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HUITONGDA

HUITONGDA NETWORK CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 9878

2024

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman of the Board and non-executive Director

Mr. WANG Jianguo

Executive Directors

Mr. XU Xiuxian (Chief Executive Officer)
Mr. ZHAO Liangsheng
Mr. SUN Chao

Non-executive Directors (excluding the chairman of the Board)

Mr. CAI Zhongqiu
Ms. XU Di

Independent Non-executive Directors

Ms. YU Lixin
Mr. LIU Xiangdong
Mr. DIAO Yang

AUDIT COMMITTEE

Ms. YU Lixin (Chairlady)
Mr. LIU Xiangdong
Mr. DIAO Yang

REMUNERATION AND APPRAISAL COMMITTEE

Mr. LIU Xiangdong (Chairman)
Mr. XU Xiuxian
Ms. YU Lixin

NOMINATION COMMITTEE

Mr. DIAO Yang (Chairman)
Mr. XU Xiuxian
Mr. LIU Xiangdong

STRATEGY COMMITTEE

Mr. WANG Jianguo (Chairman)
Mr. XU Xiuxian
Mr. LIU Xiangdong

SUSTAINABLE DEVELOPMENT (ESG) COMMITTEE

Mr. WANG Jianguo (Chairman)
Mr. XU Xiuxian
Mr. SUN Chao

BOARD OF SUPERVISORS

Mr. WANG Xinghua (Chairman)
Mr. LI Wei
Mr. MAO Yijun

JOINT COMPANY SECRETARIES

Ms. TANG Min
Ms. AU Wai Ching

AUTHORIZED REPRESENTATIVES

Mr. WANG Jianguo
Ms. AU Wai Ching

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Corporate Information

REGISTERED OFFICE AND HEADQUARTERS

Huitongda Building
50 Zhongling Street, Xuanwu District
Nanjing
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

Hong Kong Laws:

Clifford Chance
27/F, Jardine House
One Connaught Place
Hong Kong

PRC Laws:

Grandall Law Firm (Nanjing)
7th-8th Floor, Building B, No.309 Hanzhong Gate Avenue
Nanjing
PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China Nanjing Shanxi Road Sub-branch
No. 143, Zhongshan North Road
Gulou District
Nanjing
PRC

STOCK CODE

9878

COMPANY'S WEBSITE

www.htd.cn

DEFINITIONS

In this annual report, the following terms shall have the following meanings, except otherwise stated:

"Alibaba China"	Alibaba (China) Network Technology Co., Ltd., one of the Company's Shareholders
"AIaaS"	AI as a service
"Articles of Association"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, for the purpose of this annual report, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
"Company"	Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), a joint stock company with limited liabilities established under the laws of the PRC on December 6, 2010, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 9878)
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	domestic share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as paid in Renminbi
"Domestic Shareholder(s)"	holder(s) of Domestic Share(s)
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which is (are) subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of H Share(s)
"HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and Interpretation issued by the International Accounting Standards Committee

Definitions

"Latest Practicable Date"	April 23, 2025, being the latest practicable date prior to the publication of this annual report for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Option(s)"	share option(s) to subscribe for H Share(s) granted to grantees pursuant to the rules of the Share Option Scheme
"POP"	partner open platform
"Prospectus"	the prospectus of the Company dated January 31, 2022
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period" or "Year"	the year ended December 31, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share unit(s), each share unit represents one underlying H Share of an award granted to a selected participant
"RSU Scheme"	the restricted share unit scheme adopted by the Company as resolved by the Board on October 11, 2022 and considered and approved by the Shareholders at the general meeting on November 28, 2022
"SaaS"	software as a service
"SaaS+"	SaaS products combined with value-added services such as offline marketing services provided onsite
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
"Shareholder(s)"	the shareholder(s) of the Company, including Domestic Shareholders and H Shareholders
"Share Option Scheme"	the H Share option scheme adopted by the Company as resolved by the Board on September 20, 2024 and considered and approved by the Shareholders at the general meeting on November 12, 2024

Definitions

"Strategy Committee"	the strategy committee of the Board
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Sustainable Development (ESG) Committee" or "ESG Committee"	the sustainable development (ESG) committee of the Board
"Treasury Shares"	has the meaning ascribed thereto under the Listing Rules
"%"	per cent

FINANCIAL SUMMARY AND OPERATING METRICS

FINANCIAL OVERVIEW

	Year ended December 31,				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**60,059,328**	82,432,520	82,105,987	65,763,174	49,629,135
Including:					
Revenue from commerce business	**59,269,467**	81,618,095	81,177,331	65,225,613	49,302,000
Revenue from service business	**610,474**	654,719	794,836	437,814	242,722
Gross profit	**2,308,895**	2,739,724	2,588,101	1,867,966	1,344,511
Profit from operations	**597,925**	794,013	714,650	638,689	406,759
Profit/(loss) for the year	**461,769**	697,299	557,819	(177,049)	(279,992)
Profit/(loss) attributable to equity shareholders of the Company	**269,738**	448,275	316,378	(349,881)	(405,287)
Total assets	**28,491,140**	29,110,070	29,388,741	25,598,011	21,695,331
Cash and cash equivalents	**2,781,257**	3,748,938	4,082,240	2,966,920	4,315,977
Total liabilities	**18,880,640**	19,615,041	19,778,571	27,315,457	23,739,822

OPERATING METRICS

	As at December 31				
	2024	2023	2022	2021	2020
Total number of registered member retail stores	**248,560**	237,238	206,231	169,466	140,481
Number of active member retail stores	**95,111**	90,708	76,160	62,203	32,715
Number of active wholesaler customers	**9,359**	12,534	16,732	16,756	18,807
Total number of SaaS+ subscription users	**107,929**	131,810	113,998	102,047	62,054
Including: paid SaaS+ users	**38,172**	48,069	29,775	17,905	2,571

CHAIRMAN'S STATEMENT

Dear Shareholders:

I hereby on behalf of the Board present to the Shareholders the annual report of the Company for the year ended December 31, 2024, and express our sincere gratitude to the Shareholders for concern and support to the Group.

