Level 1	Quoted bid prices in an active market	Not applicable
3)	Unlisted equity investments classified as financial assets at FVTPL	**797**	797	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.

There were no transfers between Level 1 and 2 during both years.

(ii) Fair value measurements recognised in the consolidated statement of financial position that are not measured at fair value on a recurring basis

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost recognised in the consolidated financial statements approximate their fair values.

47. RECONCILIATION OF ASSETS AND 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. Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable to non-controlling interests	Lease liabilities	Bills payables	Deferred issue costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 36		Note 38		
At 1 January 2023	120	6,004,955	1,000,000	–	7,005,075
Financing cash flows	(7,259)	(1,104,595)	432,854	–	(679,000)
Interest paid included in operating cash flows	–	(215,495)	–	–	(215,495)
Interest expense	–	215,495	17,146	–	232,641
Dividends to non-controlling shareholders	83,698	–	–	–	83,698
New lease entered	–	602,823	–	–	602,823
Lease modification	–	(157,229)	–	–	(157,229)
Lease termination	–	(207,756)	–	–	(207,756)
At 31 December 2023	76,559	5,138,198	1,450,000	–	6,664,757
Financing cash flows	**(84,633)**	**(867,946)**	**(367,801)**	**(2,532)**	**(1,322,912)**
Interest paid included in operating cash flows	**–**	**(185,772)**	**–**	**–**	**(185,772)**
Interest expense	**–**	**185,772**	**17,801**	**–**	**203,573**
Dividends to non-controlling shareholders	**72,508**	**–**	**–**	**–**	**72,508**
New lease entered	**–**	**762,047**	**–**	**–**	**762,047**
Lease modification	**–**	**(62,869)**	**–**	**–**	**(62,869)**
Lease termination	**–**	**(406,287)**	**–**	**–**	**(406,287)**
Transfer to assets classified as held for sale (note 39)	**–**	**(235,651)**	**–**	**–**	**(235,651)**
At 31 December 2024	**64,434**	**4,327,492**	**1,100,000**	**(2,532)**	**5,489,394**

48. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for over 1 to 20 years. On the lease commencement, the Group recognised right-of-use assets of RMB762,047,000 and lease liabilities of RMB762,047,000 (2023: right-of-use assets of RMB602,823,000 and lease liabilities of RMB602,823,000).

49. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into significant related party transactions during the year, the details of which are set out below:

(1) Related party transactions

	notes	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Sales to fellow subsidiaries	(a)	**379,602**	603,185
Purchases from associates	(a)	**1,036**	3,140
Purchases from an ultimate holding company and fellow subsidiaries	(a)	**169,860**	161,342
Sales return from/to other related parties	(l)	**(175)**	839
Rental income from fellow subsidiaries	(b)	**28,057**	55,515
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	(c)	**4,404**	5,900
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	(c)	**6,767**	6,832
Service and platform usage fee charged by other related parties	(k)	**9,437**	26,260
Property management fee charged by fellow subsidiaries	(d)	**8,941**	12,294
Interest expenses on lease liabilities charged by fellow subsidiaries	(d)	**1,933**	3,127
Interest income earned from a fellow subsidiary	(e)	**36,929**	1,763
Platform usage fee charged by fellow subsidiaries	(f)	**42,321**	41,483
Logistics resource leasing fee charged by fellow subsidiaries	(g)	**1,974**	2,085
Logistics and delivery service fee charged by fellow subsidiaries	(h)	**73**	176
Logistics and delivery services income from the other related parties	(h)	**2,028**	4,815
Logistics and delivery services fee charged by the other related parties	(i)	**22,895**	3,217
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	(j)	**12,006**	15,713
Transaction amounts transferred from a fellow subsidiary's settlement account into the Group's relevant account upon redemption of membership points by the customers	(j)	**6,037**	11,515
Financial services fee for financial Services Agreement	(m)	**656**	–

49. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

notes:

(a) This represents sales to fellow subsidiaries and purchase from fellow subsidiaries, associates and an ultimate holding company in respect of various kinds of merchandise, including but not limited to food products, daily products and electrical appliances, which were determined in accordance with the terms of underlying agreements at the market price.

(b) Certain areas of the Group's hypermarkets are leased to fellow subsidiaries which were charged in accordance with the terms of the underlying agreements at the market price.

(c) According to the business agreement on the settlement of coupon liabilities entered into between the Group and a fellow subsidiary controlled by Bailian Group, when the coupons issued by one party are redeemed in exchange for products or services to the retailers contracted by the other party or when the coupon liabilities are settled through the other party's network, a commission would be charged at a rate of 0.5% (2023: 0.5%) as agreed between the two parties, based on the gross transaction amount on a monthly basis. The gross transaction amount owed by each other and the related commission income/charge are settled on a net basis each month.

(d) These represent rental expenses and property management fee of certain hypermarkets charged by the fellow subsidiaries. Under HKFRS 16, except for lease contracts with short-term exemption, the lease expenses paid in the current period are divided into lease liabilities and related interest expenses, which were charged in accordance with the terms of the underlying agreements at the market price.

(e) According to the financial services agreement entered into between the Group and a fellow subsidiary controlled by Bailian Group, the fellow subsidiary will provide deposits service and loan service to the Company at a rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.

(f) This represents the platform usage fee charged by Bailian Omni-channel E-commerce Co., Ltd. ("Bailian Omni-channel") which is no more than 4% of the total transaction amount of goods sold through Bailian Omni-channel and/or its subsidiaries on behalf of the Group through their e-commerce platforms according to the terms of the underlying agreements.

(g) These logistics resources leasing fees of the Group was charged by Bailian Group and fellow subsidiaries controlled by Bailian Group. The fee was charged in accordance with the terms of the contracts at the market price.

49. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

notes: (Continued)

(h) The logistics and delivery service fee and income of the Group was charged and collected by Bailian Group and fellow subsidiaries controlled by Bailian Group. The fee included but was not limited to delivery, allocation and returning services within the city of Shanghai, as well as delivery and warehousing services outside the city of Shanghai. Delivery service referred to the delivery of goods by Bailian Group to the Group at the various outlets of the Group, while warehousing service referred to the delivery of goods into the warehouse, storage, sorting and retrieval of goods from the warehouse.

(i) The logistics and delivery service fee of the Group was paid to the fellow subsidiaries of Alibaba (China) Technology Co., Ltd. ("Alibaba China"), which is a substantial shareholder and therefore is a connected person of the Group. The fee was charged in accordance with the terms of the contracts at market price.

(j) These represent the transaction amounts transferred between Bailian Finance and the Group in respect of the membership bonus points earned/redeemed by the customers of the Group. Under the membership points agency and settlement service agreement between Bailian Finance and the Group, the Group will transfer the transaction amounts earned by the customers on consumption in the Group to Bailian Finance. Alternatively, Bailian Finance will transfer the transaction amounts on redemption of the membership bonus points by the customers to the Group.

(k) This represents the service and platform usage fees paid by the Group to Alipay.com Co.,Ltd ("Alipay"), Hangzhou Rajax Information Technology Co., Ltd. ("Hangzhou Rajax"), Lazas Technology (Shanghai) Co., Ltd., ("Lazas")，Zhejiang Haochao Network Technology Co., Ltd ("Zhejiang Haochao"). Alipay is an associate of Alibaba China, and Hangzhou Rajax, Lazas and Zhejiang Haochao are fellow subsidiaries of Alibaba China.

(l) This represents sales to other related parties, all of which are priced at market prices, including but not limited to food, daily necessities and electrical appliances.

(m) According to the financial services agreement entered by the Group and Bailian Finance, Bailian Finance will provide other financial services to the Group, and the service fees charged should not exceed those charged by other financial institutions in PRC for similar businesses.

(2) Related party balances

The Group entered into a financial services agreement with a fellow subsidiary controlled by Bailian Group, pursuant to which the fellow subsidiary agreed to provide the Group the deposit and loan services at a rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.

49. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party balances (Continued)

During the year ended 31 December 2023, the Group entered into a supplemental agreement to the Investment and Wealth Management Cooperation Framework Agreement with the fellow subsidiary, pursuant to which, the fellow subsidiary agreed to invest and manage the entrusted assets in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines provided under the supplemental agreement.

The summary of cash and cash equivalents, unrestricted term deposits, investment made in and borrowings owed to a fellow subsidiary is set out as below:

	31/12/2024 **RMB'000**	31/12/2023 RMB'000
Cash and cash equivalents in a fellow subsidiary	**1,200,000**	405,729
Investment and wealth management cooperation with a fellow subsidiary	**1,332,593**	995,628

Summary of lease liabilities to related parties is as follows:

	31/12/2024 **RMB'000**	31/12/2023 RMB'000
Lease liabilities (Note)	**80,362**	75,909

Note: During the year ended 31 December 2024, the Group entered into several new lease agreements for the use of chain store operation with the related parties for 2 to 10 years. Except for short-term lease in which the Group applied recognition exemption, the Group has recognised an addition of right-of-use assets and lease liabilities of RMB71,515,000 and RMB71,515,000, respectively.

(3) Transactions/balances with other government related entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("Government Related Entities") including Bailian Group. Apart from the transactions with fellow subsidiaries disclosed above, the Group has also entered into various transactions, including sales, purchase, deposits placement, and bank borrowing with other Government Related Entities.

In view of the nature of the retail business operated by the Group, the directors of the Company are of the opinion that it is impracticable to identify the identities of the counterparties from the sales of merchandise as to whether they are Government Related Entities.

During both years, significant amount of the Group's purchase were from Government Related Entities and most of the Group's deposits and bank borrowing are placed with and advanced from banks which are also Government Related Entities.

49. RELATED PARTY TRANSACTIONS (Continued)

(4) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Salaries and other short-term employee benefits	**9,380**	11,166
Post-employment benefits	**774**	707
Other long-term benefits	**276**	274
	10,430	12,147

The remuneration of directors and key management is determined by the remuneration and appraisal committee having regard to the performance of individuals and market trends.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at the end of the reporting period are set out below.

Name of entity	Date of establishment	Place of incorporation/ registration/ operations	Paid up issued/ registered capital RMB'000	Proportion voting power and ownership interest held by the Company Directly		Indirectly		Principle activities
				2024 %	2023 %	2024 %	2023 %	
Shanghai Century Lianhua supermarket Development Co., Ltd * (上海世紀聯華超市發展有限公司)	24 November 1997	The PRC	500,000	**100.00**	100.00	**–**	–	Hypermarket
Lianhua Huashang (杭州聯華華商集團有限公司)	1 June 2001	The PRC	120,500	**74.19**	74.19	**–**	–	Hypermarket and supermarket
Lianhua Supermarket (Jiangsu) Co., Ltd.* (聯華超市 (江蘇) 有限公司)	21 March 2003	The PRC	1,900,000	**100.00**	100.00	**–**	–	Hypermarket and supermarket
Guangxi Lianhua Supermarket Joint Stock Co., Ltd. * (Note) (廣西聯華超市股份有限公司)	18 November 2001	The PRC	68,670	**95.00**	95.00	**–**	–	Hypermarket supermarket and convenience store
Shanghai Lianhua Supermarket Development Co., Ltd. * (上海聯華超級市場發展有限公司)	8 April 2006	The PRC	10,000	**100.00**	100.00	**–**	–	Supermarket
Lianhua Quik Stores Co., Ltd. * (上海聯華快客便利有限公司)	25 November 1997	The PRC	953,000	**100.00**	100.00	**–**	–	Convenience store
Shanghai Yanyu Trading Co., Ltd * (上海岩鈺貿易有限公司)	29 October 1998	The PRC	5,000	**100.00**	100.00	**–**	–	Purchase and distribution
Lianhua Logistic Co., Ltd. * (聯華物流有限公司)	17 October 2007	The PRC	50,000	**100.00**	100.00	**–**	–	Purchase and distribution
Lianhua E-business Co., Ltd. * (聯華電子商務有限公司)	4 October 1995	The PRC	55,000	**100.00**	100.00	**–**	–	Trading
Hualian Supermarket Holdings Company Limited * (Note) (華聯超市股份有限公司)	15 August 2006	The PRC	300,000	**99.40**	99.40	**0.60**	0.60	Supermarket

* English name is for the identification purpose only.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Note: Guangxi Lianhua Supermarket Joint Stock Co., Ltd. and Hualian Supermarket Holdings Company Limited are companies limited by shares. Other entities above are all limited liability companies. None of the subsidiaries had issued any debt securities at the end of the year.

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current assets		
Property, plant and equipment	**148,905**	156,169
Construction in progress	**9,182**	5,053
Intangible assets	**11,124**	13,841
Investments in subsidiaries	**570,245**	1,706,220
Interests in associates	**237,137**	172,779
Financial assets at FVTPL	**6,160**	5,165
Term deposits	**350,000**	200,000
Deferred tax assets	**742**	321
Other non-current assets	**1,483**	1,607
Amounts due from subsidiaries	**–**	1,539,459
	1,334,978	3,800,614
Current assets		
Inventories	**166,152**	484,134
Deposits, prepayments and other receivables	**179,005**	44,180
Amounts due from an ultimate holding company	**–**	682
Amounts due from fellow subsidiaries	**10,365**	13,002
Amounts due from subsidiaries	**4,943,803**	5,438,209
Amounts due from an associate	**581**	479
Term deposits	**100,000**	150,000
Cash and cash equivalents	**390,138**	449,892
	5,790,044	6,580,578
Total assets	**7,125,022**	10,381,192

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Information about the statement of financial position of the Company at the end of the reporting period includes: (Continued)

	31/12/2024 RMB'000	31/12/2023 RMB'000
Capital and reserves		
Share capital	**1,119,600**	1,119,600
Reserves	**2,245,155**	5,543,527
Total equity	**3,364,755**	6,663,127
Non-current liability		
Deferred tax liabilities	**1,212**	963
Current liabilities		
Trade and bills payables	**1,440,379**	1,440,331
Tax payable	**9,672**	6,601
Other payables and accruals	**245,450**	162,635
Coupon liabilities and advance from customers	**1,672,596**	1,768,384
Amounts due to an ultimate holding company	**61,545**	–
Amounts due to fellow subsidiaries	**47,251**	4,729
Amounts due to subsidiaries	**281,416**	333,672
Amounts due to associates	**746**	750
	3,759,055	3,717,102
Total liabilities	**3,760,267**	3,718,065
Total equity and liabilities	**7,125,022**	10,381,192
Net current assets	**2,030,989**	2,863,476
Total assets less current liabilities	**3,365,967**	6,664,090

Movement in the Company's reserves

	Share capital RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory common reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	1,119,600	258,353	3,595	559,800	4,772,770	6,714,118
Loss and total comprehensive expense for the year	–	–	–	–	(50,991)	(50,991)
At 31 December 2023	1,119,600	258,353	3,595	559,800	4,721,779	6,663,127
Loss and total comprehensive expense for the year	–	–	–	–	**(3,298,372)**	**(3,298,372)**
At 31 December 2024	**1,119,600**	**258,353**	**3,595**	**559,800**	**1,423,407**	**3,364,755**

52. EVENT AFTER THE REPORT PERIOD

(i) Issue of domestic shares

On 25 February 2025, all conditions precedent under the share subscription agreement have been satisfied and completion of the domestic share subscription completed. 360,000,000 new domestic shares are issued by the Company to Bailian Group at the subscription price of RMB1.00 per share.

(ii) Disposal of 3 Target Companies

In January 2025, registration for share transfer has been completed in respect of 3 Target Companies and the outstanding amount of the consideration has been settled.

Environmental, Social and Governance Report

CONTENTS

PREPARATION OF REPORT

This report is the ninth *Environmental, Social and Governance (ESG) Report* of Lianhua Supermarket Holdings Co., Ltd., for the purpose of providing investors and other stakeholders with information of the concept which the Company upholds for ESG issues in the course of business, the management approach established, the work promoted and the performance achieved.

Scope of Reporting

This report covers Lianhua Supermarket Holdings Co., Ltd. (abbreviated as "Lianhua Supermarket", "the Company") and its subsidiaries (abbreviated as "the Group", "We"). Unless otherwise stated, the scope is consistent with that of the consolidated financial statements of Lianhua Supermarket (stock code: 0980.HK) for the same period.

Full Name	Abbreviation in this report
Lianhua Supermarket Holdings Co., Ltd.	Lianhua Supermarket, the Company
Lianhua Supermarket and its subsidiaries	the Group
Bailian Group Co., Ltd.	Bailian Group
Shanghai Century Lianhua Supermarket Development Co., Ltd.	Century Lianhua or Hypermarket Operation Centre
Shanghai Lianhua Supermarket Development Co., Ltd.	Lianhua Supermarket Development or Supermarket Operation Centre
Lianhua Logistics Co., Ltd.	Lianhua Logistics
Shanghai Lianhua Quik Convenience Stores Co., Ltd.	Lianhua Quik
Hangzhou Lianhua Huashang Group Co., Ltd.	Lianhua Huashang
Anhui Century Lianhua Development Co., Ltd.	Lianhua Anhui Company
Henan Century Lianhua Supermarket Co., Ltd.	Lianhua Henan Company
Lianhua Supermarket (Jiangsu) Co., Ltd.	Lianhua Jiangsu Company
Guangxi Lianhua Supermarket Joint Stock Co., Ltd.	Lianhua Guangxi Company

Reporting Period

The reporting period is from 1 January 2024 to 31 December 2024. Unless otherwise stated, data included in this report is for the reporting period.

Basis of Preparation

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide (effective from 31 December 2023)* issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Note for the Data

Data and cases in this report are from the formal record of the Company with respect to actual business operation.

The financial data in this report is presented in Renminbi. In case of inconsistency between these data and those provided in the Company's annual financial statements, the data of annual financial statements shall prevail.

Contact Us

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Reporting Principles

In the preparation, this report follows the principles stated below, to achieve the goal of effective communication with stakeholders of the Company by providing effective, complete, accurate and comprehensive information.

Materiality principle	In accordance with this principle, this ESG report determines the issues to be addressed in the report through stakeholder research and materiality analysis, and provides key information on environmental, social and governance issues that may have significant impact on investors and other stakeholders.
Quantitative principle	In accordance with this principle, this ESG report discloses key quantitative performance indicators, explains the meaning of the indicators, and describes the calculation basis and assumptions.
Balance principle	In accordance with this principle, this ESG report reflects the facts and discloses both positive and negative indicators.
Consistency principle	In accordance with this principle, this ESG report clearly describes the statistical methodology and the statistical caliber for the disclosed ESG key quantitative performance indicators, while ensuring the consistency of indicators and the calculation methodology in different reporting periods to reflect the trend of performance.

1. ESG MANAGEMENT

1.1 ESG Management Concept and Strategy

ESG Management Concept

In line with its brand vision known as "increasing our customers' loyalty to us (讓消費者更喜愛我們)", the Group sets its corporate mission as "good commodities and good experience to build a good life (好商品、好體驗構建人情好生活)"with its ESG vision defined as "with premium goods and green operation to safeguard people's livelihood and help them live a good life", which reflects its ESG concept as an operator running business concerned with people's livelihood: to ensure supply of daily necessities and help consumers realize high-quality lifestyle and to build a better living environment through offering high-quality products and services as well as eco-friendly and sustainable operation.

ESG Strategy

The Group has, after giving full consideration to its business and the appeals of its stakeholders, put forward the ESG management strategies covering four major aspects, i.e. goods and services, employee development, green operation, community and people's livelihood, and conducts the corresponding management practice in light of the strategy.

ESG Strategy and its Achievements in 2024

	Short to Mid-term Strategy (3-5 years)	Long-term Strategy (10 years)	Practice of Primary Responsibilities	Achievements in 2024
Goods and services	• Create a culture of responsibility that values integrity and compliance to ensure smooth development of our operations; • Continue to improve our product quality management system, strengthen the quality control of our suppliers, and ensure the quality of our products; • Constantly improve the shopping environment of our stores to ensure safety and hospitality.	• Continuously improve our product quality management and shopping environment to provide diversified and high-quality products and friendly services that meet the needs of customers and markets.	• Create a culture of responsibility that values integrity and compliance • Strictly guarantee the quality of goods • Provide safe and healthy food • Build a safe and enjoyable shopping environment • Continuously improve consumer satisfaction	• Anti-corruption trainings cover 100% of members of the Board; • Overseas lawyers were invited to provide special training on the Listing Rules for the Board, which was attended by a total of 11 members; • Food safety trainings were conducted, and manuals, training courses and examination databases were developed with respect to the operation of the new food safety information traceability platform for Lianhua's directly-operated supermarkets, and Bailian Group's food safety management standardization, with a total of 536 participations; • 2,949 emergency drills were conducted in stores with 86,548 participants; • Century Lianhua's offline customer complaints decreased by 7.69% as compared with that in 2023; • An online store food safety audit platform was established, and analysis of online store inspections and summaries was completed, with a total of 717 on-site store inspections.

	Short to Mid-term Strategy (3-5 years)	Long-term Strategy (10 years)	Practice of Primary Responsibilities	Achievements in 2024
Employee development	• Respect and safeguard the legitimate rights and interests of our employees, and build a harmonious relationship with them with a multi-level communication mechanism and employee caring activities; • Provide a safe and enjoyable working environment for our employees; • Provide diversified and innovative training resources and career development channels to empower our employees' development.	• Strive to make us an excellent employer in the industry and empower the innovative development of the retail industry.	• Ensure equal employment and democratic communication, and carry out employee care activities • Protect occupational health and safety of employees • Provide our employees with pieces of training and development opportunities	• Labour contract signing rate and social security contribution rate are 100%; • During the reporting period, the Group recorded zero work-related injuries or fatalities and zero occupational diseases; • Promoted the cultivation of reserve talents and middle management personnel, completed job evaluation of 26 management trainees, and selected 35 people to participate in the "Eagle Plan Leadership" training program; • Trainings to support employees' development covered a total of 20,563 participations.
Green operation	• Promote green stores to improve resource efficiency and reduce greenhouse gas emissions; • Introduce green office operation, green logistics and green warehousing to reduce greenhouse gas and waste emissions in the operation process of the Group.	• Strengthen education for consumers on sustainable consumption, reduce consumers' impact on the environment, and advocate sustainable consumption; • Advocate sustainable production and reduce the impact of suppliers' commodity production on the environment.	• Improve our environmental management system • Promote green stores • Improve green logistics and warehousing • Carry out green concept advocacy activities	• Electricity consumption of 2024 decreased by 5.56% compared with 2023, greenhouse gas emissions per unit area decreased by 41.34% compared with 2020, and water consumption per unit area of 2024 decreased by 11.67% compared with that in 2020; • Green logistics was promoted, and trays and turnover boxes of standard size were adopted to save transportation space; recyclable transit containers were adopted according to the characteristics of goods, which could be re-used afterward; • Century Lianhua carried out photovoltaic cooperation program at stores, saving a cumulative of approximately 3% of electricity costs; • The distributed photovoltaic power generation of Lianhua Huashang Shaoxing Logistics Base was put into use, and the self-generated electricity was 1,817.30 MWh in 2024, reducing greenhouse gas emissions by 975.16 tons; • The Group created the Central Store, the first revitalized and transformed supermarket in Shanghai city center, and opened new boutique supermarket, City Life Ningbo K11 Store, to advocate sustainable living.