BUSINESS REVIEW

In 2024, facing a complex and ever-changing external economic environment and intense industry competition, the Group proactively sought change, placing greater emphasis on improving the quality and depth of its business. It actively adjusted its development strategy, comprehensively advanced industrial upgrades, proactively optimized certain low-margin and low-efficiency businesses, and strengthened more cautious and prudent financial management, effectively responding to market changes. Upholding its corporate mission of "Creating a Better Life for Rural People", the Group persistently focused on penetrating lower-tier markets and empowered rural family-run businesses by leveraging digital technology and supply chain capabilities.

Guided by the Board and fueled by the collective dedication of management and all staff of the Group, the Group has achieved a significant growth in profitability and optimized adjustments to its industrial structure through adjustments to its business structure. In 2024, the Group achieved operating revenue of RMB60.059 billion; gross profit margin of 3.8%, with a year-on-year increase of 0.5 percentage points; net profit of RMB462 million; profit attributable to equity Shareholders of the Company of RMB270 million; and net cash inflow generated from operating activities of RMB275 million.

Chairman's Statement

I. Strategic Upgrading Propelled Optimization of Business Structure

In 2024, the Group adhered to a high-quality development approach, comprehensively advancing its core strategies and achieving remarkable results. Firstly, the business strategy shifted from a scale-oriented approach to prioritizing profitability and cash flow. The Group proactively streamlined inefficient operations and concentrated on high-margin businesses, continuously optimizing its business structure and enhancing gross profits. Secondly, industrial development transitioned from expanding scale and scope to pursuing specialized and robust growth. The Group continuously strengthened the supply chain capabilities, achieving comprehensive breakthroughs in production-sales integration, collaborations with leading brands, and the development of three "new" industries (new categories, new channels, and new models). Thirdly, the upgrading of digitalization capabilities evolved from a broad and all-encompassing approach to a more refined and specialized approach. By focusing on digitalization service and management capabilities, the Group achieved a comprehensive improvement in management efficiency and service capability, boosting digitalization empowerment for rural family-run businesses greatly.

Organizational restructuring achieved efficiency enhancement. In 2024, to better cope with external environmental changes and requirements, the Group restructured its merchandise portfolio, upgraded its business model, and optimized its organizational structure, completing the strategic optimized adjustments to organizational structure and accelerating the enhancement of both operational efficiency and organizational effectiveness.

Through strategic upgrading, model innovation, and organizational optimization, the Group made remarkable achievements in supply chain capabilities, member services, and digitalization construction in 2024, laying a solid foundation for the high-quality development in the future.

II. Continuous Improvement in Supply Chain Control Capabilities

In 2024, the Group comprehensively advanced industrial upgrading, building its own brand matrix, strengthening collaborations with leading brands, and driving the development of three "new" industries. Simultaneously, it further advanced its online and offline omni-channel presence.

1. Own brand matrix construction

In 2024, the Group continued to focus on developing high-value-added segments and actively promoting an innovative supply chain featuring production determined by sales and production-sales integration. It successfully built up a brand matrix of more than 10 own brands covering industries such as large household appliances, kitchen and bathroom appliances, small household appliances, liquor, home furniture, and beauty products, achieving vertical integration from production to consumption.

2. Deepening collaboration with leading brands

The Group further strengthened its collaborations with leading brands such as Apple, AHC, Lenovo, Midea, Hualing, and Siemens. Centering on the collaboration of resource factories, the Group collaborated closely with leading resource factories, including Shandong Ruixing and Ningxia Lanfeng to enhance resource coordination and integration among factories.

3. Strategic expansion to three "new" industries

In 2024, the Group continued to promote the expansion of high-value three "new" industries of "new categories, new models, and new channels" by addressing evolving consumer demands in personal care, health, and quality life. Through innovations in business models, market segments, and distribution channels, the Group preliminarily established a nascent industrial cluster and achieved a comprehensive online-offline omni-channel presence. This strategic move has unlocked a new growth trajectory for the Group's future development.

III. Continuous Enhancement of Member Retail Store Service Capability

1. Growth in both member retail stores' network density and conversion rate

As of the end of the Reporting Period, the total number of registered member retail stores of the Group exceeded 249 thousand, representing a year-on-year growth of 4.8%, which has formed a scale barrier. Among them, active member retail stores reached 95 thousand, representing a year-on-year growth of 4.9%; the total number of subscribed SaaS+ users amounted to nearly 108 thousand, of which, the number of paid SaaS+ users exceeded 38 thousand.

2. Continuous fulfillment of member retail stores' demand for supply chains featuring excellent cost performance ratios

In 2024, the Group focused on strengthening cooperation with leading brands to enhance bargaining power while continuing to promote the incubation of self-operated brands and production-sales integration projects, which aimed to develop differentiated competitiveness and provide supply chain services featuring "excellent cost performance ratios" for member retail stores in lower-tier markets.

3. Ongoing efforts in innovation on service products

The Group focused on enhancement of the intelligent capabilities of the Qiancheng Cloud SaaS+ products. In terms of digitalization management on store, by leveraging precise data insights and intelligent process optimization, the Group assisted retail stores in comprehensively improving operational efficiency and reducing operating costs; in terms of marketing empowerment, through big data analysis and AI algorithms, personalized marketing solutions were tailored for stores to effectively enhance marketing performance and sales conversion rates. These initiatives boosted the sales performance of member retail stores, so as to cater to the needs of customers across various business formats, industries and scenarios.

Chairman's Statement

IV. Continuous Digitalization Upgrades

In 2024, the Group significantly advanced its digitalization efforts in three key areas, namely platformization, online integration, and intelligence.

1. Continuous upgrades of the digitalization infrastructure

By integrating multiple software product lines into public business platforms, the Group provided a unified, comprehensive, mature and scalable standardized digitalization infrastructure for its business, optimizing the customer transaction experience.

2. Utilization of AI applications

In 2024, the Group upgraded from digitalization to intelligence, and accelerated its foundational layout and application exploration in AI sectors to accumulate and train a business knowledge base. Early results have been achieved in areas such as intelligent customer service, product auditing, AI-driven research and development, and digital human live streaming. The Group's "Qiancheng Cloud SaaS+" platform has enhanced features such as AI-driven shopping assistants and AI CRM private domain marketing, which optimize procurement and marketing. It covers multiple scenarios in the operation and management of member retail stores, achieving a comprehensive upgrade of technical capabilities in digitalization management, intelligent services, marketing services, supply chain optimization, and omni-channel business expansion. This integration brings an "AI engine" into the full process of business management for member retail stores, from procurement and marketing to customer service and after-sales, significantly improving store operational efficiency and end customer satisfaction, while driving the digitalized and intelligent transformation of small retail stores.

Through over a decade of data accumulation in lower-tier markets and AI exploration, the Group has laid the foundation for AIaaS transformation.

V. Further Enhancement of Corporate Influence

In 2024, the Group received increasing attention and recognition from various levels from government and society, which further strengthened its industry influence. Provincial and ministerial level leaders of authorities and institutions such as the National Bureau of Statistics, the All-China Federation of Supply and Marketing Cooperatives, the Social Work Department of CPC Jiangsu Provincial Committee, and the Jiangsu Provincial Administration for Market Regulation have conducted multiple visits and research and highly praised Huitongda's initiatives. In 2024, the Company received numerous corporate honors and provincial- and ministerial-level awards, including the "Top 500 Chinese Enterprises (ranked 296th)", the "Key Software Enterprise Encouraged by the State", the "Top 100 Comprehensive Strength Internet Enterprises in China (ranked 26th)", and the "Top 100 Industrial Internet Enterprises (ranked 5th)".

FUTURE PROSPECT

In 2025, under the backdrop of the State "Technology Powerful Country" and "Consumption-Driven" strategies, the lower-tier markets will become the core engine of economic growth. As an industry pioneer, Huitongda precisely aligns with the policy directions not only benefiting from favorable policies but also actively implementing strategic goals.

As an industrial internet platform focused on the lower-tier markets, Huitongda will fully seize the opportunity, insisting on empowering deep services for the rural retail ecosystem through digital technologies and supply chain capabilities, advancing "AI+ scenario applications" in the lower-tier markets, and contributing to the high-quality development of the urban-rural economy.

In 2025, the Group will focus on profitability and cash flow, and implement the following key tasks, prioritizing the enhancement of core capabilities such as supply chain management, member services, and digitalization:

I. Focusing on Supply Chain Capability Enhancement to Drive Industrial Upgrade and Implementation

Based on in-depth insights into lower-tier market demands, the Group proposed three supply chain strategies, namely "Leading Brands + Own Brands + POP", to build a flexible supply chain network covering all categories and channels:

The first is the "Brand Express Project". Through enhancing cooperation with leading brands, we aim to create a "High-quality and Well-priced" commodity supply ecosystem. This specifically meets the needs of member stores and consumers with brand preferences. Currently, the Group has entered over 100 strategic partnerships with leading industry brands. In 2025, we plan to develop 5 to 10 additional headquarters-to-headquarters leading brands in high-growth categories, including smartphones, AI-powered glasses, robotics, drones, innovative appliances, and health products.

The second is the "Own Brand Ecosystem Development Project". Through establishing the own brand matrix, we focus on meeting the needs of member stores and consumers with a preference for cost performance ratio and quality-price ratio.

The third is the "Open-Platform Supply Chain System". Through establishing an AI-driven POP platform, we will be able to satisfy the demand of both supply and demand for long-tailed and personalized commodities.

Chairman's Statement

II. Focusing on Member Services and Digitalization Capability Enhancement, AI-Driven Efficiency and Experience Upgrade

In 2025, the Group will focus on strengthening its presence in the 21 provinces and 25 thousand townships already covered, with an emphasis on increasing the density and loyalty of member stores to strengthen internal growth.

Digitalization will focus on two major directions, including the leading position of public platforms and AI-empowering industries. Through public services platform upgrades aligned with industry trends, the Group aims to maintain a leading position in digital infrastructure. The Group will continue to enhance the comprehensive penetration of AI technology, deepening its application in scenarios such as intelligent shopping assistants, private domain marketing, and smart operations. As one of the earliest domestic ToB empowerment platforms focusing on county and township-level lower-tier markets, Huitongda has accumulated a vast amount of operational transaction data and developed a combination of online and offline digital technologies and industry service capabilities. In the wave of AI, the Group is actively deploying, from independently developing industry-specific large models to integrating mainstream large models like DeepSeek and quickly launching software robot applications, continuously expanding commercial scenarios. The data assets accumulated over more than a decade will be applied in a wider range of business scenarios in the AI era, bringing profits to upstream and downstream partners and further enhancing the platform's value.

With the ongoing deployment of AI and related applications, the Group's SaaS business will be expanded into AIaaS while driving the upgrade of new intelligent retail scenarios through edge computing and intelligent terminals as the carriers. Through "SaaS + AI", the Group aim to unlock new opportunities for enhancing supply chain efficiency across industries, ultimately building smarter and more seamless two-way commerce networks connecting urban and rural markets.