	Short to Mid-term Strategy (3-5 years)	Long-term Strategy (10 years)	Practice of Primary Responsibilities	Achievements in 2024
Community and people's livelihood	• Give a fully play of our role in guaranteeing people's livelihood, and ensure supply of basic commodities in case of social emergency; • Actively participate in volunteer service and social welfare activities, and strengthen integration with the community.	• Establish our brand of social welfare in line with the Company's principal business, and continue to participate in community and social welfare activities, to improve our social influence.	• Carry out public welfare activities in communities • Help farmers through purchase to revitalize rural development	• During the reporting period, a total of RMB459.0 thousand was invested in community charity activities, and 4,071 employees were engaged in voluntary services, with 67,601 hours of service; • The agricultural industrialisation and standardisation were promoted by fully developing the advantage of outlet scale and leveraging the advantageous resources of regions of paired-up assistance and the Group's marketing and transportation network, accumulating "Lianhua Experience" for the path of sustainable agricultural development and the rural revitalization. The amount of paired-up assistance was RMB1.28 million.

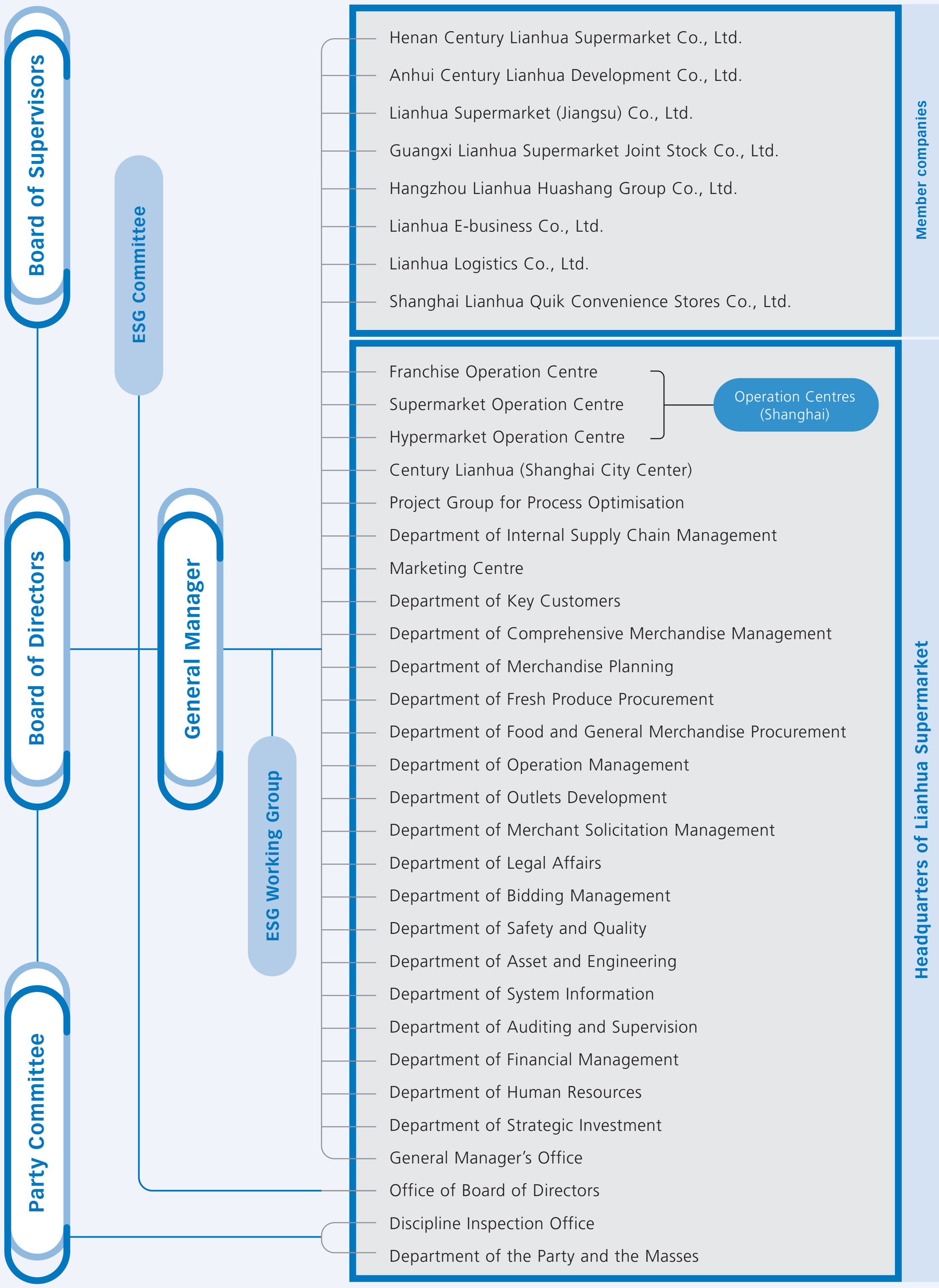
The Group has set the ESG Environmental management targets for energy use, greenhouse gas emissions and water use. In the first quarter of each year, the Board reviews the Group's ESG performance and achievement of the targets in the previous year, and ensures that the Group's ESG performance is disclosed in the ESG report, so as to promote the realisation of ESG performance targets. Refer to the subsection headed "Green Operation" for details and progress of the targets.

1.2 ESG Management Structure

In line with the increasing concern of Chinese capital markets on ESG issues, the Board strengthens its supervision of the ESG performance of the Company. The Company has established the ESG Committee of the Board and formulated the *Terms of Reference for the Environmental, Social and Governance (ESG) Committee*, which further clarifies the ESG management structure and the composition, responsibilities and authority and rules of procedure of the ESG Committee. Furthermore, in order to further improve the ESG management system, the company has also formulated the *ESG Management System* to ensure the effective implementation of ESG-related measures.

The Company's ESG Committee consists of 1 executive Director, 1 non-executive Director and 2 independent non-executive Directors, and it is chaired by the executive Director. The committee is responsible for the decision-making in respect of the Company's ESG issues as a whole; the Company has also established the ESG Working Group consisting of members from the relevant departments and affiliates to promote the implementation and improvement of specific ESG work. At the same time, the Group incorporated ESG-related aspects such as major safety, social stability, energy conservation and carbon reduction into the performance appraisal of the management. In March 2024, the Company held the second meeting of the eighth session of the ESG Committee, at which the *2023 ESG Report* was considered and approved to actively perform ESG supervision duties.

ESG Management Structure



ESG Management Structure and Respective Responsibilities

The Board
The Board is responsible for guiding the Company's ESG work, with specific responsibilities being: a) receiving the report of ESG work, approving relevant matters and directing the ESG management work.

ESG Committee
The ESG Committee has overall responsibility for the Company's ESG performance, including: a) identifying and assessing the Company's ESG-related risks and opportunities; b) ensuring that appropriate and effective ESG risk management and internal control systems are in place; c) formulating the Company's ESG management policies, strategies, priorities and objectives; d) regularly reviewing the Company's efforts in achieving its ESG objectives; e) approving disclosures in the Company's ESG reports.

ESG Working Group
As the manager and coordinator of ESG issues to ensure the implementation of ESG tasks by each relevant department, the ESG Working Group has the following responsibilities: a) guiding and reviewing formulation of ESG management policies and strategies; b) overseeing formulation and implementation of ESG objectives, and reviewing the progress of achieving such objectives; c) guiding and reviewing the identification and sorting of important ESG topics; d) assisting in the preparation of annual ESG reports and other ESG-related information, and submitting the same to the Board for consideration and approval for disclosure; e) identifying ESG risks associated with the Company each year, assessing the impact of such risks on the Company and advising the Board on how to cope with such risks; f) other responsibilities delegated by the Board.

1.3 Communication with Stakeholders

The Group cares sincerely about the needs and concerns of its stakeholders, and identifies its key stakeholders and their focuses on the basis of its own business and operations, with reference to those of its domestic and foreign counterparties. In addition, the Group explores diversified communication methods and actively responds to the requests of its stakeholders in its daily management and business practices.

Key Stakeholders of Lianhua Supermarket and Topics for Communication

Key Stakeholders	Topics of Interest	Communication and Response
Shareholder	• Corporate governance • Risk management and internal control • Business ethics and anti-corruption	• Information disclosure of listed companies • Shareholders' meetings • Shareholder communication meetings • Roadshow • Answering calls from investors • Receiving emails from investors • Responding to questions raised by investors via WeChat
Government and regulators (including the Market Supervision Administration, the Food and Drug Administration, etc.)	• Corporate governance • Business ethics and anti-corruption • Food safety • Green operation • Reduction and recycling of packaging materials	• Policy implementation • Food safety management • Energy conservation and emission reduction actions • Actions for reduction of packaging materials • Information disclosure
Consumers	• Commodity quality assurance • Food safety • Responsible marketing • Consumer relationship management • Protection of consumers' information and privacy	• Food safety management • Publicity on WeChat official account • Consumer consultation and complaint platform • Consumer satisfaction survey • Consumer symposiums • Communication in consumer WeChat group
Suppliers	• Supply chain environment and social management	• Supplier review and evaluation • Supplier meetings • Communication and visits • Sustainable supply chain building

Key Stakeholders	Topics of Interest	Communication and Response
Employees	• Employees' benefits and welfare • Safe production • Employees' development and training	• Trade union and employee representative meetings • Activities • Fire drill • Employee training • Internal publications
Community and environment	• Climate change mitigation and adaptation • Rural revitalization • Charity and volunteer activities • Green operation • Community communication and development	• Sales program for products based in remote areas • Community service activities • Communication through WeCom • Publicity through Official Accounts • Advocating by exhibition in stores • Energy conservation and emission reduction actions • Actions for reduction of packaging materials

1.4 Analysis of Material Topics

The Group has established a material topic bank based on its own business and operational characteristics in accordance with the *Environmental, Social and Governance Reporting Code* of the Stock Exchange and national and industry policies, and with reference to the practices of its industry peers based domestically and overseas. After consulting the external experts and communicating with stakeholders, the Group identified 18 material ESG topics and ranked the materiality of these topics based on the impact materiality and the financial materiality.

To be specific, the dimensions of assessing the impact materiality include the likelihood of the impact occurring and its severity (impact scale, impact scope and irreparability of the impact); and the dimensions of assessing the financial materiality include the expected likelihood of the impact occurring in the short, medium and long term and the magnitude of the financial impact.

Process for Identification of Material Topics

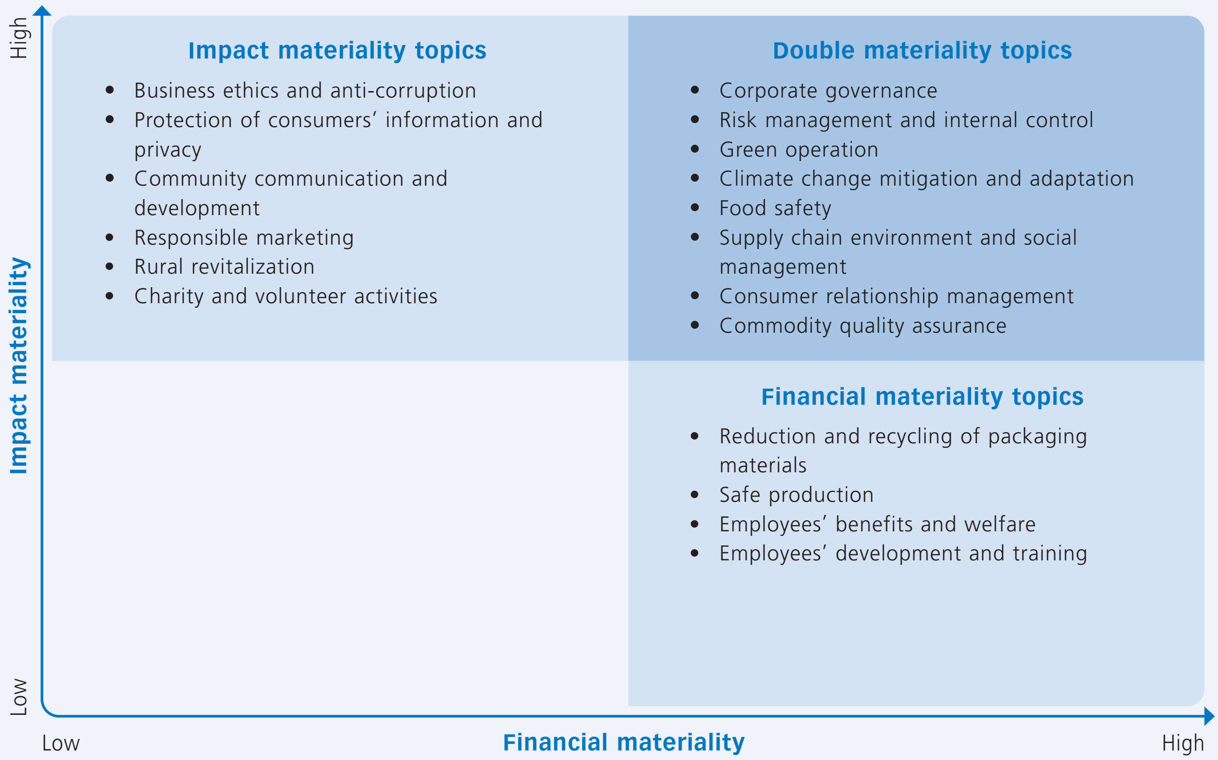
Background	Topic identification	Materiality assessment	Validation and reporting
Based on the characteristics of its own business and its industry, and considering factors such as policy trends, information disclosure requirements of the exchange, and peer comparison, the Group identifies impacts of topics and develops a topic bank.	The Group continuously communicates with stakeholders and internal and external experts to evaluate the importance of impact of topics and identifies 18 key environmental, social and governance issues that need attention.	The Group ranks the topics from two dimensions: the impact materiality and the financial materiality.	A matrix of material topics is constructed based on the results of topic importance, which is reviewed by the Board of the Company, and key disclosures are made in the report on high material topics.

In 2024, on the basis of the material topics for 2023, the Group, considering the policies of regulatory agencies and regulations of industry self-regulatory organizations and benchmarking against peers, identified 18 material topics through addition and expression revision. The changes in specific topics and the reasons are presented in the table below.

Table of Change in Material Topics for 2024

Material topics 2024	Material topics 2023	Changes	Reasons for changes
Supply chain environment and social management	Supply chain management	Expression improvement and optimisation	Benchmarking against standards and focusing on key issues to emphasize the company's environmental and social management of suppliers.
Business ethics and anti-corruption	Anti-corruption	Expression improvement and optimisation	Benchmarking against regulatory requirements and adjusting the wording based on the original topic to extend the content of the topic.
Charity and volunteer activities	Rural revitalization and public welfare and charity	Splitting	The Group has taken many actions in public welfare, charity and volunteer activities, so this is listed as a separate topic.
Rural revitalization		Splitting	According to national policy trends, rural revitalization has been split into a separate topic.

Matrix of Material Topics of Lianhua Supermarket



List of Material Topics of Lianhua Supermarket and Corresponding Sections

Area	Name of Material Topic	Corresponding Section
Governance	**Corporate governance**	2.1 Corporate Governance
	Risk management and internal control	2.2 Risk Management and Internal Control
	Business ethics and anti-corruption	2.3 Business Ethics and Anti-corruption
Environment	**Green operation**	3.1 Green Operation
	Reduction and recycling of packaging materials	3.2 Reduction and Recycling of Packaging Materials
	Climate change mitigation and adaptation	3.3 Climate Change Mitigation and Adaptation
Society	**Food safety**	4.1 Product Quality Management
	Supply chain environment and social management	4.2 Supply Chain Environment and Social Management
	Consumer relationship management	4.3 Consumer Relationship Management
	Commodity quality assurance	4.1 Product Quality Management
	Protection of consumers' information and privacy	4.4 Protection of Consumers' Information and Privacy
	Responsible marketing	4.5 Responsible Marketing
	Employees' benefits and welfare	5.1 Employees' Benefits and Welfare
	Safe production	5.2 Safe Production
	Employees' development and training	5.3 Employees' Development and Training
	Community communication and development	6.1 Community Communication and Development
	Charity and volunteer activities	6.2 Charity and Volunteer Activities
	Rural revitalization	6.3 Rural Revitalization

Note: Topics in bold are double materiality topics

2. REGULATED GOVERNANCE TO DRIVE HIGH-QUALITY DEVELOPMENT

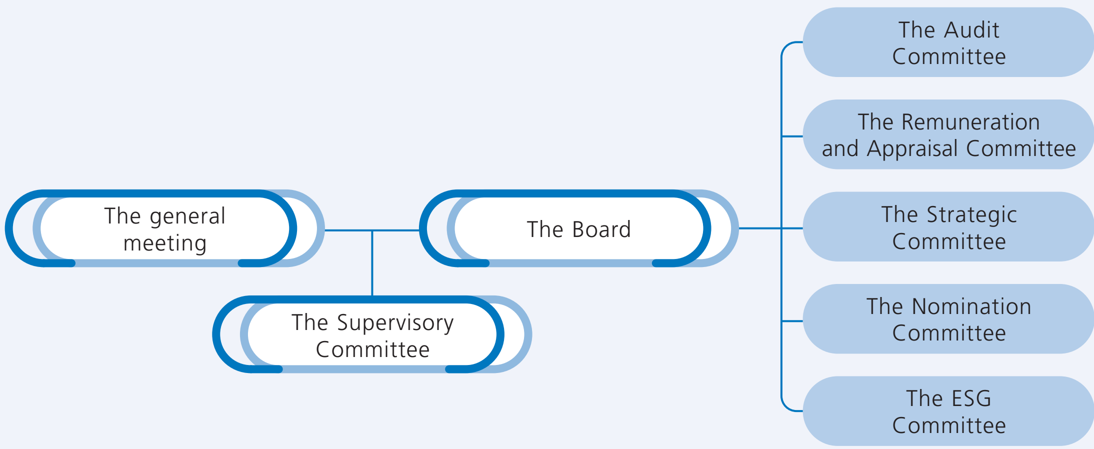
2.1 Corporate Governance

Corporate governance mechanism

The Company strictly abides by the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Guidelines for the Articles of Association of Listed Companies*, the *Corporate Governance Code* set out in Appendix C1 to the Listing Rules of the Stock Exchange and other laws and regulations and relevant requirements. In 2024, in accordance with the new *Company Law of the People's Republic of China* and the changes in the Listing Rules of the Stock Exchange, the Company amended the *Articles of Association*, improves the corporate governance standard and the level of standard operation to lay solid foundation for a robust governance, thereby supporting the steady progress and growth.

The Company has established a standard and orderly governance structure consisting of the general meeting, the Board, the Supervisory Committee and senior management, and has built the governance mechanism featuring clear responsibilities and powers of the organ of authority, the organ of decision making and the organ of implementation, mutual cooperation and checks and balances, thus effectively protecting the legitimate rights and interests of itself and shareholders. In 2024, the Company formulated the *Rules of Procedure of the Supervisory Committee* to respond to the changes in domestic and overseas regulatory requirements to ensure the efficient operation of corporate governance and compliant operation. At the same time, the Company completed the announcement of changes in five directors on the Stock Exchange and registration with the registrar of companies.

Corporate Governance Structure



Board Committees' Responsibilities

Committee	Responsibilities
The Remuneration and Appraisal Committee	Establishing and determining the Group's incentive and performance review system
The Strategic Committee	Consulting about, conducting investigation and assessment for the Company's future investment strategies and relevant matters
The Nomination Committee	Improving the structure of the Board and the management of the Company
The Audit Committee	Reviewing the Company's financial reporting procedures and internal control system
The ESG Committee	Guiding the Company's ESG policies and strategies, priorities and the setting of ESG targets, and controlling ESG management risks

All members of the Board of the Company acknowledge and fulfill their own responsibilities and obligations, treat every shareholder of the Company equally and protect the rights and interests of investors by all means. Among the 11 members of the Board, three serve as the executive Directors, four (including the Chairman) act as the non-executive Directors, and four serve as the independent non-executive Directors, who represent more than one third of the number of Directors. Further, the Company upholds the Board diversity policy, selects talents based on merit in the course of appointing members of the Board, and ensures that talents are discriminated against for their gender, age, race and other reasons. As of the end of 2024, there were four female directors on the Board, accounting for 36.36% of total members of the Board, an increase of 9 pps from 27% last year.

For other relevant important information in this section, please refer to the sections headed "Report of the Directors" and "Report of Corporate Governance" in the 2024 annual report of the Company.

Protection of Investors' Rights

The Company attaches great importance to the protection of investors' rights, and protects the legitimate rights and interests of investors through information disclosure, active establishment of communication channels with investors, and standardisation of connected transactions.

In terms of information disclosure, the Company has formulated internal regulations such as the *Management Regulations of Information Disclosure* and issued the *Notice on Establishing and Improving the Supervision Mechanism for Reporting and Handling Major Events and Public Opinion* to ensure that all shareholders have equal access to information. At the same time, the *Management Rules for Connected Transactions* was formulated to standardise the special approval process of connected transaction agreements, fulfill internal compliance approval and external disclosure procedures, summarise and compile the information of connected transactions on a monthly basis, and disclose the information of connected transactions on a semi-annual and annual basis in interim reports and annual reports.

The Company attaches importance to investor relations management, actively establishes smooth two-way communication channels with investors, and promptly conveys the Company's strategic planning, business performance and investment highlights to investors. At the same time, the Company promptly communicates the views and expectations of the capital market to the Board and the management to effectively enhance the communication and interaction with the capital market. The Company organises annual and semi-annual results roadshows for investors, and communicates with investors and responds to their demands through answering investors' calls, receiving investors' emails, and responding to investors' WeChat messages. In addition, the Company organised field research and store visits from a number of domestic and foreign investment institutions to further deepen investors' understanding of and trust in its operations and business.

Performance of Protection of Investors' Rights in 2024

- In 2024, Lianhua Supermarket published a total of 40 announcements and notices and four circulars.
- In 2024, the Company completed 20 investor communication activities through telephone and WeChat.

2.2 Risk Management and Internal Control

Risk management is an important basis for the Group's sound operation. In order to continuously improve risk prevention and control, the Group formulated and implemented the *2024 Work Plan on Preventing and Resolving Major Risks in Economic Fields*, and incorporated the construction of risk control system into its strategic planning work. In 2024, the Group formulated the *Table of Counter Measures for Risks and Opportunities* to specify strategies for responding risks and measures for grasping opportunities, and strengthen the management and control of key risk areas.

Risk categories and countermeasures (partial) of Lianhua Supermarket in key areas

Key areas	Risk categories	Countermeasures
Commodity quality assurance	Risk of food safety	• The Group clarify the responsibilities of each department in ensuring food safety, and standardize the all-round management of food procurement, transportation, sales, and after-sales.
	Risk of commodity failure	• Carry out cause analysis for each aspect of process from procurement, storage to sales, propose improvements, and fill out the *Unqualified Merchandises Disposal Form* (《不合格商品處置單》). Carry out random inspections on the implementation of rectifications for unqualified merchandises to prevent reoccurrences of similar incidents.

Key areas	Risk categories	Countermeasures
Supply chain management	Risk of non-compliance of suppliers' qualifications	• Strengthen the management of request for certificate and invoice, and review and verify relevant certificates, single product certificates and test reports provided by suppliers; any problem found during the review process is promptly fed back to the purchasing department.
	Risk of non-compliance of suppliers' production process	• Conduct on-site audits and assessments of manufacturing companies. Appoint a third party or an auditor within the Company with relevant audit qualifications to conduct on-site inspections on suppliers of proprietary brands according to the audit plan.
Consumer relationship management	Risk of customer complaint escalation	• Conduct training on "job responsibilities and service standards" before taking up the post, handle customer complaints strictly according to the "Complaint Handling Procedures", strengthen supervision of employees' service awareness, and carry out training on the sharing of customer complaint cases.
Safe production	Risk of emergencies response	• Formulate an *Emergency Response Plan for Production Safety Accidents*, strengthen safety inspections, strictly implement safety-related regulations, and strengthen personnel safety training.
Employee training	Risk of training effect not meeting expectations	• Formulate specific implementation plans for training projects according to the training plan, and improve various training assessment methods to enhance training effectiveness.

In daily risk management work, the Department of Auditing and Supervision of the Group regularly evaluates the risk points of each department and the management, promptly analyzes and follows up on the relevant risk control work. The Board Audit Committee is responsible for supervising the Group's risk management implementation to ensure the effective implementation of various measures. The Group conducts internal control inspection and self-inspection every year, and prepares a "Report on Major Risk Investigation and Prevention and Control" every quarter to ensure continuous improvement of risk management. In addition, the Department of Auditing and Supervision and the Audit Committee hold regular meetings to report the risk management work to the Audit Committee, identify potential risks in time, and promote the Group's compliance and sound operation.

In terms of auditing, the Group has established the *Management Measures for Internal Auditing, Management Measures for Engineering Auditing* and other auditing systems according to the relevant requirements of the *Internal Control Manual*. The Department of Auditing and Supervision is responsible for routine supervision and inspection on the implementation of the internal control system, and carries out special supervision on key areas to ensure the effective implementation of internal control measures. Through these measures, the Group continues to improve its risk management system and provides solid safeguard for sustainable and healthy development.

In terms of intellectual property protection, the Group establishes an intellectual property protection management process, with a focus on trademark protection. The Group formulated the *Trademark Management Measures (Trial)* in accordance with the *Trademark Law of the People's Republic of China,* the *Regulations on the Trademark Law Implementation of the People's Republic of China* and other laws and regulations and the *Bailian Group Trademark Management Measures (2022 Revision)*, managing the approved registered commodity and service trademarks held by the Group, as well as the characters, graphics, letters, numbers, three-dimensional signs, colors, sounds and other elements and their combinations that have been applied for or used and have the function of identifying the source of goods or services, so that the Group could protect its exclusive trademark rights, ensure the quality of goods and services and safeguard its reputation.

Intellectual Property Protection Management Process

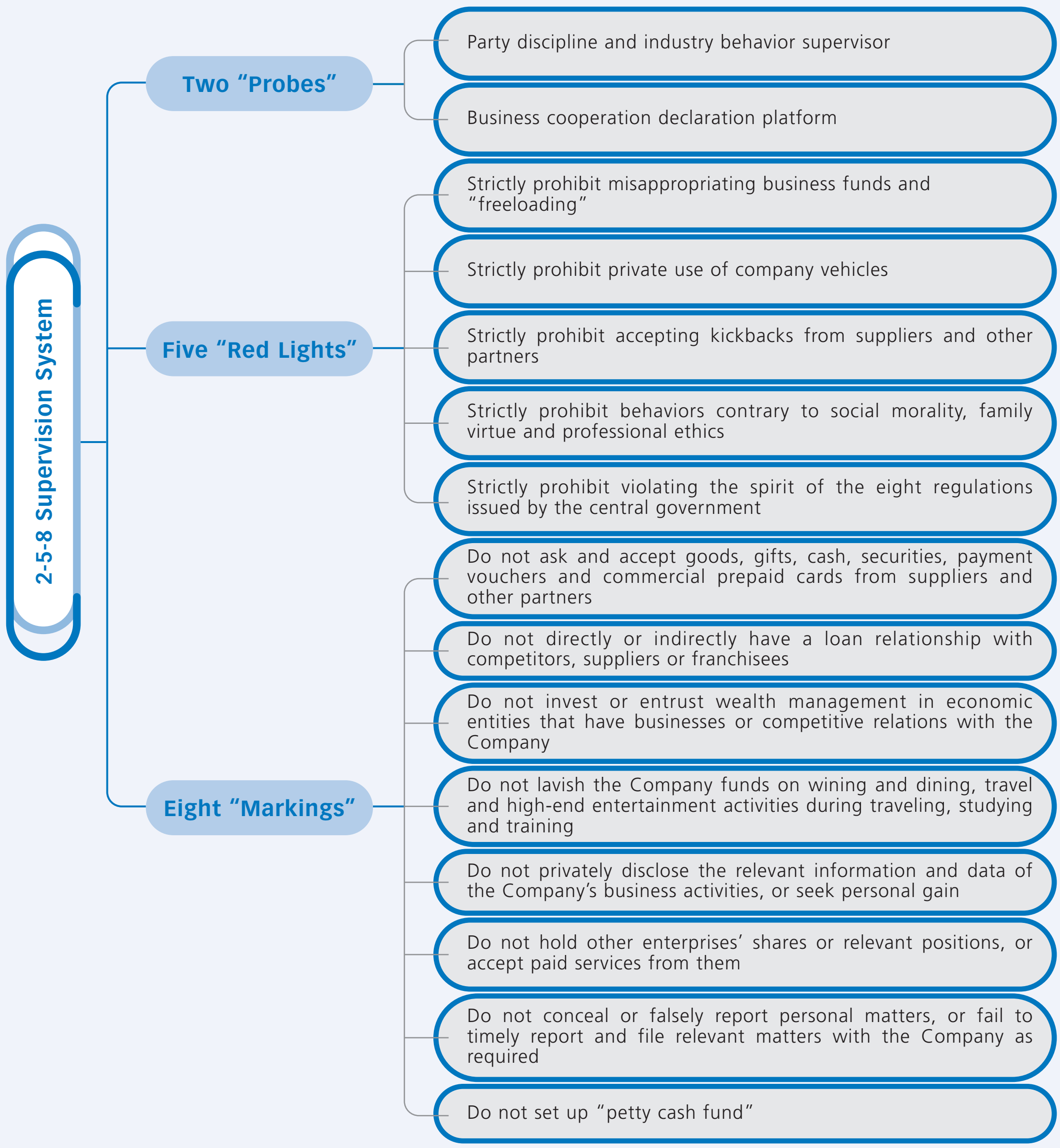
Pre-sale	In-sale	After-sale
Strictly implement the Company's regulations and request for certificate and invoice and conduct label and mark review for all introduced products, including product trademark registration, brand licensing, etc.	Strengthen daily inspections and remove products from shelves immediately if any infringement of intellectual property rights is found.	In case of any intellectual property infringement incident, actively cooperate with the regulatory authorities to investigate and collect evidences and take rectifications against infringed products immediately.

2.3 Business Ethics and Anti-corruption

The Group strictly abides by the *Company Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the Rules Governing the Listing of Securities on the Stock Exchange and other laws and regulations. The Group has developed the *Accountability Mechanism of Clean and Honest Party Construction and Responsibility of Discipline Supervision* and the *Regulations on Management's Performance Wage and Business Expenses* and other regulations, and signed the *Responsibility Agreement on Clean and Honest Party Construction,* the *Letter of Commitment of Party Members* with employees who are Party members and the *Letter of Undertaking on Clean and Honest Practices* with personnel of key positions such as procurement and operation to raise their anti-corruption awareness.

The Group established the "2-5-8" supervision system in light of its own reality, under which 15 specific measures are in place to strictly regulate employees' behaviors to greatly reduce the corruption incidence.

"2-5-8" Supervision System



In terms of maintaining business secrets, the Company established the Confidentiality Committee in 2024 and formulated the *Confidentiality Management Measures*. The Confidentiality Committee is responsible for formulating confidentiality management measures and relevant rules, implementing the confidentiality policies and regulations of the Party and the State, resolving major confidentiality issues, and regularly reporting on work progress to further strengthen the Group's management of maintaining business secrets and practice business ethics. At the same time, the Group prohibits any form of unfair competition, and resolutely resists obtaining improper benefits through false propaganda, commercial slander, price manipulation and other means, so as to protect the fair competition environment in the market.

The Group values feedback and reporting through various channels, and provides clear reporting channels such as email, telephone and mailbox, and attaches great importance to employees' reporting of suspicious internal corruption violations. The Group checks the reported problems and clues one by one, and handles them in accordance with the relevant provisions of the *Disciplinary Regulations of the Chinese Communist Party*. Meanwhile, the Group made every effort to protect whistleblower safety and reported information, and kept the whistleblower name, contact information and reporting items strictly confidential, and strictly prohibited disclosure to the reported person. The Group gave disciplinary sanctions to those who violated the regulations, and investigated those who committed crimes for criminal responsibility. In 2024, the Group had no incidents of corruption, bribery, extortion, fraud, money laundering, or litigation cases caused by such matters.

In terms of business ethics and anti-corruption publicity and training, the Group invited overseas lawyers in 2024 to conduct special training for the Board of Directors, the Supervisory Committee and senior executives on the listing rules, anti-corruption and directors' responsibility with a total of 11 participating members and the training covering all directors. Meanwhile, the Group launched the column "Lianhua Integrity Watch" on the Lianhua Party building WeChat official account, and conducted anti-corruption education through tongue twisters, short videos, cartoons, etc., so as to continuously enhance Party members and cadres' ideology and action consciousness in political integrity and power usage.

With regard to the supplier anti-corruption management, the Group conducted advanced inquiry about the bribery crime records of suppliers for key departments such as the Commodity Department and the Asset & Engineering Department, and strengthened the inspection on suppliers to see if they are involved in unfair competition.

Performance of Business Ethics and Anti-Corruption in 2024

- In 2024, the coverage rate of anti-corruption training by the Board of Directors was 100%.
- In 2024, the Group inquired about a total of 320 suppliers, and found no incident that involves bribery crime and unfair competition.

3. SAVE ENERGY AND REDUCE EMISSIONS TO BUILD GREEN HOMELAND

3.1 Green Operation

The Group upholds the concept of eco-friendly development, and incorporates it into its daily operations in accordance with the *Environmental Protection Law of the People's Republic of China* and the *Environmental Protection Tax Law of the People's Republic of China*. Through the implementation of environmental management policies such as the *Operational Requirements for Energy Conservation and Consumption Reduction,* the *Manual Operations Standards* and the *Energy Conservation and Emission Reduction Implementation Plan*, the Group has standardized its green management processes, in an effort to reduce consumption of energy and natural resources, minimize waste while maximizing the use of eco-friendly products and services. During the reporting period, the Group did not experience any major environmental incidents or significant environmental pollution.

The Group has set clear environmental management targets and tracked the progress of their implementation by monitoring its annual performance.

Environmental Targets and Progress in 2024

Target	Description	Progress in 2024
Energy use	Reduce unnecessary energy consumption and gradually improve the proportion of renewable energy	• Power consumption was 281,400.47 MWh in 2024, **decreasing by 5.56%** as compared with 297,961.19 MWh in 2023
Water use	Decrease water consumption per unit area in 2030, in comparison with 2020	• Water consumption per unit area was 1.59 tons/m^2 in 2024, **decreasing by 11.67%** as compared with 1.8 tons/m^2 in 2020
Greenhouse gas emissions	Decrease Greenhouse gas (GHG) emissions per unit area in 2030, in comparison with 2020	• GHG emissions per unit area was 89.53 kg CO_2e/m^2 in 2024, **decreasing by 41.34%** as compared with 152.63 kg CO_2e/m^2 in 2020
Waste management	Carry out waste sorting across all our stores, and ensure that all recyclable materials are recycled and other wastes are appropriately disposed of	• Waste sorting was implemented across all our stores; all recyclable materials were recycled, and other wastes were appropriately disposed

Management of Energy and Water Resources

The Group utilized various types of energies in its operations, such as electricity, natural gas, gasoline, and diesel. Energy and water usage mainly stem from the operation of our stores, warehouses, logistics, and daily office activities.

Sources of Energy and Water and Their Utilization

Category	Main source	Main Utilization
Water	Water company	Domestic water
Electricity	State Grid	Lighting, air conditioning, power, and refrigeration systems
Natural gas (low pressure gas)	Gas company	Cafeteria
Gasoline	Purchased gasoline	Business vehicles
Diesel	Purchased diesel	Cargo vehicles

The Group complies with the *Law on Energy Conservation of the People's Republic of China*, and strives to minimise the waste of energy and water resources based on the actual conditions of its stores. In terms of energy management, the Group guarantees the effective implementation of energy-saving measures by developing environmental protection policies and guidelines, establishing specific environmental protection targets, and optimizing its annual budget for the energy consumption efforts.

During its daily, warehousing and logistic operations, the Group adheres to its energy saving and emission reduction commitments from these 3 dimensions: green stores, green warehousing and logistics, and green office. The Group requires its stores to record and compile environmental data on a regular basis to monitor their environmental performance on an ongoing basis, checks their annual energy consumption and reviews the effectiveness of their energy conservation measures. Meanwhile, Lianhua Logistics has developed the *Measures of Lianhua Logistics for Energy Management* to further strengthen its logistics energy-saving efforts.

Energy Conservation Actions in 2024

Green stores	**Optimisation of management:** • The Group developed and implemented the *Energy-saving Measures and Standards for Operational Centers*, aiming to reduce electricity consumption by shifting from spot light sources to surface light sources (such as panel lights), meticulously setting different illumination standards for various areas, aiming to lower the overall average illumination. In 2024, nearly 450 panel lights were received by Lianhua Supermarket Development. • Soft door curtains and air curtain machines were installed at the door to reduce heat exchange. • After closing the store, the air cabinets would be isolated with a night curtain to reduce loss of cooling capacity. • Stickers to turn off the lights were put beside the light switches. • We would close cold storage that is not needed.
	Purchase of energy-saving equipment: • When purchasing equipment and facilities, we opted for those with Grade I-II energy consumption ratings.
	Improvement of system control: • We adopted an intelligent control system to control the compressor of our cold chain system and the anti-condensation system of our freezers, to rationalize the startup frequency of compressors and thus reduce energy consumption. • We upgraded the cooling system, replaced the long-distance air-cooled condenser with a water-cooled system, to further improve efficiency and reduce energy consumption.
	Use of renewable energy: • Century Lianhua's Shanghai Gucun Store installed rooftop distributed photovoltaic power generation, which was completed and generated electricity by the end of December 2023 and saved about 3% of electricity costs since its operation. • The distributed photovoltaic power generation of Lianhua Huashang Shaoxing Logistics Base was put into use, and the self-generated electricity was 1,817.30 MWh in 2024, reducing greenhouse gas emissions by 975.16 tons.

<table>
<tr><td rowspan="2">Green warehousing and logistics</td><td>Use of energy-saving equipment:

• We adopted the energy-saving compressors to control energy consumption with frequency converters and the power regulating modules, and upgraded the re-steam room and the air curtain machine at the inlets and outlets of the cold storage, to reduce condensation and energy consumption.

• We adopted automatic sorting lines with an active energy conservation mode, to reduce equipment wear and tear.

• We shifted to energy-saving LED lights for the lightening systems in our industrial parks and warehousing areas, with sound-activated and radar lighting systems installed in certain less frequently visited areas, such as the corridors.</td></tr>
<tr><td>Inspection management:

• We regularly inspected the high-voltage distributor rooms and promptly replaced any damaged capacitors to ensure a stable power factor of 0.98 or above, so as to reduce reactive power, and lower electricity costs.</td></tr>
<tr><td rowspan="3">Green office</td><td>Data analysis:

• We monitored electricity and water consumption in real-time, and promptly analyzed and fixed any abnormalities.

• We managed performance-related costs by analyzing them to identify opportunities for savings and refining our cost-control efforts.</td></tr>
<tr><td>Optimisation of management:

• We have established the Customer Service Department to monitor energy consumption on a daily basis, and raise our employees’ awareness of energy conservation, in addition to circulating the Energy Management System of Lianhua Logistics which was devised to reduce our overall energy consumption.

• Stickers were put beside the light switches to remind our employees to turn off the lights when they finish work.</td></tr>
<tr><td>Paperless office:

• In response to the paperless arrangement of the Stock Exchange, we reduced the volume of distribution of paper documents and adopted more paperless electronic document distribution. The printing quantity of annual reports, interim reports and circulars decreased by approximately 75% compared with the same period last year, effectively reducing the energy consumption generated by printing paper documents.</td></tr>
</table>

Case Study

Responding to Shanghai's orderly power consumption plan

In July 2024, Shanghai Municipal Commission of Economy and Informatization issued a notice on the issuance of the "2024 Shanghai Summer Peak Season of Orderly Power Consumption Plan". Century Lianhua stores fully responded and actively participated in the virtual grid response, and each store reported to the local power supply company. There were 13 stores that actually participated in the virtual grid response, with a total of 259.7 hours of reported response and an estimated power consumption of 32,508kWh.

Through virtual grid response, the Group helped to stabilize the operation of the power grid, reduce energy waste caused by imbalance between power supply and demand, and promote energy conservation and emission reduction.

With regard to water usage, the Group regularly inspects and maintains its water consuming equipment, repairs and replaces damaged components in a timely manner, especially the condenser fan, which has been upgraded to enhance water cooling efficiency. In 2024, Lianhua Logistics utilised an electronic approval process for maintenance of water equipment to increase maintenance efficiency and save water.

In addition, the Group gathers data on resource (such as water and office supplies) consumption, analyzes the reasons for excessive consumption, devises plans to reduce it, and monitors the implementation and effectiveness of these plans, as well as conducts environmental protection publicity to employees at irregular intervals to enhance their awareness of water conservation.

The Group has obtained a water utilization permit in compliance with the regulations and has been paying water resource fees on time. Our practices to secure water sources have had no significant impact on the environment.

Discharge and Waste Management

The waste generated by the Group is divided into non-hazardous waste and hazardous waste. Non-hazardous waste consists of wasted packaging materials during operations, paper for printing shopping receipts, and expired perishable food items; hazardous waste consists of waste LED lights, toner cartridges, batteries, discarded air cabinets, and conductive cabinets with built-in electronic thermometers.

The Group categorizes primary wastes into wet garbage, dry garbage, and recyclable waste, and different management methods are adopted for different types of garbage to ensure reasonable treatment and reuse of waste.

Waste Categorization and Management Measures

Category	Type	Management methods
Wet garbage	Expired fresh produce, etc.	• Our employees are required to sort the garbage when they are replenishing and working on the inventories of the fresh produce areas; • Wastes are collected in the designated location for disposal and management; • We engage local waste disposal companies to dispose of the wastes.
Dry garbage	Waste packaging materials, shopping receipts, posters, waste LED lights, etc.	
Recyclable waste	Packaging cartons, KT boards, wrapping film, thermal containers, etc.	• Recyclable waste is collected and recycled by the designated waste packaging disposal companies; • Expired food is recycled and repurposed by qualified companies.
Obsolete assets	Idle furniture and equipment	• We disposed of idle equipment and assets in an efficient and beneficial manner; • In 2024, at the closing of Century Lianhua Longming Store, the idle elevators were sold to the owner, allowing the assets to be repurposed.

In terms of emissions, the Group generates various types of emissions. Wastewater includes domestic wastewater generated from office and logistics operation areas, and oily wastewater discharged during vehicle maintenance process, etc.; exhaust emissions mainly contain exhaust gas discharged during the operation of logistics and official vehicles.