III. Focusing on the Three "New" Strategy to Open up New Growth Curves

In 2025, with a focus on the strategy of "new categories, new channels, and new models", the Group will comprehensively promote industrial upgrading. In terms of new categories, the Group will focus on laying out products with high margin and high price multiples in the personal care, health and quality life categories. In terms of new channels, the Group will deepen the layout of e-commerce, private domain and cross-border channels, thereby expanding market boundaries and enhancing revenue resilience. In terms of new models, the Group will integrate regional resources through strategic investment and mergers and acquisitions, to rapidly expand the ecosystem and achieve economies of scale, aiming to strengthen the control over the upstream and downstream industries.

Chairman's Statement

The year 2025 will be a year of harvest for Huitongda's strategic transformation. With the deep engagement in the markets in lower-tier cities for a decade and leveraging the multiple supports of policies, technologies and capital, Huitongda is accelerating its transition from the period of "business optimization" to the "value release".

Based on the proactive strategic upgrade in 2024, the Group is confident of achieving further improvement in gross profit margin and net profit margin starting from 2025, with profit growth expected to outpace revenue growth. In 2025, the Company will offset losses with capital reserves in compliance with relevant policy guidelines and realize dividend distributions as early as possible aligned with the "Shareholders' Dividend Return Plan For the Next Three Years". Continuing to anchor operations in its core philosophy of "tech-driven efficiency and supply chain value creation", the Group will steadfastly pursue its mission of "Creating a Better Life for Rural People" while delivering sustainable returns to the Shareholders and society.

Chairman
Mr. WANG Jianguo

April 23, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group continued to focus on its strategy of cooperation with leading brands and network expansion in lower-tier markets, and optimized its business structure to cope with the complex and volatile market environment. In 2023 and 2024, the Group's revenue was RMB82,432.5 million and RMB60,059.3 million, respectively, representing a decrease of 27.1% year-on-year.

The following table sets forth the absolute amount and year-on-year change in revenue by business segments for 2023 and 2024:

Commerce Business

	Year ended December 31,		Year-on-year change
	2024	2023	
	RMB'000	*RMB'000*	
Commerce Business:			
Direct sales	**59,269,204**	81,616,120	(27.4%)
Consumer electronics	**34,883,092**	44,887,977	(22.3%)
Household appliances	**9,344,250**	12,313,537	(24.1%)
Agricultural means of production	**7,461,267**	12,261,326	(39.1%)
Vehicles and auto parts merchandise	**4,777,766**	7,614,679	(37.3%)
Homebuilding and renovation materials	**1,904,957**	2,993,729	(36.4%)
Liquor and beverages	**701,340**	1,353,909	(48.2%)
Others[(1)]	**196,532**	190,963	2.9%
Online marketplace	**263**	1,975	(86.7%)
Total for commerce business	**59,269,467**	81,618,095	(27.4%)

Note: (1) Others mainly include various fast-moving consumer goods.

The Group's revenue from the commerce business segment, which mainly covered six major sectors, namely consumer electronics, household appliances, agricultural means of production, vehicles and auto parts merchandise, homebuilding and renovation materials, and liquor and beverages, decreased by 27.4% from RMB81,618.1 million in 2023 to RMB59,269.5 million in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in revenue from the commerce business segment was mainly due to the following reasons during the Reporting Period: (i) in the face of a complex and severe market environment, the Group proactively adjusted its development strategy, actively reduced inefficient operations, focused on high-margin product categories, and strengthened collaborations of its own brands with leading brands, which had put pressure on the revenue during the transition stage; (ii) the consumer electronics sector experienced intensified market competition and adjustments in product iteration pace, leading to the extension of consumers' device replacement cycles; (iii) the household appliances sector was grappling with sluggish growth in traditional product categories and the diversion of online channels. In response, the Group proactively adjusted its development strategy by building its own brands such as "IDISSA (阿爾蒂沙)", "AKAI" and "THOMSON" to deploy innovative household appliances to drive differentiated competition. Although market recognition of these new brands still requires cultivation, the decline in revenue from the household appliance sector has significantly narrowed in the second half of 2024, with a sequential increase in revenue compared to the first half of 2024. Those own brands are expected to further enhance the Group's gross profit margin; (iv) the agricultural means of production sector was impacted by policy adjustments and fluctuations in raw material prices, leading to a structural contraction in demand. The Group actively optimized its business in volatile categories such as soybean meal; (v) the vehicles and auto parts merchandise sector was facing an intensified price war among the new energy vehicle sector, along with consumer wait-and-see attitudes. The Group adopted a more prudent operational strategy, optimizing its used car and low-margin vehicle businesses; (vi) the homebuilding and renovation materials sector was affected by the cyclical nature of the real estate market, resulting in an overall decline in demand. The Group proactively scaled back its standardized building materials business by focusing instead on its own brand "Forest Sparrow (林間雀)" for customized furniture to drive a steady increase in gross profit margin; and (vii) the liquor and beverages sector was experiencing intensified consumption stratification and overall weak demand. The Group took the initiative to adjust its strategy to focus on the development of its own high-margin brands such as "Forbidden City Liquor (故宮醬酒)" and "Peach Blossom Liquor (桃花潭酒)".

Service Business

	Year ended December 31,		Year-on-year change
	2024	2023	
	RMB'000	*RMB'000*	
Service Business:			
SaaS+ subscription	**510,851**	562,041	(9.1%)
Merchant solutions	**99,623**	92,678	7.5%
Total for Service Business	**610,474**	654,719	(6.8%)

Revenue from the service business of the Group was mainly from SaaS+ subscription and merchant solutions. The revenue from SaaS+ subscription decreased by 9.1% compared with the same period of last year. The revenue from merchant solutions increased by 7.5% compared with last year, primarily due to the Group's enhancement of its S2b2c e-commerce technology product capabilities and the establishment of strategic partnerships with telecommunications operators and cloud service providers, which expanded opportunities in the large customer market.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Revenue, Gross Profit and Gross Profit Margin

The Group's cost of revenue decreased by 27.5% from RMB79,692.8 million in 2023 to RMB57,750.4 million in 2024, and gross profit decreased by 15.7% from RMB2,739.7 million in 2023 to RMB2,308.9 million in 2024. The decrease in the cost of revenue and gross profit of the Group was primarily due to the decrease in its revenue. Gross profit margin of the Group increased from 3.3% in 2023 to 3.8% in 2024, benefiting from the Group's strategic upgrade, deepened cooperation with leading brands, and the construction of its own brand matrix, resulting in a significant improvement in gross profit margin.