The Group adopts a number of treatment measures for these emissions. Lianhua Logistics, a subsidiary of the Group, has constructed a secondary sewage treatment tank to treat the oily wastewater generated from vehicle maintenance in the logistics and warehousing links prior to discharge. The waste oil and wastewater from our cafeterias are separated by the Group using an oil-water separator to ensure that the discharge meets the environmental standards. Furthermore, the Group puts urea in the vehicles to decrease hazardous exhaust when performing vehicle maintenance, while exercising tight control of fuel consumption of its vehicles to indirectly reduce waste gas discharge.

Biodiversity Conservation

Conservation of biodiversity is crucial to the promotion of harmonious co-existence between human beings and nature, and plays an irreplaceable role in maintaining the stability of the ecosystem. The Group attaches great importance to the impact on biodiversity during the production and operation of its self-managed vegetable bases and promotes the protection of biodiversity through such measures as direct base management, green picking and pesticide residue control.

Biodiversity Protection Measures for Self-managed Vegetable bases

Direct Base Management and Supervision	• Dispatch employees to our self-owned bases for direct management, track the sowing varieties, sowing time and the use of fertilizers and pesticides throughout the process, prohibit the use of pesticides that are strictly forbidden by the state, ensuring that the planting process meets environmental protection standards, effectively reduce damage to the soil ecosystem, protect the biodiversity around the bases, and enhance a healthy agricultural ecological environment.
Green Picking	• Adopt eco-friendly picking methods to maintain soil health, water quality and microhabitat stability, provide living space for animals and plants, and protect habitat integrity.
Pesticide Residue Control	• Ensure that the pesticide residues in vegetables from our self-owned bases meet national standards through strict supervision and testing, and reduce the negative impact on soil, water sources and biodiversity during the subsequent vegetable cleaning process.

3.2 Reduction and Recycling of Packaging Materials

The Group uses a large amount of packaging materials which include recyclable transit containers required for the warehousing and logistics process, as well as the shopping bags used by customers in our stores. We are committed to reducing the use of packaging materials to protect our environment, for which we have established and implemented the *Standards for the Use of Vegetable Packaging* and the *Standards for the Use of Fruit Packaging*. We exercise tight control of the use of packaging materials in both the warehousing and retail sales processes. Through active approaches such as reducing the use of packaging materials, promoting recycling, and advocating for sustainable activities, we have contributed to the societal tendency towards low-carbon operation.

Major Actions for Packaging Reduction and Recycling in 2024

Green store	Green warehousing and logistics
• Our stores maintained inventory based on sales and customer traffic, and centrally collected and recycled recyclable packaging materials after shelving the products. • We display friendly reminders in the designated store areas where plastic shopping bag rolls are available, encouraging our customers to opt for reusable cloth bags and bring their own grocery baskets, thus decreasing the reliance on single-use plastic bags. • National standards were strictly implemented across all our stores, dissuading our customers from taking plastic shopping bags at checkout counters and offering non-woven shopping bags instead. • Proprietary brand's egg packaging was gradually evolved towards biodegradable packaging materials, such as paper boxes. • We standardized and unified the packaging methods for vegetables and fruits, provided training and on-site demonstrations for our employees to reduce unnecessary packaging waste. • We promoted rational recycling of plastic products and reuse of eco-friendly materials with our official account on the social media, in an effort to encourage more people to engage in a green and low-carbon lifestyle.	• We used pallets and transit boxes of standard size to save space during cargo transportation. • We used recyclable cold-chain transit boxes, vegetable baskets, room-temperature transit boxes, and those specialized for production lines as well as thermal containers for different types of goods, and reuse them afterwards. • With the growth of dismantling business, distribution of full-box was shifted to transit boxes, and in order to reduce the usage of packaging materials, recyclable partitions were used to partition and fix the goods transit boxes.

Case Study

Packaging Reduction of "Excellence Offering" (優饗) Pure Drinking Water

In August 2024, the Group launched new packaged drinking water products: Excellence Offering Pure Drinking Water 520ml*12 bottles and 520ml*24 bottles. The plastic bottles of such product reduced the use of plastic packaging, and weighed approximately 40% less than similar products. This was the result of Lianhua Supermarket's proactive implementation of the green and environmental protection concept.

Packaging Reduction Design for "Excellence Offering" (優饗) Dried Pork Floss Gift Box

In 2024, in response to the national requirements on packaging, the Group strictly required its suppliers to reduce excessive packaging, and redesigned the packaging of the "Excellence Offering Dried Pork Floss Gift Box", "Dried Meat Powder Floss Gift Box" and "Tenwow Red Label Nut Gift Box" by reducing the size of the packages and the use of packaging materials. This initiative further promoted the Group's environmental protection concept of resource conservation.

3.3 Climate Change Mitigation and Adaptation

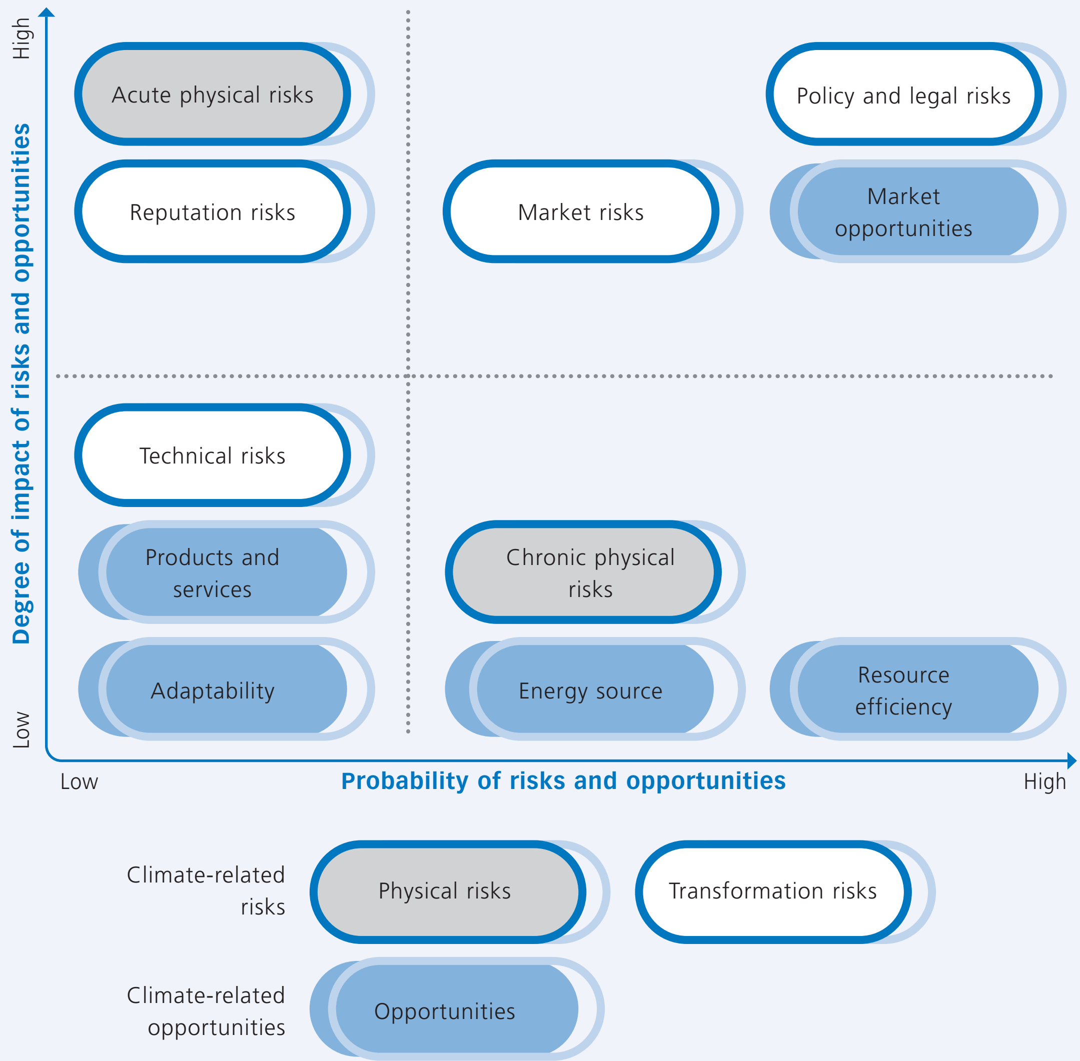
The consumption of energy and resources is strongly correlated with climate change. Global climate change not only triggers diverse extreme weather events but also significantly impacts our economic and social activities. The Group proactively responds to the concerns of the government, our investors and stakeholders in addressing climate change, identifies risks and opportunities related thereto with reference to the recommendations of the International Financial Reporting Sustainability Standard 2-Climate-related Disclosures (IFRS S2) released by the International Sustainability Standards Board (ISSB), and continuously improves its management based on the results, so as to minimize the carbon footprint generated by its operating activities.

In order to address the potential risks and opportunities associated with climate change more effectively, the Group identifies climate change-related risks and opportunities linked to its own operations through policy research while referring to the practices of industry peers and expert opinions, aiming to accurately evaluate the impact of these risks and opportunities on its financial position.

Approach for Analysis of Climate-related Risks and Opportunities

Identification	Identify climate-related risks and opportunities in accordance with the unified climate change-related information disclosure framework developed by IFRS S2.
Assessment	Assess climate-related risks and opportunities based on the Company's businesses and strategies, with consideration of experts' advice.
Analysis	Construct the matrix of climate-related risks and opportunities based on the assessment result, and identify the materiality of risks and opportunities with reference to the probability and the degree of impact of such risks and opportunities.

Climate-related Risk and Opportunity Matrix



Analysis of the Financial Impact of Climate-related Risks

Identification results of main climate change-related risks and opportunities				Potential financial impact
Risks	High	Policy and legal risks	The Group and its product suppliers may face risks of being held accountable, being taken regulatory measures, being given disciplinary sanctions, loss of property or business reputation due to non-compliance with climate-related policies or laws, or the risk of rising operating costs due to the opening of the carbon market and the rising clean energy pricing.	Operating income↓ Operating costs↑ Credit risk↑
		Market risks	The introduction of relevant policies such as carbon neutrality has given rise to the market demand for climate–friendly products or services and thus the Group will face market risks.	Operating income↓ Credit risk↑
	Medium	Acute physical risks	Severe climate changes such as typhoons and floods will cause extreme weather or natural disasters, which may affect the normal operation of the Group's stores, thereby affecting the Company's business.	Operating income↓ Operating costs↑ Value of fixed assets↓
		Chronic physical risks	Long-term natural pattern changes such as sea level rise and sustained high temperatures may affect the Group's normal operations.	Operating costs↑ Value of fixed assets↓
		Reputation risks	As the public is paying more and more attention to green operation, the Group's failure to meet the expectations of stakeholders may bring reputational risks to the Group's operations.	Operating income↓ Operating costs↑
	Low	Technical risks	In the process of low-carbon technology transformation, the development and application of energy-saving and environment-friendly technologies such as renewable energy and new energy may have a certain impact on the Group's operations and businesses.	Value of fixed assets↓ Operating costs↑

Identification results of main climate change-related risks and opportunities				Potential financial impact
Opportunities	High	Market opportunities	The introduction of relevant policies on carbon neutrality and climate change has a guiding effect on the green product market, and focusing on the business of developing climate-friendly products is conducive to opening up new growth space for the Group.	Operating income↑ Credit risk↓
	Medium	Resource efficiency	Energy conservation and emission reduction are promoted by improving resource and energy use efficiency and will help reduce operating costs.	Operating costs↓
		Energy source	The use of clean energy and low-carbon energy to replace traditional energy will help reduce the Group's energy expenditure in the future.	Operating costs↓
	Low	Adaptability	Business research and industry exchanges related to climate change will help improve the Group's ability to respond to climate risks and seize climate opportunities, and enhance the brand image of fulfilling social responsibilities.	Credit risk↓
		Products and services	The Group's purchase of eco-friendly products and efforts of promoting sustainable consumption are an appropriate response to consumers' requirements for eco–friendly products, which can strengthen the competitiveness of products and services.	Operating income↑ Credit risk↓

Counter Measures for Climate-related Risks

Daily management	• Improve environmental management and climate change-related management system; • Uphold green development concept, focusing on green, low-carbon products procurement and sales; • Publish energy-saving measures and green products involved in store operations promptly to enhance their impact; • Replace energy-consuming materials in the stores with low energy–consuming materials; • Install LED lamps in the workplace; • Acquire low energy-consuming refrigerators and other equipment; • Purchase products with sustainability certificates and resort to localized procurement.

Dealing with extreme weather	**Daily preventions** • Require that the head of each major region should be primarily responsible for flood control and typhoon prevention, form flood control and emergency response teams and construct a flood response network; • Emergency response team members shall keep communication open, and stores shall promptly receive and implement the Company's flood prevention requirements; • Stores shall conduct special safety inspections on important facilities and places for flood control and typhoon prevention; • Improve the configuration of flood control equipment in stores. **Disaster emergency response** • Arrange personnel on duty during typhoons and rainstorms, and take preventive measures in advance; • Pay attention to meteorological forecasts regularly and report major situations to higher authorities; • Stores encountering water ingress or severe leakage should carry out emergency repairs and inform the insurance company immediately.

Case Study

Carry out safety precautions for Typhoon "Bebinca"

In 2024, Typhoon No. 13 "Bebinca" (strong typhoon level) landed on the coast of Lingang New City, Pudong, Shanghai on 16 September. Facing the threat of "Bebinca", the Group's flood control and typhoon emergency response teams were on duty, and monitored the stores in terms of operations, prevention, evacuation, and personnel on duty of each member of the Group to ensure their safety during the typhoon.

4. BUILDING A PREMIUM BRAND WITH DEDICATED SERVICES

4.1 Product Quality Management

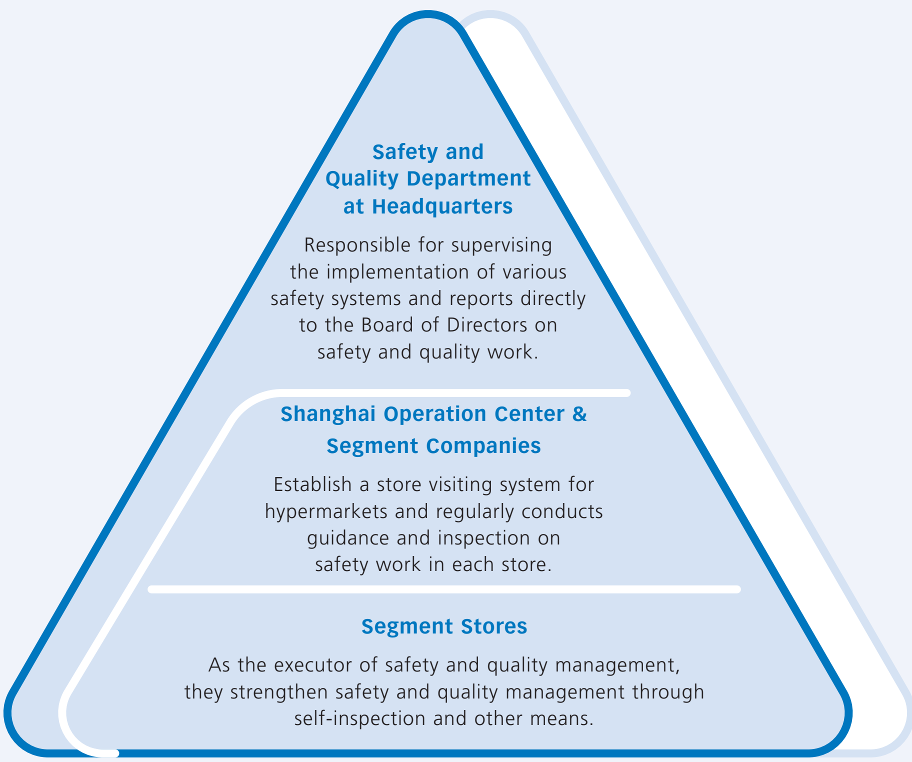
Commodity Quality Assurance

The Group complies strictly with the relevant laws and regulations such as the *Product Quality Law of the People's Republic of China,* the *Food Safety Law of the People's Republic of China,* the *Measures for Supervision and Administration of Quality and Safety of Agricultural Products on Sale in Food Markets,* the *Measures for Retrospective Management of Food Safety Information in Shanghai*, as well as its quality guidelines known as "Priority to safety, focus on prevention, take proactive actions, and service empowerment", and has established corresponding internal management systems for each aspect of product quality assurance, including the *Lianhua Supermarket Proprietary Brand Quality Control Process*, the *Review Procedures for Private-label Products,* the *Measures for Management of Product Certificates and Invoices* and the *Management Measures for Defective Goods*, etc.

In 2024, the merchandise procurement management by the Group's headquarters and merchandise sales by the supermarkets (excluding franchised supermarkets) under Shanghai Century Lianhua Supermarket Development Co., Ltd. and Shanghai Lianhua Supermarket Development Co., Ltd. obtained the ISO 9001 quality management system certification, for which the Group compiled and published a total of 96 system documents, covering 353 Lianhua Supermarket Development stores, 23 Century Lianhua stores, and 1 logistics centre.

The Group has established a comprehensive three-level quality management system and continued to carry out the three-level inspection and rectification and three-level training in 2024 in order to strengthen its internal quality management.

Three-level Quality Management Framework



Three-level Quality Management System

Three-level inspection and rectification	• Self-inspection by stores, random inspection by operation centers/segment companies, and supervision under the safety and quality department at the Headquarters.
Three-level feedback	• Rectification, feedback and verification of problems according to the three-level (store-operation center/segment company-headquarters) feedback.
Three-level training	• Training for front-line employees held by stores, training for store managers by operation centers/segment companies, and training for key managers of operation centers/segment companies by Headquarters.
Three-level notification	• Regulations and notices are passed down through the three-level hierarchy.
Three-level reporting	• Complaints and random checks are reported through the three-level hierarchy.

The Group, as a principal product seller, prioritizes product quality assurance through strengthened daily management, rationalized inventory, reliable procurement sources, proper staffing, and information traceability to ensure the quality and safety of on-shelf products.

Commodity Quality Management Initiatives

Enhancing daily management and risk alerts	• Reinforcing the daily management including claims for certificates and invoices, import inspection, storage and transportation, production and processing, cleaning and disinfection, temperature management, supervision and inspection, examination and testing, and shelf-life management; • Increasing the promotion of goods quality management through training, and WeChat group, etc., to enhance risk awareness and ensure the basic protection work.
Rationalizing inventory arrangement and focusing on shelf-life management	• Rationalizing the inventory of goods, semi-finished products, finished products, food ingredients, promotional items, etc. to avoid expiry and wastage; • Prioritizing the supervision of shelf life for food at every stage, intensifying inspection work, and diligently adhering to the management requirements for food nearing its expiration date.
Ensuring the sources of procurement and strengthening the supervision of promotions	• Strictly implementing the claims for certificate and invoice measure to ensure the traceability of goods imported; • Strengthening the supervision and management of promotions, special sales, exhibitions and other activities; • Conducting rigorous evaluations of supplier qualifications, product qualifications, and sales processes to ensure legal and compliant operations.
Ensuring staffing for proper handling of emergencies	• Properly deploying personnel to ensure the orderly implementation of goods quality supervision and strengthening management of key processes; • Effectively managing emergencies such as government regulations and customer complaints, promptly addressing them in accordance with incident handling procedures and reporting requirements; • Assigning designated emergency contacts to ensure prompt handling and reporting.
Implementing information traceability and regulating the operation of special foods	• Ensuring the proper execution of information traceability by timely uploading traceability information and ensuring the accuracy of data; • Establishing regulations for the operation of specialty foods, including the separate display of such products and the prohibition of mixing them with regular food items; • Providing clear sales warnings and consumer alerts, and strictly prohibiting the dissemination of false advertisements and promotions.

For the defective goods found during the daily inspection process, the Group will take a series of measures according to the *Defective Case Handling Process*, e.g., ceasing the sales of and withdrawing such defective products from the shelves, returning them to their suppliers and demanded the suppliers to rectify the defects. Only after they have corrected all the defects and obtained the test reports recognized by the provincial and municipal quality supervision bureau or health bureau, can those products be put back on the shelves for sale.

The Group strictly observed the quality and safety of the products it sold by means of engaging third-party inspection, sampling and giving feedback to the suppliers, and for the defective products, the Group took such measures as withdrawing them from the shelves, recalling and returning them to the suppliers in the first instance, while getting the relevant departments together to analyse the causes of the problems and carry out rectification. In 2024, the Group experienced a total of 24 cases involving sales of defective goods. In all cases, the Company took immediate measures to withdraw the defective goods from the shelves and recall them, analysed the causes of the defects, and assisted the suppliers and production enterprises to carry out rectification and consolidation. Moreover, the Group actively cooperated with the relevant law enforcement authorities to handle the incidents in a timely and effective manner.

Commodity Quality Management Performance for 2024

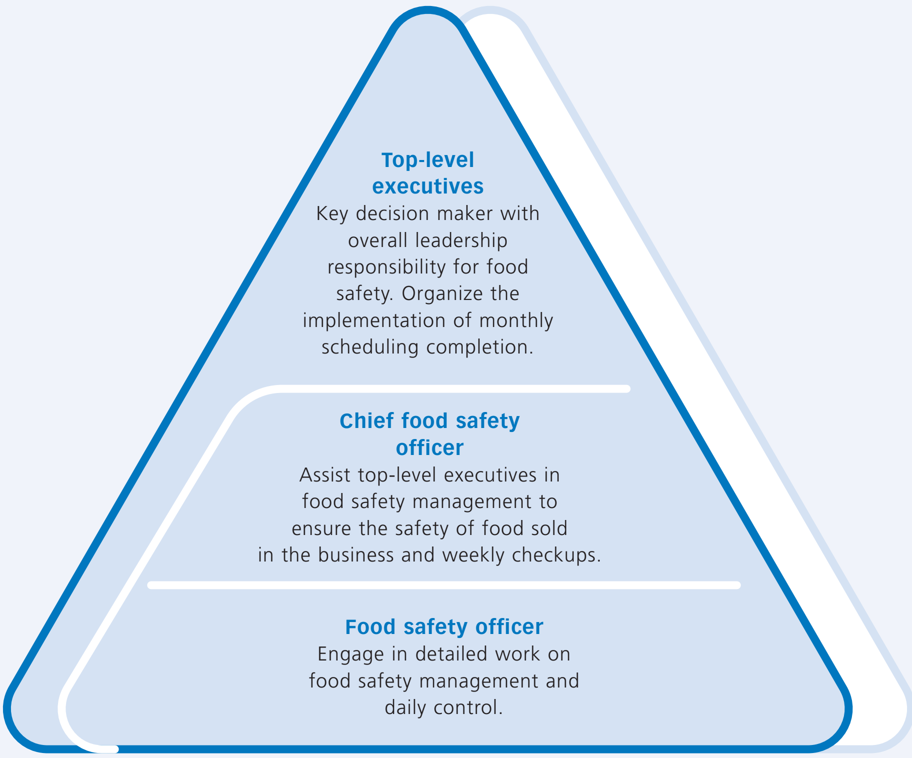
- The Group organized 3 system training sessions on quality management, including training on system standards, training for internal auditors and training on auditing knowledge, with a total of 331 participants.

Food Safety

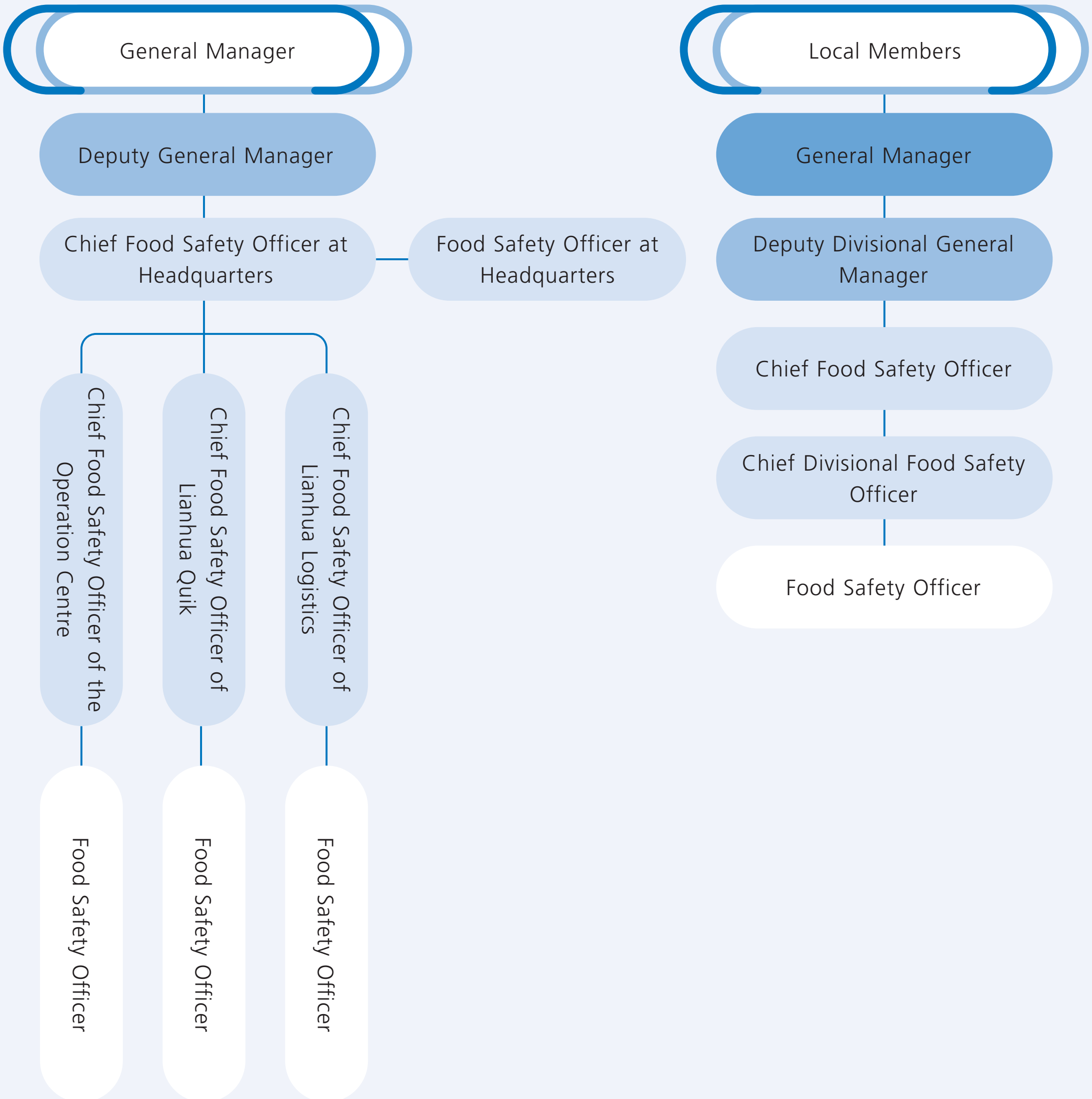
Food safety is directly linked with the health and safety of the consumers, and is therefore the Group's top priority. In accordance with the *Food Safety Law of the People's Republic of China*, the *Food Safety Law Implementation Regulations*, the *Measures for Supervision and Administration of Quality and Safety of Agricultural Products on Sale in Food Markets*, the *Food Safety Regulations in Shanghai*, the *Measures for Retrospective Management of Food Safety Information in Shanghai*, the *State Administration of Market Supervision – Provisions on the Supervision and Administration of the Implementation of Main Responsibility for Food Safety by Enterprises* and other relevant laws and regulations, the Group has established internal food safety management systems such as the *Food Safety Management Standardized Manual for Food Business Enterprises (2023) (Trial)* and the *Emergency Response Plan for Food Safety Incidents*, laying a solid foundation for the management of food safety.

The Group established an overall corporate food safety framework and formulated a three-tier management structure comprising the top-level executives, the chief food safety officer and the food safety officer, and implemented a working mechanism of daily control, weekly checkup and monthly scheduling at each level. Both the Group's headquarters and its various local members have formulated their food safety management structure in accordance with the above system.

Lianhua Supermarket's Three-Level Food Safety Management Framework



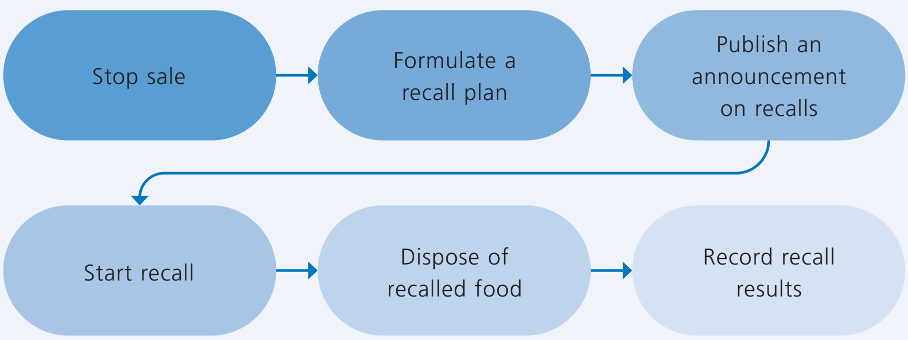
Food Safety Organization Structure of Lianhua Supermarket Headquarters and Its Local Members



Food Safety Workflow

In addition, the Group has formulated the *Food Recall Management Procedures* to guide and facilitate timely recall of the defective food and goods so as to protect the health of consumers.

Food Recall Process



The Group attaches great importance to effective food safety management. While utilizing cutting-edge technologies to ensure food safety, the Group has been pushing forward the implementation of food safety inspection and food safety standardization assessment. In addition, the Group has launched various training activities focusing on food safety to enhance the competence of its staff in food safety.

Food Safety Management Measures

Category	Measures	Achievements in 2024
Information Traceability System	• The Group has developed its Lianhua Food Safety Information Traceability and License Management System to control the quality of goods at source; • The Group Headquarters assists other segments in registering for the Traceability Platform; • Ensure timely feedback on various issues encountered during the integration of the Group's self-built platform with government platforms, aiming to enhance the accuracy of traceability data uploads.	• Through system upgrades, we have reduced instances of data upload failures caused by insufficient system space, and for routine errors, we demanded timely feedback and corrections, thereby minimizing individual data upload errors.
Food Safety Online Inspection	• Establish an online food safety inspection platform for our stores based on the digital platform; • The platform enables the summarization and analysis of online store inspection data, ensuring record traceability, process visibility and automated analysis, thereby streamlining the management process covering "store inspection, feedback on defects, notification for rectification, and feedback verification".	• The digital platform for food safety inspection conducted a total of 717 on-site inspections, including 29 of the Century Lianhua stores, 423 of the Lianhua Supermarket Development directly-operated stores, 159 of the Lianhua Supermarket Development franchised stores, 31 of the Lianhua Quik directly-operated convenience stores, and 65 of the Lianhua Quik franchised convenience stores.

Category	Measures	Achievements in 2024
Food Safety Training	• Develop and launch a "Bailian iLeaning" APP to provide its staff with web-based micro training programs under the name of "Lianhua's Monthly Discussion on Safety" (the "Monthly Discussion"); • Organize monthly training courses on different safety topics with classroom exercises to consolidate the training results.	• The Group organized four sessions of the special online training on food safety under "Lianhua's Monthly Discussion on Safety", with a total of 4,290 participants; • Organized four training sessions on food safety knowledge and operation across various business formats, with a total of 1,343 participants.
Logistics Food Safety Optimization	• EPP insulated boxes are used to deliver chilled goods that are susceptible to food safety issues due to temperature fluctuations, with remote temperature sensors installed inside the boxes during delivery.	• Lianhua Logistics was awarded a Grade B certificate in the 2024 Bailian Group Food (Pharmaceutical) Safety Audit.

Case Study

Joining hands with Feishu to innovatively build a one-stop food safety management platform

In 2024, the Group collaborated extensively with Feishu in establishing a digital store inspection platform, which features record traceability, process visibility and automated analysis, and enables summarization and analysis of online store inspection data, thereby realizing the closed-loop management covering "store inspection, feedback on defects, notification for rectification, and feedback verification", and forming a comprehensive online-offline smart management system. Through information collection from nearly 400 stores and testing of inspection processes, the platform was piloted in 2024.

The digital store inspection platform is now playing a significant role in the Company's Food Safety Inspections and ISO 9001 Quality Management System Audits, empowering the Company's day-to-day operations and on-site management.

This innovation case has been included in 2024 Food Safety Innovation Case Collection – Advanced Technology Application by the China Chain Store & Franchise Association (CCFA). Furthermore, this case study participated in the Feishu Base Maker Day Competition, winning the Excellent MAKER Award.

Case Study

Lianhua Huashang empowers food safety with digital technology

Since 2020, under the guidance of the Zhejiang Provincial Market Supervision Administration and the Zhejiang Provincial Article Coding Centre, Lianhua Huashang has been deeply involved in the GM2D (Global Migration to 2D) project, one of Zhejiang Province's top ten livelihood initiatives, by leveraging digital technologies such as blockchain.

Capitalizing on the opportunity to guarantee the storage and distribution of athletes' food supplies for the 19th Asian (Para) Games in Hangzhou, Lianhua Huashang has deeply integrated the GM2D applications into areas such as warehouse logistics, product traceability, and shelf-life management, thereby promoting the coding and sale of goods produced outside the province, with 16 product categories from Shandong, Jiangsu, and Fujian having already been "chained".

Food Safety Management Performance for 2024

- In 2024, China Certification & Inspection Group Shanghai Co., Ltd. conducted inspections on 55 Lianhua Supermarket Development stores, 12 Century Lianhua stores, 20 Lianhua Quik convenience stores, one logistics warehouse and Lianhua Headquarters according to relevant food safety regulations. The overall pass rate of the 12 Century Lianhua stores was 91.7%[1], that of the 55 Lianhua Supermarket Development stores was 100%, and that of the 20 Lianhua Quik convenience stores was 95%[2].

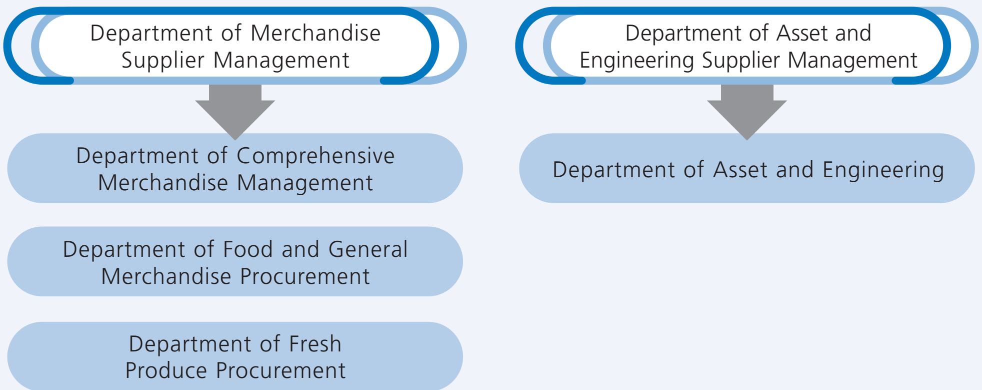
1 Due to the impending closure of a Century Lianhua store, most of the merchandise will be redeployed to the surrounding stores, thus the labelling is incomplete.

2 As a Lianhua Quik convenience store was mainly used by the internal staff of a confidential enterprise, the change of qualification was not processed in time.

4.2 Supply Chain Environment and Social Management

High-quality value chain support is an important foundation for the long-term development of a business. The main suppliers of Lianhua Supermarket include merchandise suppliers, asset suppliers, and engineering suppliers, each of which is managed by a different department to ensure supply chain stability and quality.

Supply Chain Management Structure



Supplier admission and assessment

The Group's merchandise suppliers mainly include proprietary branded merchandise suppliers and non-proprietary branded merchandise suppliers, while asset and engineering suppliers mainly consist of asset suppliers and engineering teams. The Group has formulated various policies to standardise supplier management, including the *Measures and Procedures for the Management of Merchandise Procurement Contract Signing (Trial)*, the *Management Standards for Joint Operation Suppliers of the Department of Food and General Merchandise Procurement (Trial),* the *Measures for the Management of Scarce Supply Chain Merchandise Operation (Trial)*, the *Management Standards for Proprietary Merchandise Procurement by the Department of Food and General Merchandise Procurement (Trial)*, the *Price Management Procedures (Trial)*, the *Measures for Asset Procurement Management*, and the *Measures for the Management of the Admission and Removal of Intended Suppliers from the Database*, etc.

In respect of the admission of suppliers, the Group has formulated the *Measures for Management of Product Certificate and Invoice*, and ensures that its suppliers' licenses meet the requirements of relevant laws and regulations by strengthening basic certification and packaging label certification in the procurement process. The Safety and Quality Department of the Group is responsible for the quality audits of its suppliers, who will examine the qualifications of each one of them carefully. Simultaneously, the Group has developed the *Management Measures for the 'Negative List' of Food and Drug Safety (Trial)* to ensure those with incomplete qualifications, false certificates or those blacklisted will be resolutely rejected.

In 2024, the Group's new product admission process was conducted through a multi-point system approval method. Supplier certificates would be uploaded to the B2B certificate platform on a trial basis, aiming to gradually establish and optimise the digital management of supplier qualifications and product admission. As of the end of 2024, the digital new product declaration system had been fully implemented across all categories, with 150 participating suppliers and a cumulative total of 491 product submissions, of which 258 products had been successfully introduced.

Requirements on claims for certificate and invoice from suppliers

Licenses Examination: Suppliers shall submit the following valid licenses based on the types and categories of their products (food, cosmetics, disinfection products and disposable sanitary products, home appliances, other general merchandise, imported goods), including but not limited to	• **Basic licenses**: Business license, food business license or production license, trademark registration certificate, barcode certificate, single product inspection report, national industrial production permit, sanitary permit for cosmetics, organization code certificate, alcoholic products wholesale license, sanitary permit for disinfection products, and tax registration certificate
	• **Packaging label certificates:** health food approval document, green food certificate, organic food certificate, halal food certificate, HACCP certificate, ISO 9001 certificate, ISO 22000 certificate, genetic modification registration certificate, origin certificate, special cosmetics registration certificate, etc.

In respect of supplier evaluation and audit, the Group has established a supplier evaluation system to optimise the supplier structure, implement supplier classification management, adopt corresponding cooperation methods and management strategies for different types of suppliers, reduce procurement risks, explore supplier potential, and maximise the overall value of the procurement department.

Supplier evaluation system

Scope of Evaluation	Partner suppliers of current year
Evaluation Indicators	Sales, distribution channel, gross profit, total revenue, gross margin, distribution channel rate, total revenue contribution rate, attendance satisfaction rate, turnover days, promotional inputs, etc.
Evaluation Methods	• Suppliers are scored based on their performance in purchases, sales, gross profit, and channel assessment, evaluating their overall revenue (rate). • Suppliers are scored on their performance in promotional support efforts based on the price compensation rate. • Suppliers are scored on their turnover performance based on product category turnover days. • Suppliers are scored on their delivery fulfilment performance based on contractual fulfilment rates.

In the assessment of engineering suppliers, in 2024, the Group conducted random quality checks on engineering suppliers and found instances where sampled products from certain suppliers did not meet procurement standards. Upon discovering the issue, the Department of Asset and Engineering promptly contacted the suppliers to arrange for product replacement, with on-site verification by the department. At the same time, the department communicated with the suppliers regarding the non-compliance with quality standards and issued a serious warning. If the next random check again fails to meet the Group's quality requirements, the suppliers will be delisted.

2024 Supplier management performance

- In 2024, based on the results of the supplier evaluation, the Group has formulated a supplier delisting plan to remove 449 non-cooperative suppliers.
- By the end of 2024, the contracts of 433 suppliers had been terminated, and 348 suppliers had entered the delisting process.

Fresh Ingredients Supply Chain Management

Given the short shelf-life of fresh food, effective supply chain management of fresh ingredients is critical to ensure their quality and timely delivery. The Group has established the *Procurement Management Procedures for the Department of Fresh Produce Procurement (Trial),* the *Management Rules for Fresh Joint Operation Suppliers of the Department of Fresh Produce Procurement (Trial),* the *New Product Management Rules of the Department of Fresh Produce Procurement (Trial)*, the *Pricing Management Standards of the Department of Fresh Produce Procurement (Trial)* and the *Store Inspection Rules of the Department of Fresh Produce Procurement (Trial)* for different categories of fresh goods such as cooked food, aquatic products, vegetables, fruits, bread, meat and poultry and frozen and refrigerated commodities to ensure that the fresh products they purchase satisfy the prescribed requirements, and that qualified suppliers provide fresh ingredients of good quality on a long-term basis.

Fresh produce procurement process

Supplier Evaluation	Supplier Selection	Purchasing Preparation	Purchasing Implementation	Supplier Management
• Certificate request[1] • Sample assessment	• Primary selection based on a combination of factors • Evaluation based on sales and quality	• Suppliers must be qualified • Supplier should provide supporting documents and sign supply agreements	• Item numbers, product names, specifications and such other information of the incoming products must be confirmed • Vegetables and fruits are handled according to the corresponding direct-purchase management plan	• Quality tracking and periodic sampling are imposed on suppliers with further actions to be taken based on their performance

Note 1: For meat products, the supplier must provide the required documents in accordance with national laws and regulations. For livestock and poultry products within Shanghai or from other provinces and cities, the following documents must be provided: the *Animal Quarantine Certificate, Slaughtering Certificate*, the *Meat Quality Inspection Certificate*, or the *Inspection and Quarantine Certificate for Imported Meat Products*.

The Group is committed to establishing a supply chain model featuring direct purchase from the production bases while constantly improving the relevant processes and systems such as planting, harvesting, processing, transportation and acceptance, etc., and assesses the bases comprehensively in terms of origin, climate, soil and production mode to ensure the quality of fresh ingredients.

Vegetable supply chain management process

Planting stage	• Fertilizers and pesticides must comply with the relevant regulations of the PRC; • Maintain good ledger records according to the relevant requirements, so that the entire planting process can be traced.
Testing stage	• Each type of product must be tested twice, with a sample tested in the greenhouse the day before picking, which can be picked only if it meets the standard, and then tested again on the day of delivery, and can be distributed only if it meets the standard.
Distribution stage	• The test report must accompany the vegetable, and be accepted and publicized in the store; • 5% of the vegetables should be picked every day for a random check to make sure the vegetables are free from yellow leaves and mud, and are clean and fresh; • Twice a year, the Bureau of Measurement will conduct testing of our pesticide residue testing equipment, so as to guarantee the accuracy and reliability of the inspection data.
Sales stage	• Supervise the partners to harvest vegetables and distribute them at the prescribed time, and there should not be more than 24 hours between the time the vegetables are picked and the time when they are put on shelf; • Carry out a series of brand promotion activities such as screening for the best products, putting on display, holding promotional activities, and selling via live broadcasts on the platform.

Case Study

Lianhua Supermarket sells Nanhui 8424 watermelons, achieving one-code-one-melon traceability

As a signature Shanghai-branded product and a National Geographical Indication (GI) Product of China, Nanhui 8424 watermelons have been renowned in Shanghai for nearly 40 years. In 2024, Lianhua Supermarket sold 150 tonnes of Nanhui 8424 watermelons.

The traceability system for Nanhui 8424 watermelons has achieved one-code-one-melon tracking. Through the "Shennong Chain (申農鏈)" traceability code, consumers can access complete information, including seed origin, cultivation, harvesting, certification, and regulatory oversight, ensuring product quality. The Group has established a long-term and stable cooperation with the Nanhui 8424 production base, specifying procurement quantity, timeline, and quality standards through contractual agreements. The Group enforces strict quality control to ensure that key attributes such as size, sweetness, and ripeness meet brand standards, with the sweetness level typically ranging from 11 to 13 degrees, well-shaped fruit, and no visible defects.