Selling and Marketing Expenses

	Year ended December 31,				
	2024		2023		
	RMB'000	**As a percentage of revenue**	*RMB'000*	As a percentage of revenue	Year-on-year change
Selling and Marketing Expenses	**1,075,414**	**1.8%**	1,380,775	1.7%	(22.1%)

Selling and marketing expenses primarily consist of advertising expenses, promotion service fees and employee salaries. Selling and marketing expenses decreased by 22.1% from RMB1,380.8 million in 2023 to RMB1,075.4 million in 2024.

Administrative and Other Operating Expenses

	Year ended December 31,				
	2024		2023		
	RMB'000	**As a percentage of revenue**	*RMB'000*	As a percentage of revenue	Year-on-year change
Administrative and Other Operating Expenses	**364,328**	**0.6%**	373,844	0.5%	(2.5%)

Administrative and other operating expenses primarily consist of employee salaries, depreciation expenses and consultation service fees. Administrative and other operating expenses decreased by 2.5% from RMB373.8 million in 2023 to RMB364.3 million in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development ("R&D") Costs

	Year ended December 31,		
	2024 *RMB'000*	2023 *RMB'000*	Year-on-year change
R&D Costs	**67,066**	93,502	(28.3%)

R&D costs mainly include labor costs, depreciation and amortization and others. R&D costs decreased by 28.3% from RMB93.5 million in 2023 to RMB67.1 million in 2024. The decrease in R&D costs was mainly due to the reduction in the number of R&D employees, which resulted from the continuous improvement of the Group's R&D capability and efficiency. The investment in R&D during the Reporting Period remained at a normal level.

Impairment Loss on Trade and Other Receivables

The expected credit impairment losses increased by 10.9% from RMB274.9 million in 2023 to RMB304.7 million in 2024, which was mainly due to the Group's increased provision for expected credit losses on certain receivables with longer aging.

Other Revenue

Other revenue decreased by 4.0% from RMB44.9 million in 2023 to RMB43.2 million in 2024, remaining relatively stable.

Other Net Gains

Other net gains decreased by 56.6% from RMB132.4 million in 2023 to RMB57.4 million in 2024, primarily due to a decline in investment income as a result of fluctuation in market return rate of various wealth management products.

Net Finance (Costs)/Income

The amount of net finance (costs)/income decreased from income of RMB3.8 million in 2023 to costs of RMB78.2 million in 2024, primarily due to the decrease in bank deposit interest rates.

Income Tax

Income tax decreased by 42.4% from RMB99.7 million in 2023 to RMB57.5 million in 2024. The decrease in income tax expense in 2024 was primarily due to the decrease in profit before tax as compared to last year.

The consolidated tax rate based on profit before tax was 11.1%, representing a slight decrease from 12.5% as compared to last year.

The management of the Company considers that the effective tax rate applied by the Group during the Reporting Period was at a reasonable level.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit

In view of the above, net profit decreased by 33.8% from RMB697.3 million in 2023 to RMB461.8 million in 2024.

Profit Attributable to Equity Shareholders of the Company

We recorded a profit attributable to equity Shareholders of the Company of RMB269.7 million and RMB448.3 million for 2024 and 2023, respectively.

Cash and Cash Equivalents

As of December 31, 2023 and as of December 31, 2024, the cash and cash equivalents amounted to RMB3,748.9 million and RMB2,781.3 million, respectively. The Group has sufficient working capital for operating requirements.

Inventories

As of December 31, 2023 and as of December 31, 2024, the inventories amounted to RMB2,581.1 million and RMB2,032.7 million, respectively, showing a decrease in inventory value.

Inventory turnover days were 12 days in 2023 and 15 days in 2024, respectively.

Prepayments, Deposits and Other Receivables

As at December 31, 2023 and December 31, 2024, the prepayments, deposits and other receivables amounted to RMB9,312.4 million and RMB9,056.3 million, respectively, representing a slight decrease over the last year.

Trade and Bills Payables

As at December 31, 2023 and December 31, 2024, the trade and bills payables were RMB15,516.0 million and RMB14,636.8 million, respectively, representing a decrease of 5.7%.

The trade and bills payables turnover days were 70 days in 2023 and 95 days in 2024, respectively.

Capital Expenditures

The capital expenditures for 2024 and 2023 were RMB27.9 million and RMB33.0 million, respectively, which were used primarily for acquisition of properties and equipment.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2024, the Group had employed a total of 3,845 employees. The Group hires and promotes its staff based on their individual on-the-job performance and development potential. The remuneration package of all the employees depends on their performance and market salary levels.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended December 31, 2024, the Group did not hold any significant investments (including any investments in investee company(ies) representing 5% or more of the Group's total assets as at December 31, 2024) or have any material acquisitions or disposal of subsidiaries, associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As of December 31, 2024, inventories of RMB141.8 million (2023: RMB59.7 million) were pledged as security for issuance of bills payable, bank loans and other borrowings.

As of December 31, 2024, prepayments of RMB33.4 million (2023: RMB4.1 million) were pledged as security for bank loans and other borrowings.

As of December 31, 2024, the pledged deposits for the issuance of bills payable, letters of guarantee and bank loans amounted to RMB5,235.0 million (2023: RMB5,702.7 million).

As of December 31, 2024, structured deposits and wealth management products of RMB1,627.0 million (2023: RMB1,810.2 million) were used as pledge for the issuance of bills payable.

LIQUIDITY AND CAPITAL RESOURCES

The Group finances its working capital and other capital requirements principally with bank loans and other borrowings and cash generated from operating activities. As at December 31, 2024, the Group's cash and cash equivalents were RMB2,781.26 million, as compared to RMB3,748.94 million as at December 31, 2023.

THE GROUP'S PLANS TO MAKE MATERIAL INVESTMENTS OR ACQUIRE CAPITAL ASSET IN THE FUTURE

Save as disclosed in this annual report, as of December 31, 2024, the Group had no specific plans for material investments or acquisitions of capital assets.

GEARING RATIO

As of December 31, 2024, the gearing ratio of the Group was 14.5%. The gearing ratio is calculated based on total debts divided by the total amount of equity. Total debts include bank loans and other borrowings, loans from non-controlling shareholders of subsidiaries and lease liabilities.

The Directors believe that the Group's gearing ratio is within the normal range, which will promote the enhancement of business vitality and the further exploration of the market.

RISK OF EXCHANGE RATE FLUCTUATIONS AND ANY RELATED HEDGING

The Group mainly operates in the PRC and its transactions are mainly settled in RMB, therefore, the business of the Group is not subject to any material foreign exchange risk and does not enter into any hedging contracts.

The Group will continue to monitor changes in foreign exchange in an effort to maintain its cash value.

CONTINGENT LIABILITIES

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

The Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The Board is responsible, and has the general authority for, the management and operation of the Company. The Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. Independent non-executive Directors shall not hold office for more than six consecutive years.

The Board of Supervisors currently consists of three Supervisors, including one non-employee representative Supervisor appointed by general meetings and two employee representative Supervisors elected at employee representative meetings. The Board of Supervisors is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the financial, internal control and risk conditions of the Company. The Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The senior management is responsible for the management of day-to-day operations of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Chairman of the Board and Non-executive Director

Mr. WANG Jianguo, aged 64, is the founder of the Group and has been the chairman of the Board and a non-executive Director since November 2015. He is mainly responsible for presiding over the decision-making of external affairs and strategic development of the Group.

Mr. Wang has over 20 years of experience in retail business and corporate management. He worked at the Department of Commerce of Jiangsu Province (江蘇省商業廳) from July 1981 to April 1993 and served as the general manager of Jiangsu Wujiaohua Corporation (江蘇省五金交電化工總公司), a state-owned company mainly engaged in the sales of home appliances, where he was primarily responsible for its overall management from April 1993 to June 2002. He served as the chairman and the president of Jiangsu Five Star Appliance Co., Ltd. ("**Five Star Appliance**") (江蘇五星電器有限公司), a company engaged in the sales of household appliance, from December 1998 to February 2009 and Mr. Wang has not held any direct or indirect equity interest in Five Star Appliance since February 2009. Mr. Wang has been the chairman of the board of directors of Five Star Holdings Group Co., Ltd. ("**Five Star Holdings**") since February 2009.

Mr. Wang serves as the chairman of the board of directors of Kidswant Children Products Co., Ltd. (孩子王兒童用品股份有限公司, a company engaged in the sales and service of maternal and children products which is listed on the ChiNext, stock code: 301078) since June 2012. He also serves as an independent non-executive director at Honma Golf Limited (本間高爾夫有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 6858), and Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2096), since September 2016 and November 2019, respectively.

Directors, Supervisors and Senior Management

Mr. Wang obtained a master's degree in business management from the Australian National University upon completion of the executive master of business administration ("**EMBA**") programme in July 2004. He completed all the requirements prescribed by Shanghai Advanced Institute of Finance for the DBA (Doctor of Business Administration) in Global Finance Program (上海高級金融學院全球金融 DBA 項目) in July 2018. He also obtained a Ph.D. in Business Administration in Global Finance from Arizona State University, U.S.A. in May 2018.

Mr. Wang has been the vice chairman of Jiangsu General Chamber of Commerce since December 2014. He was awarded the Service Industry Professional Special Contribution Award (服務業專業人才特別貢獻獎) by Jiangsu Provincial People's Government in October 2014. He was also granted the Outstanding Achievement Award by the China Chain Store & Franchise Association (中國連鎖業成就獎) in November 2012. He was elected as the Model Worker of the National Business System (全國商務系統勞動模範) by the Ministry of Personnel and the Ministry of Commerce of the PRC in 2007.

Executive Directors

Mr. XU Xiuxian, aged 61, is the co-founder of the Group and has been an executive Director and the chief executive officer of the Company since its inception. He is mainly responsible for leading the business development of the Group and presiding over the decision-making and execution of the major business, development and investment plans.

Mr. Xu has more than 20 years of experience in retail business and corporate management. Mr. Xu served as the section chief of the Consumer Price Office of the Department of Commerce of Jiangsu Province (江蘇省商業廳物價處), the manager of Jiangsu Wujiaohua Corporation, where he was responsible for the air-conditioning business from March 1993 to November 1998, the general manager of Jiangsu Xingpu Technology Trading Co., Ltd. (江蘇星普科技貿易有限公司), a home appliance trading company, where he was primarily responsible for its overall operation and management from November 1998 to December 2004, and an executive vice president of Five Star Appliance from December 2004 to March 2009.

Mr. Xu graduated from Hangzhou Business School (杭州商學院) (currently known as Zhejiang Gongshang University (浙江工商大學)) in the PRC with a bachelor's degree in Business and Enterprise Management in July 1983. He subsequently completed postgraduate courses in global economy at the school of economics of Fudan University (復旦大學) in Shanghai, the PRC in June 2000 and obtained a master's degree in EMBA at Cheung Kong Graduate School of Business (長江商學院) in Beijing, the PRC in September 2011.