In 2024, the Group launched a digital pricing system for three product categories: fresh meat, vegetables, and fruits, and accordingly conducted a series of training sessions for suppliers on the operation and requirements of the system.

Since the launch of the system, 63 suppliers have participated in the pricing process, with 396 products tendered online and a total of 8,266 price submissions made.

Constructing a sustainable supply chain

With the introduction of China's "30 · 60" dual-carbon Initiative, consumers' recognition of the importance of sustainable development has also been improved. In response to their demands and to promote the Group's sustainable development, the Group incorporated environmental, social and government considerations into its procurement and supplier management processes to accelerate the construction of a sustainable supply chain.

Approaches for sustainable supply chain development and achievements in 2024

Type	Approaches	Actions and Achievements
Environment (E)	Sourcing products with sustainability certification	The Group purchased fresh produce with sustainability certification, including organic vegetables, green vegetables, antibiotic-free eggs, antibiotic-free pork, etc., with the percentage of certified products accounting for about 9% of the total category.
	Principle of "low carbon and energy saving" priority	Priority is given to suppliers certified in technical innovation, energy conservation and environmental protection.
Society (S)	Localized procurement	The Group has been deeply cultivating its local businesses in Shanghai, and has cooperatives, slaughtering and processing plants in Chongming, Nanhui, Qingpu, Jinshan and Songjiang as its long-term cooperative base suppliers, covering vegetables, fruits, meat/poultry/eggs, rice, aquatic products, etc.
	Initiating nation-wide joint procurement	The Group explored deeply into the renowned agricultural products produced in different regions and promoted the development of the industry chain of local agricultural products through nationwide joint procurement to enhance the stability of the Group's supply chain. The Group has 19 categories of fresh produce subject to nation-wide joint procurement, including vegetables, fruits, groceries, and grains, with production bases in 5 provinces and a total joint procurement volume of over 1,269 tons.

Type	Approaches	Actions and Achievements
	Sustainability management for engineering suppliers	In the works contract, the works team is explicitly required to take out insurance for all risks, third party liability insurance and accidental injury insurance for works as well as property insurance for construction equipment, so as to reduce the social risks in the works.
	Animal welfare concerns	Selected animal welfare-conscious breeding and slaughtering plants to co-operate and promote the construction of a sustainable supply chain.
Government (G)	Concern about business ethics	The Group looked into the suppliers' criminal records of bribery behaviours on the China Judgments Online, and added binding clauses in the contracts signed with them, stipulating that suppliers with criminal records of bribery will be blacklisted with restricted access to, disqualified from bidding for, and stopped from undertaking the Group's projects, or even disqualified as its suppliers.

4.3 Consumer Relationship Management

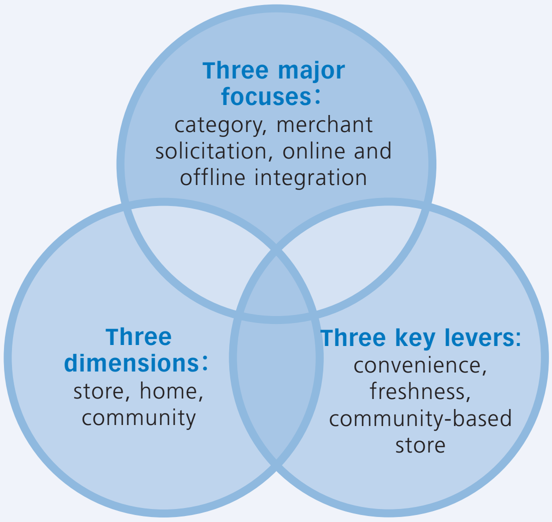
Consumers' satisfactory and comfortable experience is the primary pursuit of Lianhua Supermarket's customer service. Following its vision of "increasing our customers' loyalty to us"， the Group has formulated a series of standards such as *Customer Service Manual, Service Enhancement Plan, Methods for Handling Customer Complaints, Job Responsibilities and Service Standards of the Hypermarket Service Centre (Trial)* and has taken a number of measures to continuously improve the shopping experience of its customers.

Service management transformation and enhancement

In 2024, the Group's hypermarket business aligned with the one-quarter convenient living circle and the community-based model, which serves the residents' pursuit of a better life, and launched small-scale and community-based stores, as well as management system switch-over activities.

Hypermarket transformation strategy

Transformation Objective	Transformation Core
Defining a Clear Profit Orientation	Repurposing low-efficiency sales areas, enhancing workforce efficiency, and optimising product categories



Transformation Keywords

Creating a full range of fresh food with a vibrant market feel	Merchandise life cycle management	Selection strategies
Scenario-based	Innovative and vibrant spatial layout	Merchandise display

In November 2024, 21 Century Lianhua stores completed their management system switch-over, with the first pilot store, Zhonghuan Store, reopening in September 2024 after renovation. This system switch-over involved inventory clearance, new product ordering and delivery, new system training, and the installation of new equipment, with various strategies implemented to enhance service quality and lay a solid foundation for developing a community-based store that meets the basic daily needs of local residents.

Service Enhancement Contents

1. Reduction in product items: The number of product items has been reduced from approximately 10,000 to 8,000, streamlining the product range to enhance the efficiency of individual items.

2. Increase in product categories: The fresh produce category has been expanded to include self-made baked goods, ready-to-eat meals, light meals, and aquatic products, enriching the shopping experience for customers.

3. Optimisation of product display: Key products in stores are now displayed more prominently, increasing the visual impact and highlighting the main products.

4. Enhanced customer interaction: The number of in-store tasting points has been increased, actively engaging with shopping customers.

Enhancing Consumer Satisfaction

The Group places significant importance on consumer satisfaction. Through consumer demand and satisfaction surveys, the Group actively establishes connections with consumers and optimises their shopping experience to enhance satisfaction.

The Group conducts daily and thematic questionnaires to understand the genuine needs of consumers, providing information support for subsequent category planning and transformation strategies in stores, thereby better meeting the daily needs and consumption habits of local residents.

2024 Thematic Consumer Survey Activities

Survey Theme	The "Satisfaction Survey on Improvement of Dagu Store and Weining Store"	The "Survey on Customers of Supermarket Model Store"	The "Online Questionnaire Report on Supermarket Transformation Store"
Survey Target	In-store customers	In-store customers and surrounding out-of-store population	Store community members and store consumer members
Survey Method	On-site QR code questionnaire	On-site QR code questionnaire	Questionnaire link sent via community group or SMS clicking it to fill out the questionnaire
Survey Categories	Customer profile, product structure, product display, product pricing, marketing activities and in-store services		
Sample Size Collected	241	703	1,961
Survey Results	Based on each survey, a consumer survey analysis report is formed to understand the consumer profile, category preferences, and service preferences of each store, and to formulate corresponding improvement strategies.		

In 2024, Century Lianhua conducted the consumer survey named "Optimising Consumer Experience, Stimulating Consumer Vitality", with an overall satisfaction rate of 94.33%; Lianhua Supermarket Development conducted the 3 · 15 Customer Survey, with an overall satisfaction rate of 97.77%.

After understanding consumer needs, the Group enhances consumer satisfaction by strengthening management, providing convenient services, optimising return services, and conducting store scoring.

Consumer Experience Optimization Initiatives

<table>
<tr><th>Category</th><th>Measures</th><th>Results</th></tr>
<tr><td>Strengthening management</td><td colspan="2">• Merchandise quality control: Enhance the frequency of communication between the stores and the procurement department to ensure the quality and legality of merchandises. In the case of defective goods, promptly implement the return and exchange service;
• After-sales service system: Establish and improve after-sales service system, clarify responsibilities and processes, and provide a variety of ways for customers to consult and complain, such as telephone, online customer service, etc;
• Customer feedback mechanism: Establish a comprehensive service response mechanism to ensure that customer complaints are solved promptly;
• Employee training: Strengthen store employee training to enhance employees’ service awareness and problem-solving capabilities.</td></tr>
<tr><td>Initiatives for convenience</td><td colspan="2">• Home appliances and grocery area: Provide size and capacity information, with porcelain area equipped with packaging materials, etc;
• Fresh grocery area: Provide washbasin and handwashing liquid;
• Outside the cash register zone: Free storage, customer rest area, ice, etc;
• Service centre: Membership processing, free broadcast for finding people, “sewing kits”, reading glasses and other personalized services.</td></tr>
<tr><td>Optimising return service</td><td>• Optimise the seven-day no-reason return program: Based on the statistics of the number and amount of returns in stores, optimise the input of customers’ return reasons, and subdivide customers’ return reasons such as merchandise satisfaction, merchandise quality, merchandise price, or operational problems.</td><td>• The 2024 survey showed that among the reasons for customers’ returns: dissatisfaction with the merchandise accounted for 49.32%, dissatisfaction with the price accounts for 35.16%, operational errors accounted for 13.67%, and merchandise quality problems account for 1.84%.</td></tr>
</table>

Category	Measures	Results
Implementation of store scoring	• Conduct unannounced visits: Carry out inspections on five major aspects, namely environment, display, appearance, service and safety from the perspective of customers. For stores whose scores derived from an unannounced visit are lower than the standard, a red alert will be issued, and a second re-inspection will be carried out; • Analysis and self-correction based on comments on Dianping.com: Regularly analyse customers' comments on Dianping.com, conduct self-correction, reply to customers, and improve and upgrade the service level of the stores.	• In 2024, a total of 18 storefronts in the sales venues were actually inspected in an unannounced manner. The average score was 85.12%, which was 4.88 percentage points higher than the Company's target score of 80.24%.

Case Study

The elderly service zone to promote the development of serving the elderly

Centring around the service concept of "Bailian Express, Enjoying a Good Life at Old Age", the Group has launched the elderly services and made efforts to enhance the ability to serve elderly customers.

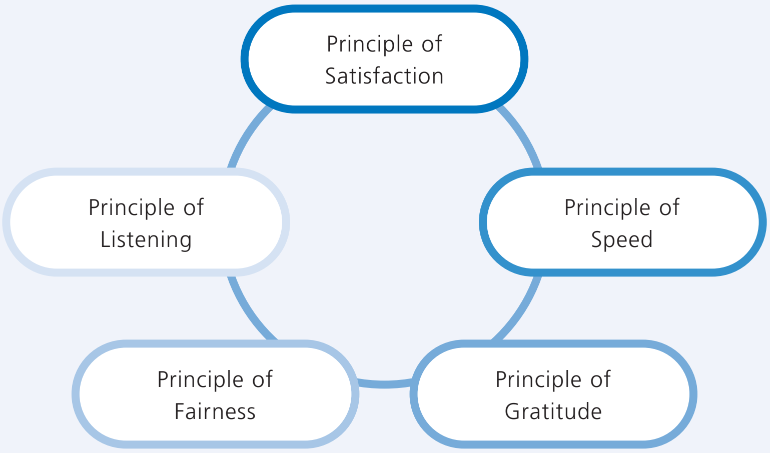
30 stores of the Group have set up the elderly service stations, providing high-quality services that meet the needs of the elderly. There are four major areas in the service stations:

1. Health consultation area: Provide self-service blood pressure measurement, self-service weight and height measurement, free haircuts (at qualified stores), and free drinking water.
2. Self-service reading area: Provide health-care books, comfortable seats for the elderly, etc.
3. Recreation area: Place recreational facilities such as chessboards and shuffleboard tables for the elderly.
4. The elderly-assisting services at the service centre: Offer free wheelchair rental, direct hotline for assisting the elderly, free home delivery for the elderly living alone in the 15-minute business circle, and a caring service box (including external medicines and essential balm), etc.
5. Dedicated caring service staff.
6. Offering services for special communities: For communities requiring services around the stores and communities where shopping is difficult, offering the required services under the "Bailian Express Entering Communities" brand to those communities.

Customer complaints and handling

The Group attaches great importance to the handling of customer complaints and has formulated the *Methods for Handling Customer Complaints* to clarify the principles of customer complaint handling, designate departments of responsibilities, and ensure that customer complaints are properly handled.

Principles for Handling Customer Complaints



Types and handling of consumer complaints

Types of complaint	How to handle it
Complaints for Stores	• Our stores will take care of it until the customer is satisfied. • If the store cannot properly handle the complaint, it will be reported to the Company's superior management department. After the superior management department negotiates with the customer to reach a mutually agreeable solution, the customer's complaint is closed. • If the customer complaint involves the quality of the product or food safety, the safety and quality department will meet with the supplier and jointly offer a treatment plan in conjunction with the purchasing department.
Complaints for Headquarters	• The Safety and Quality Department will register the complaint in a timely manner and directly transfer it to the operation centre/segment/member enterprises and relevant departments, who will finally feedback the processing results to the Safety and Quality Department.

The Group makes efforts both online and offline. By formulating an online reward and punishment mechanism and implementing an offline first accountability system, we aim to improve customer service and reduce customer complaints.

Measures to Reduce Customer Complaints

Online: Shop Performance Incentive and Penalty System	Offline: First - Inquirer Accountability System
Continuously track store fulfillment indicators on a weekly basis, conduct centralised training for store managers of underperforming stores, and provide on-site guidance for individual stores. These efforts aim to continuously improve online fulfillment quality, prevent stores from having their resource positions on external platforms removed, and avoid customer complaints caused by out-of-stock situations online.	The first staff member who receives a customer's inquiry or consultation shall bear the responsibility for providing the service. Such a staff member must be responsible for receiving and handling the customer's issues, or providing guidance and transferring the case for proper handling. They shall not shirk the customer just because they are not in charge of that particular aspect of the work.

Performance of Consumer Relationship Management in 2024

- In 2024, a total of 1,946 complaints occurred within the Group, and the complaint handling rate reached 100%.
- The number of offline customer complaints of Century Lianhua decreased by 7.69% compared with that in 2023.

4.4 Protection of Consumers' Information and Privacy

The Group attaches great importance to the privacy and personal information protection of its consumers. With the continuous advancement of digital transformation, the Group continues to protect consumers' personal information in a proper manner.

The Group strictly abides by the *Personal Information Protection Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, and collects, uses and preserves consumer information in accordance with the requirements of the *iBailian Privacy Policy* (《i百聯私隱政策》) of Bailian Group, adopts encryption technologies such as transmission layer security protocols to ensure the security of user data, adopts strict data access control and multiple identity authentication technologies to protect consumer personal information from illegal use, and uses code security automatic inspection and data access log analysis technology to ensure personal information security. Additionally, in the process of carrying out the home delivery business, the Group adopts a unique "smile face sheet" in the delivery order to avoid the exposure of sensitive user data in the delivery process.

During the reporting period, there were no confirmed complaints about the infringement of customers' privacy or the loss of customer data within the Group.

4.5 Responsible Marketing

The Group strictly complies with laws and regulations such as the *Trademark Law of the People's Republic of China* and the *Advertising Law of the People's Republic of China*. We have established a brand management framework with decision-making by the General Manager's Office and management by the Marketing Centre to strengthen its brand management capabilities.

Responsible Marketing Management Framework

General Manager's Office	• Decision-making organisation for brand management • Responsible for deliberating and issuing brand-related norms
Marketing Centre	• Responsible for being the centralised management department for carrying out brand management work • Responsible for formulating national, unified and systematic brand management norms • Conduct standardised training, guidance and supervision on the implementation of brand management for the departments of the Group's headquarters and member (entrusted management) enterprises, and supervise the implementation situation of brand implementation

In 2024, the Group revised the *Brand Management Measures (Trial)*, adding contents such as brand IP image, approval of store signs, records of media placement projects, management and use of trademarks to the system. We continuously strengthened the review and management of marketing information such as product labels and promotional texts to achieve responsible marketing.

The Group exercises reasonable care in the presentation and proper use of marketing information, so as to circumvent improper wordings. The Group adheres to shooting physical materials, and the promotional information can be publicized only after it is reviewed by an adequate group of people, so as to eliminate to the greatest extent possible the possibility of improper marketing caused by subjective factors.

During the reporting period, the Group did not violate any laws and regulations when conducting marketing activities (including advertising, marketing and sponsorship).

In terms of brand building, the Group makes efforts in three aspects: carrying out system training, conducting public opinion monitoring and improving the communication strategy to enhance the brand influence of the Group.

Measures to Enhance Brand Influence

Carry out system training	• Conduct the "Training on Brand Management System" regarding the newly revised *Brand Management Measures*, and all employees of the Group are involved in it.
Conducting public opinion monitoring	• Conduct public opinion monitoring and submit a public opinion monitoring report every month. The report includes the overall public opinion overview of the current month, an overview of key negative public opinions or public opinion risks in this business segment, and other contents.
Improving the communication strategy	• Set the number of posts on the official WeChat account as a communication assessment indicator; • Adjust the nature of the Lehuo Journal (樂活志) and Lianxiang Life (聯享Life) official WeChat accounts: From the perspective of science popularisation, conduct in-depth analysis of products to convey the brand concept of "health, taste, life". Report and follow up on current affairs hotspots, demonstrating the enterprise's sense of responsibility in aspects such as stabilising prices and ensuring supply, and protecting consumers.

In terms of guiding customers towards sustainable consumption, the Group launched the Healthy Shelves project this year. Through professional health guidance and science popularisation publicity, we aim to guide consumers to make healthier consumption choices.

Case study

The Healthy Shelves, Conveying the Concept of Sustainable Consumption

Lianhua Supermarket, with the slogan of "Health in Action", launched the Healthy Shelves project. This project focuses on providing health concepts and carefully selects a variety of high-quality, safe and reliable health products, aiming to meet consumers' growing health needs.

The Healthy Shelves are divided into three categories: "Increasing Nutrition, Reducing Burden, and Green Ecology". They include products such as high-quality dairy products, sugar-reduced foods, seasonings with zero additives, and fresh seasonal ingredients. Through professional health guidance and science popularisation publicity, consumers are guided to make healthier consumption choices, creating a healthy, convenient and reassuring shopping experience, and spreading the concept of sustainable consumption.

Performance of Responsible Marketing in 2024

- Throughout 2024, the Group published over 500 pieces of contents on its official WeChat account, released 120 videos on its video account, and accumulated 44 posts on rednote. The brand-related topics had a cumulative reading volume of over 240,000.

5. PEOPLE-ORIENTED, CREATE A BETTER LIFE

5.1 Employees' Benefits and Welfare

Employee compliance employment

Employees play a crucial role in supporting the growth and progress for Lianhua Supermarket. The Group has established a comprehensive employment and welfare protection system for its employees, including recruitment and dismissal, working hours and holidays, and remuneration and benefits. In respect of employment, the Group adheres to the principle of fair competition and selection of employees on the basis of merit. At the same time, the Group strictly prohibits child labor and forced labor, and stringently verifies the age of candidates for employment, and absolutely prohibits employment of those found to be under 18 years old. If the problem of forced labor is found, the employees can complain by mail, complaint telephone and other ways, and related personnel of the Group will carry out investigation to protect the legal rights and interests of the employees. The Group signs employment contracts with each employee according to the regulations, and pays five social insurances and the housing provident fund for its employees. During the reporting period, the Group signed employment contracts with all the employees and paid social insurance for all of them.

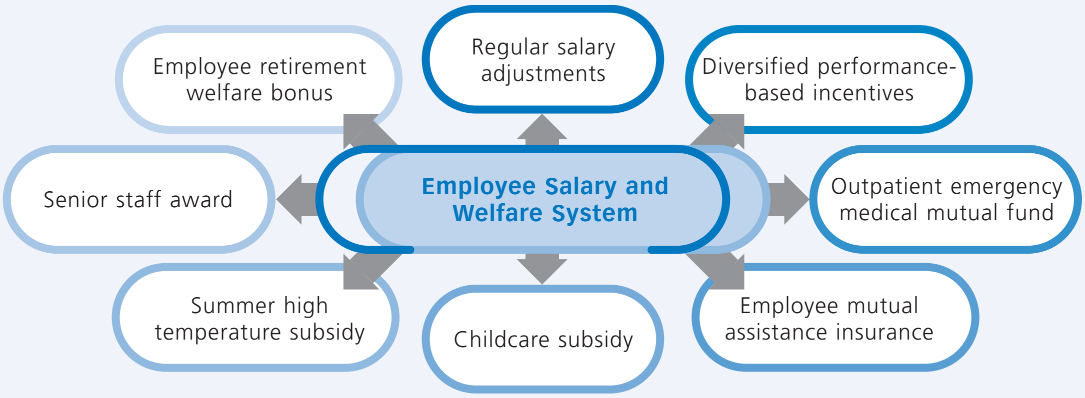
In 2024, the Group continued to promote the optimization of its employment model, and the proportion of flexible employment increased significantly. As at the end of the reporting period, the proportion of flexible employment in front-line operations reached 31.9%. The optimization measures are mainly reflected in the following two aspects: (i) headquarters at all levels continue to streamline management personnel, with the number of management personnel reduced by 25.3%; and (ii) by scientifically allocating store manpower and strengthening staffing management, the efficiency of front-line operations has been further improved, thereby effectively reducing redundant settings and promoting organizational efficiency.

Employee welfare protection

Respecting the employees' rights and interests is one of the basic principles of the Group's employee management. The Group strictly abides by the *Labor Law of the People's Republic of China,* the *Law of the People's Republic of China on Employment Contracts,* the *Special Rules on the Labor Protection of Female Employees,* the *Social Insurance Law of the People's Republic of China,* the *Regulation on Work-related Injury Insurance of the People's Republic of China,* the *Individual Income Tax Law of the People's Republic of China* and other relevant laws and regulations, to ensure the protection of employees' rights and interests.

In 2024, the Group completed the drafting of the *Remuneration Management Measures* to clarify matters such as salary composition, salary assessment and adjustment principles, and promote the standardization and standardization of salary management. In addition, to support the renewal project of the Central store of Century Lianhua, the Group has formulated the *Central Store of Century Lianhua Salary Adjustment and Assessment Plan (Trial)* to establish a salary system that meets the needs of store operation transformation and promote operational improvement.

Salary and Benefit System



In order to ensure that our employees are fully entitled to the rights, the Group actively listens to employees' opinions, and cares for and emphasizes the reasonable needs of the employees. The Group has established an employee representative meeting, with re-election being carried out every five years, and holds a meeting on an annual basis.