Mr. Xu was recognized for his excellence in leadership and obtained the award of National Trade and Circulation Services Model Workers and Advanced Workers (全國商貿流通服務業勞動模範和先進工作者) in September 2015, and won the 2018 China Electronic Appliances Service Association Outstanding President Award (中國家電服務業省市同業行協會優秀會長) in January 2019, and was also named one of the China Industrial Internet TOP 10 Leaders 2019 (中國產業互聯網十大領軍人物) in July 2019 and obtained the China Electrical Appliances Industry Outstanding Leader Award 2019 (中國家電行業卓越領袖獎) in October 2019.

Mr. ZHAO Liangsheng, aged 50, has been an executive Director since May 2021. He has been the vice president and chief financial officer of the Company since January 2013, during which he also served as the secretary to the Board from January 2013 to September 2023. Mr. Zhao is primarily responsible for overseeing the Group's financial affairs.

Directors, Supervisors and Senior Management

Mr. Zhao has more than 20 years of experience in financial management. Mr. Zhao served as a project manager of Jiangsu Tianheng Certified Public Accountants Co., Ltd. (江蘇天衡會計師事務所有限公司) (currently known as Talent Certified Public Accountants (Special General Partnership) (天衡會計師事務所(特殊普通合夥)) from July 1998 to April 2004, a financial director in Zhejiang Yulong Industrial Co., Ltd. (浙江裕隆實業股份有限公司), where he was primarily responsible for the overall financial management, from May 2004 to September 2005, an audit manager in Zhengda Tianqing Pharmaceutical Group Co., Ltd. (正大天晴藥業集團股份有限公司), where he was primarily responsible for the internal auditing, from October 2005 to December 2007, a deputy general manager of Nanjing Shangde Investment Management Co., Ltd. (南京上德投資管理有限公司) from 2007 to 2009 and the chief financial officer of Five Star Holdings from 2009 to 2012.

Mr. Zhao has been a certified public accountant conferred by Certified Accounting Examination Committee of the Ministry of Finance (財政部註冊會計考試委員會) since June 2001. Mr. Zhao obtained his bachelor's degree in business management (accounting) from Southeast University (東南大學) in Nanjing, the PRC in June 1998.

Mr. SUN Chao, aged 37, has been an executive Director since February 2023, and has been a vice president of the Company since July 2015 and is primarily responsible for assisting the president of the Company with operation and management of the Group and the member stores. Mr. Sun holds directorship or managerial positions at several subsidiaries within the Group, including the chairman of the board of directors of Jiangsu Wokewang Information Technology Co., Ltd (江蘇我可網信息科技有限公司) from April 2018 to January 2023, a general manager of Huitong Datatech Smart Technology Co., Ltd. (匯通數科智能科技有限公司) since September 2019 and an executive director and a general manager of Nanjing Shumei Network Technology Co., Ltd. (南京市數美網絡科技有限公司) (currently known as Nanjing Shumei Health Technology Co., Ltd. (南京數美健康科技有限公司)) from January 2020 to September 2024. Prior to joining the Group, he served as a project team member and a general manager of Haier mall of Haier Group E-commerce Co., Ltd. (海爾集團電子商務有限公司), where he was primarily responsible for the operation of Haier e-commerce platform from May 2009 to November 2010 and from November 2010 to July 2015, respectively.

Mr. Sun obtained a bachelor' s degree in management in e-commerce from Shandong University of Science and Technology (山東科技大學) in the PRC in June 2010, and a master's degree in business administration from Fudan University (復旦大學) in the PRC in January 2020. Mr. Sun received the Prize of CTOA Most Influential Technological Leadership (CTOA 最具領導力技術領袖獎); was nominated for the Nanjing High-level Talents 2019 (南京市高層次人才) in January 2019; was awarded the Prize of CTDC Internet Industry Technological Leadership Outstanding Figures 2018 (CTDC 互聯網行業技術領導力風雲人物獎); and won the first place in National Internet Commerce Innovative Application Competition 2009 (全國網絡商務創新應用大賽) in May 2009.

Non-executive Directors (excluding the Chairman of the Board)

Mr. CAI Zhongqiu, aged 54, has been a non-executive Director since May 2021 and is primarily responsible for participating in evaluation and approval of business plans, strategies and major decisions of the Group through the Board. Mr. Cai served as the investment director from August 2016 to August 2018, the executive director from August 2018 to December 2024, and the deputy general manager of SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司) since December 2024.

Mr. Cai has extensive experience in equity investment and corporate management. Mr. Cai obtained a doctoral degree in management engineering from the China University of Mining and Technology (Beijing) (中國礦業大學北京分校) in the PRC in June 2011.

Directors, Supervisors and Senior Management

Ms. XU Di, aged 36, has been a non-executive Director since March 2025. Ms. Xu has been working at Alibaba Group Holding Limited, a company listed on the Hong Kong Stock Exchange (stock code: 9988 (HKD counter) and 89988 (RMB counter)) and the New York Stock Exchange (stock code: BABA), since July 2017, and is currently serving as an investment director; and she has been a non-executive director of Red Star Macalline Group Corporation Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 1528) and the Shanghai Stock Exchange (stock code: 601828), since August 2023.

From September 2010 to August 2011, Ms. Xu served as a research analyst at China International Capital Corporation Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3908) and the Shanghai Stock Exchange (stock code: 601995); from September 2011 to July 2013, she served as an investment analyst at International Financial Corporation; and from August 2015 to July 2017, she served as the associate director of investment at CICC ALPHA (Beijing) Investment Fund Management Co., Ltd.

Ms. Xu graduated from the Wharton School of the University of Pennsylvania in June 2015 with a master's degree in business administration.