In 2024, the Group carried out the "Special Survey on Labor Dispatch", focusing on the employment satisfaction of all labor dispatch employees, in a bid to gain an in-depth understanding of the situation of labor dispatch employees and protect the rights and interests of labor dispatch employees.

The Group values the diversity of its employees, supports people with disabilities and ethnic minorities to join the Group, and has formulated relevant rules, regulations, and procedures to create an inclusive, respectful and diverse working environment. The Group has strictly complied with the *Labor Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Rights and Interests of Women* and other laws and regulations, while also clearly stipulated various rights entitled to female employees in the *Special Contract for Female Employee* (《女職工專項合同》), including organizing interaction activities between female employees irregularly, offering exclusive holidays and gifts for female employees, taking out special insurance for female employees against special illnesses under the Shanghai Federation of Trade Unions, organizing gynecological check-ups for female employees once a year, etc., in order to fully protect their rights.

Employee care

In order to enrich the cultural life of employees and promote work-life balance, each business branch and regional branch carries out a variety of employee activities. At present, the Group has established four major employee cultural and sports clubs, namely badminton, basketball, yoga/aerobics and photography, and regularly organizes activities to provide employees with a platform to showcase their talents and enhance communication and exchanges among employees.

In terms of caring for employees in difficulties, the Group has formulated a series of support policies, such as providing medical expense reimbursement for employees. In addition, the Group pays attention to employees' needs, understands their difficulties and identifies employees with different degrees of difficulties. The *Administrative Measures for Helping Employees in Difficulties* was formulated, and a trade union gradient assistance system was established to promote assistance work for employees in difficulty in a targeted manner.

Assistance for Employees in Need

Help	Applicability
Medical help	• Employees suffering from the 24 major diseases stipulated by the Shanghai Federation of Trade Unions; • Employees suffering from high hospitalization costs and no financial resources for spouse and minor children; • Employees recovering at home or hospitalized for more than 5 days due to work-related injuries, accidents, chronic diseases, four surgeries for female employees and other diseases; • Employees' immediate family members suffering from greater medical expenses due to hospitalization.
Death help	• Employee passed away due to illness; • Death of an immediate family member dependent on the employee.
Disaster help	• Accident or injury to employee's family.

Assistance	Specific Measures
Paired assistance	• Leaders and employees in difficulty paired with assistance; • Conducting visits and sending condolences around major festivals.
Education support	• For employees whose per capita monthly family income is lower than the monthly minimum wage for employees in Shanghai, scholarships are provided for their children to be admitted to domestic universities.

Employee Activity Performance in 2024

- In 2024, the Group organized a series of sports and cultural activities entitled "Let's Compete with Passion" to celebrate the 34th anniversary of Lianhua Supermarket, with a total of 10 competition events and more than 200 employees participating.

- Employees participated in the Bailian Group's 2024 "Self-Driven Agility, Like a Swimming Dragon" employee sports meeting, and the dragon boat team and the aerobics team won first and second place respectively.

5.2 Safe Production

Creating a safe production environment is the foundation of our operations. The Group strictly abides by the *Safety Production Law of the People's Republic of China*, the *Regulations of Shanghai Municipality on Safe Production*, the *Fire Control Law of the People's Republic of China*, the *Regulations of Shanghai Municipality on Fire Control*, the *Regulation on Emergency Responses to Work Safety Accidents*, and other laws and regulations. We formulated and published the *Emergency Response Plan to Production Safety Accidents*, the *Hazard Investigation and Management System* and the *Risk Grading Management System* to effectively promote the implementation of safety production work.

In 2024, in accordance with the *Guiding Opinions on Work Safety of Bailian Group in 2024*, the Group adhered to the requirements of "Party and governance organs bear the equal responsibility, one post with two responsibilities" and "three controls and three musts", strictly implemented the main responsibility for work safety and the work safety responsibility system for all employees, promoted the formulation of a list of work safety responsibilities and an annual work list for Party and governance leadership teams at all levels, and implemented all work on work safety with a sense of responsibility and urgency of "always being alert". The Group has formulated and implemented the signing of the *Letter of Responsibility for Safe Production* and the *Safety Production Commitment Letter*, further clarifying that the leadership team of each member enterprise is the first person responsible for safety production, and incorporating safety work as an important part of the Company's performance appraisal.

Main Contents and Signing of the *2024 Letter of Responsibility for Safe Production*

Main Contents	• Strengthening accountability assessment, improving rules and regulations, advocating safety culture, promoting safety technology and safeguarding safety investment; • Implementing the "Fifteen Hard Measures" of the Safety Commission of the State Council and the "78" working measures for safe production in Shanghai; • Promoting the investigation and management of various types of risks and hazards, and implementing emergency protection; • The coverage of safety inspections and the rectification rate of hazards of all types of major accidents must reach 100%; • Advocating the "three zeros" goal of zero injury, zero accident and zero loss; • Not to exceed the production safety assessment indicators set by the Municipal Committee Office; • No production safety accidents of major and above and with serious social impact.
Scope of Signing	• 26 of the Company's relevant departments signed safety responsibility commitments; • 9 of its affiliated production and operation units signed safety responsibility commitments; • Signing coverage rate of 100%.

In 2024 (the last year of the Group's *Three-Year Action to Address the Root Causes of Production Safety*), the Group organized comprehensive safety inspections to effectively control the occurrence of safety accidents and ensure production safety.

2024 Safety Production Inspection

Inspection Type	Specific Contents
CNY[3] safety inspection	• During the year-end and New Year period and the Spring Festival holidays, comprehensive safety inspections were carried out to ensure that production safety was stable and controllable.
Legal inspection by the municipal emergency management bureau and self-inspection by enterprises	• In order to prepare for regular on-site inspections by regulatory authorities, we carried out self-inspection and self-correction in advance to ensure compliance.
Major inspection and rectification during the Labor Day holidays and the Mid-Autumn Festival and the National Day holidays	• We conducted in-depth inspections and rectifications on key locations, weak links and prominent issues in enterprise safety to ensure the bottom line of safety.
"Looking Back" Review	• We carried out re-inspection after safety rectification of problematic units. We urged all member companies to follow the inspection requirements of "full coverage, zero tolerance, strict law enforcement, and emphasis on effectiveness", went deep into the front-line grassroots, and implemented special inspections.

In 2024, the Group also improved its safety management level, enhanced safety awareness and safety risk prevention, and ensured production safety by carrying out safety training and drills, hidden danger investigation and rectification, etc.

3 CNY: Chinese New Year

Production Safety Measures in 2024

Category	Safety Training	Safety Drills	Hidden Danger Investigation
Stores	• We organized online training using the Bailian i-learning platform, and carried out comprehensive publicity and training on safety regulations, knowledge and skills through safety education warning films, centralized training, micro-courses and on-site practical operations. "Safety Production Month", "Safety Production Week" and other themed education activities.	• Six emergency plans: power outage emergency plan, anti-terrorism emergency plan, fire emergency plan, explosion prevention emergency plan, typhoon and flood prevention emergency plan, and anti-robbery emergency plan.	• In order to deepen source governance and risk prevention and control, the Group conducted hidden danger investigation and problem rectification by combining daily inspections and special inspections.

Category	Safety Training	Safety Drills	Hidden Danger Investigation
Warehousing and Logistics	• We carried out safety principal responsibility training, hidden danger investigation training, fire safety training, forklift operation training, elevator management training, driver safety training, confined space safety training, and fire sprinkler system operation training.	• Fire evacuation drills, fire safety equipment drills, micro fire station training, elevator, forklift, confined space, pressure vessel emergency rescue drills, etc.	• Comprehensive information-based supervision of the elevator and forklift industries is carried out in accordance with the *Major Accident Hazard Determination Standards*. Elevator management is based on the *Shanghai Elevator User Management System* to implement daily control, weekly inspections, and monthly scheduling. It is required to implement super administrator arrangements in forklift management.

Category	Safety Training	Safety Drills	Hidden Danger Investigation
2024 Performance	• Lianhua Logistics was selected as one of the "Winner" candidates in the National "Ankang Cup" Competition (Shanghai Division); • The Company and its member companies organized 3,628 safety education and training sessions, with 105,093 participants.	• A series of emergency drills were carried out, including electric shock accident rescue, building emergency evacuation, fire extinguisher practice, etc. A total of 2,949 drills of various types were carried out, with 86,548 people participating.	• A total of 694 stores were inspected for routine and special inspections, and 1,331 safety hazards of all kinds were found and rectified, with a rectification rate of 100%.

Case Study

Carrying out the "Everyone talks about safety, everyone knows how to respond to emergencies – smooth life passage "production month activities

In June 2024, the Group organized and carried out the "Safe Production Month" event. Focusing on the activity theme of Safety Production Month of "Everyone talks about safety, everyone knows how to respond to emergencies – smooth life passage "， notices and reminders were issued. All member companies were required to focus on the theme of the activity, and carry out related activities in combination with special rectification of factory buildings and warehouses, special rectification actions for major accident hazards, typhoon and flood prevention work, and a three-year action plan to address the root causes of production safety, so that the activities could be carried out in a planned, arranged, inspected and implemented manner, and truly clarify and fully implement the main responsibility of enterprises for production safety.

Case Study

Strengthening logistics and warehousing safety management

The logistics and warehousing areas are large, involving a wide range of security issues, with a complex personnel structure, and employees' safety awareness was generally not high. In order to improve the safety level of logistics and warehousing employees, in addition to conventional production safety management, the Group has also done the following work:

- Collaborating with various departments in the park to form a safety team, including a safety management team, a micro-fire brigade, party member demonstration posts and safety inspectors;
- Updating fire safety equipment. Mobile micro-station intercoms improved information transmission and response speed. The upgraded fire host can monitor more than 10,000 points in real time to detect fire hazards in time;
- Strengthening the management of warehouse tenants, signing safety agreements, and implementing safety training and drills to enhance safety awareness and skills;
- Rectifying irregularities and blockages in evacuation routes to ensure that 26 evacuation routes are unobstructed;
- Optimizing emergency procedures to allow safety inspectors to work closely with the fire control centre to ensure rapid response;
- Carrying out safety training and drills to improve employees' safety awareness and emergency response capabilities through LED screens, safety training PPTs and simulated fire drills.

With respect to the health and safety of employees, the Group strictly abides by the *Occupational Disease Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations, and has formulated the management systems such as the *Measures for Management of Employees' Occupational Health*, the *Measures for Management of Labor Protection of Female Employees*, and the *Employees' Protective Equipment Management System* to provide guidelines for creating a safe and healthy workplace environment. With a view to reducing safety risks and raising employees' awareness of occupational health, the Group arranges regular medical check-ups for employees, conducts safety hazard inspections in the office environment and provides occupational safety education and training for employees. The Group also requires that 100% of the safety management personnel should be licensed and obtain the *Safety Officer Certificate* and the *Safety Manager Certificate*.

Performance of Production Safety in 2024

- In 2024, 16 units of the Group that applied for review successfully passed the Level 2 Enterprise Review on Work Safety Standardization conducted by the Shanghai Work Safety Association.
- In 2024, the Group had no violations of production safety regulations, with zero work-related fatalities, zero occupational diseases and zero fire accidents.

5.3 Employees' Development and Training

Talent recruitment and retention

The Group is committed to establishing a sound talent recruitment and retention system, constantly improving the mechanism of "career achievement for talent and environment retention for talent", and providing a platform for employees to demonstrate their talents. The Group primarily implements its talent development system through talent reserves, team building, and salary optimization.

Talent recruitment and retention approaches

Talent reserve

- Pay attention to campus talent cultivation and reserve young talents: Management Trainee Program
- Strengthen internal talent pipeline construction and accelerate talent growth: "Eagle Series" program

Team building

- "Strong Soldiers and Sturdy Horses (兵強馬壯)" Plan: strengthening the construction of a team of 100 Core Cadres
- External recruitment and internal training system: internal promotion and external recruitment

Salary optimization

- Optimize compensation system
- Build flexible bonus mechanism
- Deepen the partner mechanism

The Group pays close attention to the training of management trainees. In 2024, the Group issued the *Management Trainee Training and Development Scheme (2024 Edition)* to accelerate the growth and development of young reserve cadres through measures such as iterating training models, shortening promotion cycles, and personalized training strategies. In 2024, the Company recruited 20 management trainees who had just graduated from universities.

Management Trainee Training Measures

Measures	Specific contents
Iterating Young Eagle Program	• Iterating from "1236"[4] to "125+6+4"[5], adding 6 months of project experience. Let management trainees go to the grassroots with problems and return to the headquarters with projects, and receive comprehensive training through the cycle of theory-practice-project-practice.
Shortening promotion cycles	• In order to speed up the selection and training during the reserve and incubation periods, break the traditional promotion path and establish a fast lane, management trainees can obtain job grade adjustments after passing the probation period, shortening the promotion cycle. • The performance reports of 26 management trainees from the classes of 2018-2022 have been completed. Management trainees who have received an A/B grade assessment can be promoted again or receive salary increase based on performance, which will promote the construction of a team of young reserve cadres.
Personalized training strategies	• Based on the feedback from the "Eagle Plan Leadership" training results, we develop personal growth plans for outstanding students and conduct assessment tracking. Based on annual assessments and our needs, we develop personalized training programs for high-quality management trainees with potential to promote their rapid growth through participation in major projects and rotational experience.

In 2024, in order to further strengthen contractual management and continuously advance the contractualization process of core positions, the Group conducted performance appraisals on 57 professional managers based on the 2023 professional managers' target responsibility letter and performance completion, and formulated the *2024 Professional Managers Annual Target Responsibility Letter*, covering 74 professional managers.

In addition, the Group implements the super partnership model and adopts the strategy of "rapid replication and leading by example". After the pilot program at the Julu Supermarket Store, the policy was successfully extended to the Zhijiang Store and the Fuhai Store. The policy of "strengthening retail, increasing gross profit, upgrading the level and strict management" was implemented, which significantly increased the proportion of retail gross profit and effectively promoted the growth of overall performance.

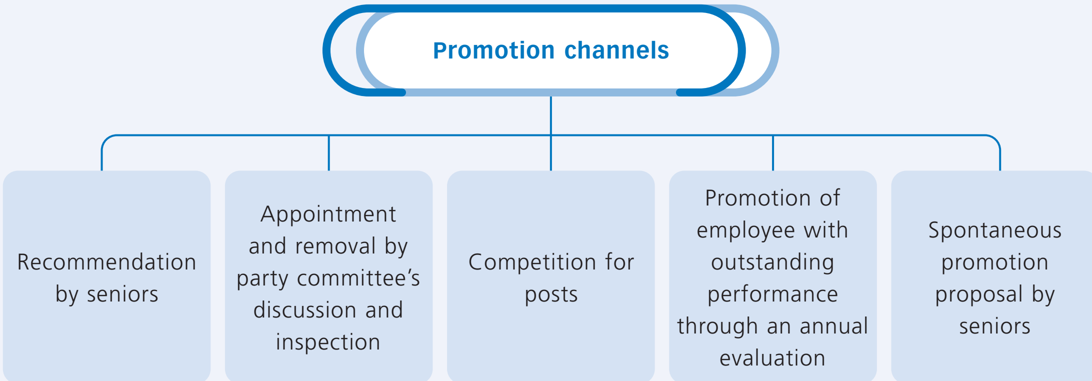
Employee Promotion

The Group pursues mutual benefit and common development with employees, and continuously optimizes the talent pool and encourages employees to develop their personal expertise, providing a platform for them to enhance their skills and capabilities. Meanwhile, the Group has established smooth promotion channels and processes to motivate employees and support their promotion and career development.

4 "1236" means 1 month of on-the-job training + 2 months of store rotation + 3 months of rotation in the first position at the headquarters + 6 months of rotation in the second position at the headquarters.

5 "125+6+4" means 1 month of lectures and training, 2 months of industry training, 5 months of rotation at the headquarters + 6 months of participation in important company/department-level projects + 4 months of rotation in two related departments.

Employee Promotion Channels and Process



Process of competition for posts

At the same time, the Group is committed to the continuous building of high-quality and interdisciplinary talents, paying attention to the breadth and depth of the career development of talents, and establishing a spiral career development path. The Group formulated the *Management Measures for the Rotation and Temporary Posts of Management Personnel*, which puts forward the requirements of temporary posts, rotations, and part-time jobs for the entry into the core talent team, and clarifies the management process and assessment requirements during the temporary post period in order to establish a long-term effective mechanism.

Employee training

The Group provides diversified learning and improvement opportunities for employees, enabling each employee to better realize his/her value at work. In order to enhance the professional skills and management capabilities of our employees, the Group organizes relevant customized training programs and training activities for middle management reserve, young cadre reserve, store partners, store employees, new employees, interns and other employees at all levels.

Trainings for Different Types of Employees

Type of Employee	Training Program
Interns	• Hatching Program
New employees	• New employee orientation for stores • New employee orientation for departments and offices of the headquarters
Store employees	• Training for reserve store managers of Lianhua Supermarket Development • Business empowerment training for franchised stores of Lianhua Supermarket Development
Store partners	• Business training for store managers of Lianhua Supermarket Development
Young cadre reserve	• Eagle Plan Leadership of Bailian Group • Management trainee orientation of the headquarters
Middle management reserve	• Eagle Plan Leadership of Lianhua Supermarket

Type of Training and Training Program

Type of Training	Training Program
Professional skills	• Office skills training • Business skill level assessment and training
Ideology and system building	• Party-building platform • System and business process learning
Safety culture building	• Food safety training • Production safety training • Internet safety training

In 2024, the Group organized CNY labor competition activities and set up competition items for store and front-line employees. A total of 80 stores won the "National Challenge Group Award" and 519 grassroots employees won the "National Challenge Individual Award", which not only showcased the employees' personal style, but also effectively improved the service capabilities of front-line employees.

6. BUILD AND SHARE A HARMONIOUS SOCIETY TOGETHER

6.1 Community Communication and Development

The Group pays attention to the development of the communities where it operates, organizes various community activities, and encourages employees to participate in community volunteer services to build a corporate community communication culture and atmosphere.

The Group actively focuses on community activities, guaranteed services and other fields, and works with residents and consumers to create a harmonious community life.

Key Community Communication Actions in 2024 (Partial)

Community activities	• In February, **we launched a series of New Year activities**, inviting customers to make Laba porridge and Laba garlic with clay or paintbrushes, and DIY lanterns. • On 5 March, **a series of activities called "Learn from Lei Feng and Be a Pioneer" were launched**. The stores communicated with surrounding streets and neighborhood committees to provide convenient services for residents with limited mobility in the community. In particular, when the elderly has shopping needs, dedicated store personnel are responsible for purchasing and delivering the goods to their homes. • On 15 March, **activities related to Consumer Rights Day were carried out**. Stores and relevant institutions, streets and towns cooperated to carry out consumer rights publicity activities. • In May, **the "Bailian Services into Communities and Campuses" campaign was launched**. Shanghai model worker Yang Jie provided on-site merchandise sales and retail product recommendation services for the internal shopping event. • From June to August, **a series of events were held in conjunction with the Paris Olympic Games theme**. The third Lianhua Burning Festival, in line with the "low-carbon and environmentally friendly" theme of the Paris Olympics, invited consumers to participate in City Walk and City Ride, to feel the prosperity of Shanghai on foot and experience the night view of Shanghai at speed. Consumers could also redeem exquisite gifts at the event site through their consumption and daily exercise steps, guiding consumers to practice low-carbon, healthy and sustainable consumption concepts. • From September to October, **the Lighting up Dreams Dinner event was held**. The event actively reached the community and organized three community cooking competitions to add more life to the community and encourage everyone to live a good life with their heart.

Guaranteed services	• **Set up outdoor love relay stations**. Some stores of Lianhua Supermarket Development have set up outdoor love relay stations to provide basic services such as rest, drinking water, and meal heating to outdoor workers. The outdoor worker love relay station of Lianhua Supermarket Development (Xinzha Road Store) was rated as the Most Beautiful Union Outdoor Workers Service Station. • **Create service stations for the elderly**. Lianhua Supermarket Development established 26 service stations for the elderly in 2024, providing the elderly customers with warm items such as self-service blood pressure measurement, supporting utility bill payment, and providing drinking water, seating and rest services to elderly customers. Stores that have the capacity can set up special counters selling sugar-free foods and reading glasses. • **Actively carry out internal purchasing activities**. Every month, with the participation of the Company's Party members and leaders, we provide free door-to-door delivery services to lonely and elderly people after their shopping. In 2024, a total of 903 in-community purchasing meetings were held. • **Support the "People's Vegetable Basket" project**. In 2024, Lianhua Anhui Company's Lu'an Century Lianhua Supermarket was designated by the Lu'an Municipal Development and Reform Commission as a "People's Vegetable Basket" store for Lu'an's livelihood project. In accordance with the requirements of the Lu'an Municipal Development and Reform Commission, Lianhua Anhui Company actively cooperates with the government to carry out affordable sales of people's livelihood commodities during major annual holidays, making due contributions to stabilizing local people's livelihood and market prices.

6.2 Charity and Volunteer Activities

The Group is committed to solving the most pressing problems in society and regularly organizes charity and volunteer activities to actively influence and inspire more people to join the ranks of charity.

In 2024, the Group launched the "One-Day Donation of Love" activity with the theme of "Everyone contributes love and creates a better life together", calling on all cadres and employees to carry out the activity of "donating one day's salary and giving a bit of love".

In terms of volunteer activities, the Group actively carries out volunteer service activities by Party members, insisting on taking working Party members as the main body, public welfare projects as the carrier, and serving the grassroots as the goal. We continue to organize Party members to conduct "double registration" in the community, carry out the "We are in the store" volunteer action, and guide Party members to enhance their awareness of Party spirit and responsibility. In addition, the Group has established a youth volunteer service team to serve the China International Import Expo, the Labor Day Shopping Festival and other large-scale Group events, guiding young people to practice corporate culture and volunteer spirit through practical actions.

Charity and Volunteer Activities of the Group's Headquarters in 2024 (Partial)

Event Name	Event Content	Achievement
"#Youth is more confident#, I am a girl" themed charity event	For consumers who purchased Whisper sanitary napkins at Lianhua Supermarket's directly-operated stores, the Whisper brand donated sanitary napkins to left-behind adolescent girls on behalf of the consumers.	• Reaching nearly 1,000 Lianhua Supermarket consumers.
"One Bottle of Water Relay" charity event	For every box of Chunyue water purchased at participating stores of Lianhua supermarkets Development, Shanghai Shenmei donated 6 bottles of water to workers working in high temperatures.	• The participating Dingxiang store, Yanping store, Haiying store, Yushan store, Liangcheng store, and Tianlin store gave away a total of about 9,600 bottles of mineral water.

Charity and Volunteer Activities of the Group's subsidiaries/branches in 2024 (Partial)

Event Name	Event Content	Achievement
	Lianhua Quik	
"Party Building to Help the Disabled, New Year with Love" activity	Party members brought New Year's blessings and solicitude, as well as rice, oil and other loving supplies, to provide loving support services to Aunt Shi's family, with whom they have been paired for more than ten years.	
"In the Name of Love, Embrace the 'Children from the Stars'"campaign	2 April is World Autism Day. The Lianhua Quik Party Committee, together with 12 volunteers from Lianhua Quik's four Party branches and Lianhua Supermarket's first Party branch, brought daily necessities to the children in Yuemiaoyuan, including milk, bread, puffed foods, fruits, etc.	

Event Name	Event Content	Achievement
Lianhua Huashang		
The third public welfare and common prosperity project of "Photosynthesis to Love·Wishes Cultivation" and Zhou Zhoujun's "Gathering Hearts and Love·Free Blood Donation" studio activities	Lianhua Huashang Party Committee and trade union jointly organized blood donation and charity sales activities with Zhejiang Blood Center and Zhejiang Hematopoietic Stem Cell Donor Registry Management Center.	• 65 employees donated 18,550 ml of blood successfully; • RMB13,438 was raised to purchase micro-wish gifts and give them to children with blood diseases.
Lianhua Guangxi Company		
Food safety awareness campaign	Participate in the food safety publicity campaign organized by the Liunan District Food Safety Association and donate funds to be used by the Liunan District Food Safety Association for food safety publicity.	• RMB2,000 was donated to the Liunan District Food Safety Association.
Establishing volunteer posts to learn from Lei Feng	Lei Feng volunteer posts have been set up in six stores of Lianhua Guangxi Company, including Jiefang, Dongcheng and Jushang, stores had arranged full-time volunteers to provide assistance to people in need.	• Volunteer help to learn from Lei Feng is provided throughout the year.

Performance of Charity and Volunteer Activities in 2024

- In 2024, the Group's community charity investment amounted to RMB459.0 thousand.
- In 2024, 4,071 employees of the Group provided voluntary services, totaling 67,601 hours.

6.3 Rural Revitalization

Lianhua Supermarket has actively participated in the revitalization of villages. As an operator of commodities for people's livelihood, the Group, in addition to providing good commodity management services and ensuring supply, is actively developing rural markets, fully taking advantage of the scale of its outlets, and using the matching of production and sales as an entry point. The Group targeted its assistance to Yunnan, Xinjiang, Jiangxi and Fujian, making good use of the local characteristics and advantageous resources and the efficient and comprehensive sales and transportation network of Lianhua Supermarket to promote the standardised development of local agricultural industries and enhance the popularity of their products, accumulating the "Lianhua Experiences" for exploring a sustainable path of agricultural development and supporting rural revitalization.

Rural Revitalization Measures in 2024 (Partial)

Rural market support	• The Group has been actively exploring the rural market and **opened chain supermarkets in villages**. In 2024, Lianhua Supermarket Development opened two new rural stores in Chongming, five new outlets in Lingang New City, and one new outlet in Jinshan District. Lianhua Supermarket Development has upgraded the environment and service capabilities of 19 township outlets in agricultural areas. • We have paired up with Zhina Village in Zhonghe Township, Yongren County, Chuxiong Prefecture, Yunnan Province, **to provide Zhina Village with a special fund of RMB100,000 each year**, which is used for the construction of a "love supermarket" and small-scale public welfare projects at the village level. The labor union of the Group actively responded to the procurement and directly purchased Yongren fruits as welfare distribution to employees. • Lianhua Guangxi Company **joined hands with Liyong Town, Baisha Town and the villages under its jurisdiction in Liuzhou to jointly promote the pilot area franchise transformation and construction**, and carried out the "joint consultation and assistance, revitalization of rural areas" activities, donating materials worth RMB18,500 to a total of 12 rural stores including Pingzheng store.

Connecting production and sales	• We established long-term cooperative relations with Xinjiang Fruit and Vegetable Professional Cooperatives **to purchase Xinjiang local specialty agricultural products** such as prunes and grapes. A special page for the "Shanghai-Kashgar Quality Products" of the May 5 Shopping Festival was launched on the Bailian Home Delivery Platform (百聯到家平台), creating a special area for Kashgar's quality products with unique origin advantages and cost-effectiveness. • We established a long-term cooperative relationship with the Yunnan Fruit and Vegetable Professional Cooperative **to purchase Yunnan's local specialty agricultural products**, such as soft-seeded pomegranate gift boxes. • We actively participated in the assistance work organized by the Municipal Commerce Commission, **purchasing products such as Jiangxi Majia Pomelo** and supporting the economic development of local farmers. • We have connected with the Fujian Sanming Agriculture and Forestry Group, an old revolutionary base, **to develop frozen specialty products featuring local Shaxian snacks**, such as Xiaolongbao, steamed buns, meat buns and other products. Finally, seven products were selected as the first batch of trial products and put on sale in stores. • Lianhua Huashang has focused on **connecting with 26 counties and districts in Zhejiang Province**, including Chun'an and Linqi, and has established long-term and stable direct sales and supply relationships with the supply and marketing cooperatives in the corresponding regions. We helped sell 209 tons of vegetables from Linqi Town throughout the year, with a sales amount of RMB1.121 million. **We carried out targeted support in Hubei Enshi, Sichuan Guangyuan and other places**, and achieved a sales volume of RMB1.62 million for Hubei Enshi pork throughout the year. The sales of 59 specialty agricultural and sideline products including Daliangshan high-quality pure milk in Yuexi County exceeded RMB10 million.

Performance of Rural Revitalization in 2024

- In 2024, Lianhua Supermarket's rural assistance amount reached RMB1.28 million.

7. ESG DATA SHEET AND NOTES

Environmental performance

Environmental Performance Table[1]

Indicator	Unit	2022	2023	2024
Emissions				
Total GHG emissions[2]	ton CO_2e	246,930.16	172,192.39	**152,007.19**
Scope 1: GHG emissions[2]	ton CO_2e	2,432.67	2,265.12	**1,982.86**
Scope 2: GHG emissions[2]	ton CO_2e	244,497.49	169,927.27	**150,024.33**
GHG emissions per unit area	kg CO_2e/m^2	142.76	95.38	**89.53**
Total quantity of hazardous wastes	ton	3.36	6.55	**4.89**
Total quantity of non-hazardous wastes	ton	3,795.50	4,265.44	**3,459.55**
Discharge of domestic wastewater	ton	2,618,514.62	2,499,186.94	**2,568,027.96**
Use of Resources				
Total consumption of power	MWh	428,717.32	297,961.19	**281,400.47**
Including: purchased electricity	MWh	428,717.32	297,961.19	**279,583.17**
self-generated electricity[3]	MWh	0.00	0.00	**1,817.30**
Power consumption per unit area	kWh/m^2	247.86	167.25	**165.75**
Total gas consumption	m^3	84,862.70	64,695.60	**34,204.59**[4]
Gasoline consumption of freight vehicles	liter	55,438.00	48,121.21	**26,828.16**[5]
Diesel consumption of freight vehicles	liter	749,405.01	740,376.48	**650,193.04**
Gasoline consumption of official vehicles	liter	42,517.52	27,637.58	**26,659.10**
Diesel consumption of official vehicles	liter	443.95	421.12	**0.00**[6]
Total water consumption	ton	2,793,700.00	2,665,179.53	**2,697,284.16**
Water consumption per unit area	ton/m^2	1.62	1.50	**1.59**
Total quantity of purchased packages[7]	ton	1,750.64	1,287.46	**1,314.08**
Environmental Management System				
Total investment in environmental protection	RMB'0000	–	522.09	**561.74**
Including: equipment renewal	RMB'0000	–	113.34	**159.07**[8]
waste treatment	RMB'0000	–	408.75	**402.67**

Notes:

1. Statistical caliber: The data statistical caliber is within the scope of consolidated reports, and if not otherwise specified, includes parent company of Lianhua Supermarket Development, Lianhua Quik, Lianhua Logistics, regional subsidiaries (including Zhejiang, Guangxi, Anhui, Jiangsu and Henan regional subsidiaries) and all directly-operated stores (including Shanghai and other regions). Data in relation to hazardous and non-hazardous wastes exclude Lianhua Supermarket Development, Lianhua Quik, Lianhua Huashang and Lianhua Henan Company. The total purchases of packages exclude Lianhua Quik.

2. Calculation method: Total GHG emissions include Scope 1 and Scope 2 GHG emissions. Scope 1 GHG gas emissions came from the natural gas, as well as the gasoline and diesel used by its self-owned official vehicles and freight vehicles. The emission factors take reference to the coefficients in the *Guidelines for Measurement Methodology and Reporting of Corporate Greenhouse Gas Emissions of Power Generation Equipment (2022 revision)*. Scope 2 GHG emissions came from the Company's purchased electricity. This indicator is calculated based on the electricity consumption data and the grid emission coefficients which are based on the latest national grid emission coefficients published in the year of disclosure. The 2022 and 2023 emission coefficients adopts the coefficient of 0.5703tCO_2/MWh published in the *Notice on the Management of Greenhouse Gas Emissions Reporting by Enterprises in the Power Generation Industry for 2023 to 2025* by the Ministry of Ecology and Environment. The 2024 emission coefficients adopts the coefficient of 0.5366tCO_2/MWh published in the *Release of Carbon Dioxide Emission Factors for Electricity in 2022* by the Ministry of Ecology and Environment.

3. In 2024, the distributed photovoltaic power generation of Lianhua Huashang Shaoxing Logistics Base was put into use, with the electricity being self-generated and self-consumed.

4. In 2024, Lianhua Anhui Company closed some stores and adjusted the outlets' caterers of Lianhua Henan Company, resulting in a decrease in total gas consumption.

5. In 2024, the Group's own logistics and delivery service decreased and the proportion of third party logistics and delivery service increased, resulting in a decrease in the gasoline consumption of freight vehicles.

6. In 2024, the diesel official vehicles of Lianhua Guangxi Company were not used for a long time and have been sold, resulting in no diesel consumption of official vehicles.

7. Packages include trays, cling film and roll bags.

8. In 2024, Lianhua Supermarket Development updated energy-saving compressor equipment, making this part of the environmental protection investment increased.

Social performance

Employment Performance Table

Category	Indicator	Unit	2022	2023	2024
Employment					
Total employees		Person	28,701	25,735	**21,606**
By gender	Females	Person	19,657	17,712	**14,645**
	Males	Person	9,044	8,023	**6,961**
By form of employment	Full-time labour contract employees	Person	19,347	16,357	**13,594**
	Full-time dispatch contract employees	Person	3,412	2,202	**1,738**
	Part-time employees	Person	5,942	7,176	**6,274**
By age	Over 50 years old	Person	5,311	6,701	**5,436**
	30-50 years old	Person	21,405	17,328	**14,709**
	Under 30 years old	Person	1,985	1,706	**1,461**
By birthplace	Staff from Mainland China	Person	28,701	25,735	**21,606**
	Staff from Hong Kong, Macao and Taiwan and overseas	Person	0	0	**0**
By rank	Senior management	Person	39	38	**41**
	Middle management	Person	631	513	**467**
	Junior management	Person	28,031	25,184	**21,098**
Turnover Rate[1 2]		%	27.15	28.47	**37.10**
By gender	Male employees' turnover rate	%	25.23	26.84	**34.94**
	Female employees' turnover rate	%	28.04	29.21	**38.10**
By age	Over 50 years old employees' turnover rate	%	34.47	31.44	**46.68**
	30-50 years old employees' turnover rate	%	20.96	21.45	**27.76**
	Under 30 years old employees' turnover rate[3]	%	74.14	92.44	**94.85**
By birthplace	Turnover rate of employees from Mainland China	%	27.15	28.47	**37.10**
	Turnover rate of employees from Hong Kong, Macao and Taiwan and overseas	%	0.00	0.00	**0.00**

Category	Indicator	Unit	2022	2023	2024
Rights and Benefits					
Employee health check-ups	Number of employees participating in health check-ups	Person	16,697	12,882	**11,638**
	Coverage rate of employee health check-ups[4]	%	58.18	50.06	**53.86**
Protection of rights and benefits through collective bargaining	Number of employees covered by collective bargaining agreements	Person	21,973	23,559	**16,599**
	Percentage of employees covered by collective bargaining agreements	%	76.56	91.54	**76.83**
Total number of discriminations		Case	0	0	**0**
Health and Safety					
Number of work-related fatalities		Person	0	0	**0**
Lost days due to work injury		Day	11,104.00	7,779.00	**9,488.00**
Development and Training					
Percentage of employees trained		%	94.71	95.78	**95.17**
By gender	Percentage of female employees trained	%	67.99	68.47	**67.63**
	Percentage of male employees trained	%	32.01	31.53	**32.37**
By rank	Percentage of senior management trained	%	0.14	0.15	**0.19**
	Percentage of middle management trained	%	2.20	1.95	**1.94**
	Percentage of junior management trained	%	97.66	97.89	**97.87**
Average training hours completed by employees		Hour	22.83	13.44	**13.61**
By gender	Average training hours completed by female employees	Hour	21.71	12.85	**12.81**
	Average training hours completed by male employees	Hour	25.26	14.74	**15.30**
By rank	Average training hours completed by senior management	Hour	141.49	33.84	**24.45**
	Average training hours completed by middle management	Hour	55.02	49.43	**36.07**
	Average training hours completed by junior management	Hour	21.94	12.68	**13.09**

Notes:

1. Calculation method: Employee turnover rate=number of employees in this category lost within the year／〔(total number of employees in this category at the beginning of the year + total number of employees in this category at the end of the year)/2〕 x 100%.

2. In 2024, the Group gradually adjusted the ageing staff structure and optimized the core talent structure due to the development of business strategy and the transformation needs such as store rejuvenation, resulting in a significant increase in turnover rate.

3. Due to the special nature of the retail industry, employees are required to work on scheduled shifts (six-day work or pay on working hours), which is not well accepted by employees under 30 years old, and the traditional industry is not attractive to employees under 30 years old, therefore, the turnover rate of employees under 30 years old is high.

4. This figure represents the physical examination arrival rate of employees of the Group.

Supply Chain Management Performance Table

Indicator	Unit	2022	2023	2024
Number of suppliers (end of period)	supplier	2,060	2,378	**1,968**
Number of suppliers from Mainland China (end of period)	supplier	2,058	2,376	**1,966**
Number of suppliers from Hong Kong, Macao and Taiwan and overseas (end of period)	supplier	2	2	**2**

Product Responsibility Performance Table

Indicator	Unit	2022	2023	2024
Sales of products sold subject to recalls for safety and health reasons as a percentage of total sales	%	0.002	0.002	**0.001**
Total amount of fines for violating laws and regulations relating to products and services	RMB'0000	50.49	42.32	**14.53**[1]
Number of incidents of violation of laws and regulations relating to products and services	Case	42	57	**52**
Complaint treatment rate with respect to products and services	%	100	100	**100**
Total number of complaints with respect to products and services	Case	1,912	1,911	**1,946**
Confirmed complaint of infringement of customer privacy and loss of customer information	Case	0	0	**0**
Customer satisfaction	%	–	95.77	**96.97**

Note:

1. The Group strengthened internal management and strictly complied with laws and regulations related to products and services, resulting in a decrease in the amount of fines imposed for violating such laws and regulations.

Safe Production Performance Table

Indicator	Unit	2022	2023	2024
Total amount of investment in safe production	RMB'0000	–	200.79	**135.73**[1]
Number of safety hazards and 5S inspections	Item	12,052	9,441	**9,732**
Number of safety training	Time	2,550	2,776	**3,628**[2]
Number of participants in safety training	Person	153,470	113,720	**105,093**
Number of emergency drills	Time	1,903	2,708	**2,949**
Number of participants in emergency drills	Person	67,987	77,997	**86,548**

Note:

1. In 2024, Lianhua Logistics safety production related maintenance projects were reduced, so the corresponding cost was reduced more.

2. In 2024, the Group carried out a large number of safety production training and emergency drills, and the safety awareness of employees was significantly improved. All employees in all segments had the ability to check and correct safety hazards.

Community Investment Performance Table

Indicator	Unit	2022	2023	2024
Community public welfare investment	RMB	791,070	562,057	**459,017**
Number of volunteers	Person	1,770	2,681	**4,071**[1]
Number of volunteer service hours	Hour	26,478	26,638	**67,601**[2]

Notes:

1. In 2024, the Group carried out multiple large-scale events, such as the Corporate Sports Culture Festival and the opening services of transformed stores, all of which had volunteers, resulting in an increase in the number of volunteers.

2. In 2024, the number of volunteers of the Group increased, and the volunteer service hours for activities such as Lianhua Huashang Discount Day (聯華華商折扣日) were extended, resulting in an increase in the number of volunteer service hours.

Governance Performance

Anti-corruption Performance Table

Indicator	Unit	2022	2023	2024
Number of employees participating in anti–corruption training	Person	9,304	8,722	**8,379**
Total hours of anti-corruption training of employees	Hour	11,377	10,932	**11,496**
Number of concluded lawsuits regarding corruption brought against the issuer or its employees during the reporting period	Case	0	0	**0**
Number of directors participating in anti-corruption training	Person	11	11	**11**
Total hours of anti-corruption training of directors	Hour	27.5	27.5	**27.5**
Hours of anti-corruption training per director	Hour/Person	2.5	2.5	**2.5**
Percentage of directors covered by anti-corruption training	%	100	100	**100**

8. INDEX OF ESG REPORTING GUIDE BY THE STOCK EXCHANGE

Part B: Mandatory Disclosure Requirements

Mandatory Disclosure Requirements		Chapter Disclosed
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	1.2 ESG Management Structure
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative:** Information on the standards, methodologies, assumptions, and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Preparation of Report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Preparation of Report

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
	Subject Area A. Environmental **Aspect A1. Emissions**	
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3.1 Green Operation
KPI A1.1	The types of emissions and respective emissions data.	3.1 Green Operation ESG Data Sheet and Notes
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG Data Sheet and Notes
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG Data Sheet and Notes
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	ESG Data Sheet and Notes
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	1.1 ESG Management Concept and Strategy 3.1 Green Operation 3.2 Reduction and Recycling of Packaging Materials
KPI A1.6	Description of how hazardous and non–hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	1.1 ESG Management Concept and Strategy 3.1 Green Operation
	Aspect A2. Use of Resources	
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	3.1 Green Operation
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ESG Data Sheet and Notes
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	ESG Data Sheet and Notes
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	1.1 ESG Management Concept and Strategy 3.1 Green Operation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	1.1 ESG Management Concept and Strategy 3.1 Green Operation

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	ESG Data Sheet and Notes	
Aspect A3. The Environment and Natural Resources			
General Disclosure A3	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	3.1	Green Operation
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.1 3.3	Green Operation Climate Change Mitigation and Adaptation
Aspect A4. Climate Change			
General Disclosure A4	Policies on identification and mitigation of significant climate-related issues that have impacted, and those which may impact, the issuer.	3.3	Climate Change Mitigation and Adaptation
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	3.3	Climate Change Mitigation and Adaptation
B. Social Employment and Labour Practices **Aspect B1. Employment**			
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1	Employees' Benefits and Welfare
KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	ESG Data Sheet and Notes	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	ESG Data Sheet and Notes	

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
	Aspect B2. Health and Safety	
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.2 Safe Production
KPI B2.1	Number and rate of work-related fatalities.	ESG Data Sheet and Notes
KPI B2.2	Lost days due to work injury.	ESG Data Sheet and Notes
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.2 Safe Production
	Aspect B3. Development and Training	
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3 Employees' Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	ESG Data Sheet and Notes
KPI B3.2	The average training hours completed per employee by gender and employee category.	ESG Data Sheet and Notes
	Aspect B4. Labour Standards	
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5.1 Employees' Benefits and Welfare
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Employees' Benefits and Welfare
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Employees' Benefits and Welfare

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
	Subject Area B. Social Operating Practices	
	Aspect B5. Supply Chain Management	
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	4.2 Supply Chain Environment and Social Management
KPI B5.1	Number of suppliers by geographical region.	ESG Data Sheet and Notes
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4.2 Supply Chain Environment and Social Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.2 Supply Chain Environment and Social Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.2 Supply Chain Environment and Social Management
	Aspect B6. Product Responsibility	
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1 Product Quality Management 4.5 Responsible Marketing
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	ESG Data Sheet and Notes
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	4.3 Consumer Relationship Management ESG Data Sheet and Notes
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2 Risk Management and Internal Control
KPI B6.4	Description of quality assurance process and recall procedures.	4.1 Product Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.4 Protection of Consumers' Information and Privacy

Part C: "Comply or explain" Provisions Aspects, General Disclosures and KPIs		Chapter Disclosed
	Aspect B7. Anti-corruption	
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.3 Business Ethics and Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	ESG Data Sheet and Notes
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	2.3 Business Ethics and Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	2.3 Business Ethics and Anti-corruption ESG Data Sheet and Notes
	Aspect B8. Community Investment	
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.1 Community Communication and Development 6.2 Charity and Volunteer Activities
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.1 Community Communication and Development 6.2 Charity and Volunteer Activities 6.3 Rural Revitalization
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	ESG Data Sheet and Notes

联华超市股份有限公司
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