Independent Non-executive Directors

Ms. YU Lixin, aged 59, has been an independent non-executive Director since June 2022. Ms. Yu has been serving as the managing partner of Talent Certified Public Accountants (Special General Partnership) since November 2013; an independent director of Gstarsoft Co., Ltd. (蘇州浩辰軟件股份有限公司) (a company listed on the STAR Market of the PRC (stock code: 688657)) since November 2020; an independent director of Jinling Hotel Corporation, Ltd. (金陵飯店股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601007)) since June 2022; and an independent director of GEN-S Power Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600753) since July 2024.

From August 1987 to November 2013, Ms. Yu successively served as an audit assistant, project manager, department manager and deputy general manager of Jiangsu Accounting Firm (currently known as Talent Certified Public Accountants (Special General Partnership)). From October 2018 to March 2022, Ms. Yu served as an independent director of Jiangsu Hualan New Pharmaceutical Materials Co., Ltd. (江蘇華蘭藥用新材料股份有限公司) (a company listed on the Growth Enterprise Market of the PRC (stock code: 301093)); an independent director of Efful Science and Technology Co., Ltd. from June 2019 to April 2022; and an independent director of Wuxi DK Electronic Materials Co., Ltd. (a company listed on the Growth Enterprise Market of the PRC (stock code: 300842)) from April 2018 to May 2023.

Ms. Yu graduated from Soochow University with a bachelor's degree in economics in July 1987. She was accredited as a Chinese Certified Public Accountant by the Chinese Institute of Certified Public Accountants in October 1992.

Mr. LIU Xiangdong, aged 58, has been an independent non-executive Director since May 2021. He is responsible for supervising and providing independent advice to the Board.

Mr. Liu has been working in Renmin University of China (中國人民大學) with his current position as a professor. He was also an independent non-executive director of Shanghai Laiyifen Co., Ltd. (上海來伊份股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603777) from November 2016 to November 2022.

Mr. Liu obtained his bachelor's degree, master's degree and doctoral degree in economics from Renmin University of China in the PRC in July 1988, July 1991 and June 2002, respectively.

Directors, Supervisors and Senior Management

Mr. DIAO Yang, aged 51, has been an independent non-executive Director since November 2023. Mr. Diao has over 18 years of experience in corporate finance and has deep insights and opinions of China's technology, media and communications and consumer goods industries.

Mr. Diao founded Paradigm Advisors Holdings (Hong Kong) Limited (騰達資本顧問有限公司) in November 2016 and has been serving as its director since then. He has been the cofounder of Parantoux Capital Limited (藍藤資本有限公司) since March 2016. From October 2014 to April 2016, he worked as a managing director of the investment banking department of China Renaissance Securities (Hong Kong) Limited. He worked at J.P. Morgan Securities (Asia Pacific) Limited from May 2006 to October 2014, where his last position was a managing director at the global investment banking department. He worked as an associate at Morgan Stanley Asia Limited from July 2005 to April 2006. Since April 2022, Mr. Diao has served as an independent non-executive director in Tian Tu Capital Co., Ltd. (深圳市天圖投資管理股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1973) and the National Equities Exchange and Quotations (stock code: 833979.NQ).

Mr. Diao obtained his bachelor's degree in economics from Connecticut College in the United States in May 1997, and obtained his master's degree of business administration from Columbia Business School in the United States in May 2001.

Supervisors

Mr. WANG Xinghua, aged 44, has been the chairman of Board of Supervisors since November 2015 and is primarily responsible for supervising the Board and overseeing the operations of the Group. He has also served as the director of president office of the Company since February 2018 and the deputy director of the human resources and administration center of the Company since January 2024, where he is primarily responsible for the Company's public affairs, brand promotion, and administration. He also concurrently serves as a supervisor of Jiangsu Dachuang Electric Co., Ltd. (江蘇達創電器有限公司), one of the Group's subsidiaries, since January 2013.

Mr. Wang has extensive experience in human resources management and administrative management. He worked at the human resources center in Five Star Appliance from July 2003 to February 2009, served as a director assistant at the human resources center of Five Star Holdings from March 2009 to December 2011, and served as the director of the human resources center of our Company from January 2012 to February 2018.

Mr. Wang obtained a bachelor's degree in Human Resources Management from Nanjing University of Science and Technology (南京理工大學) in the PRC in June 2003. He obtained the Economics Professional Qualification (Intermediate Level) in January 2013 from Nanjing Professional and Technical Qualification Assessment Center (南京市專業技術人員職稱評介中心).

Mr. LI Wei, aged 48, has been a Supervisor since June 2020 and is primarily responsible for supervising the Board and overseeing the operations of the Group. He also serves as the assistant to the president and chief executive officer of business division of the Company since March 2019.

Directors, Supervisors and Senior Management

Mr. Li has over 25 years of experience in retail and distribution business. Mr. Li successively served as the head of the air conditioner business division of Five Star Appliance; a deputy general manager of Jiangsu Xingpu Science and Technology Trading Co., Ltd. (江蘇星普科貿有限公司), a home appliance trading company, where he was primarily responsible for assisting the general manager for the internal management and the sales of air conditioner from October 2002 to February 2009; a general manager of Jiangsu Sanchuang Trading Co., Ltd. (江蘇三創商貿有限公司), a home appliance trading company, where he was primarily responsible for the sales management of air conditioners and washing machines, from March 2009 to September 2014; a general manager of the Sunan branch of our Company from December 2014 to December 2018; and a director of the platform support center of the Company from December 2018 to December 2019.

Mr. Li obtained an associate degree in marketing from the Jiangsu Provincial Party School of the Chinese Communist Party (江蘇省委) in the PRC in October 1998.

Mr. MAO Yijun, aged 42, has been a Supervisor since May 2021 and is primarily responsible for supervising the Board and overseeing our operations. He joined the Group in April 2015 and serves as the director of the human resources and administration center of the Company from November 2019 to January 2025, and is responsible for the organization, talent acquisition and management, work incentive and cultural affairs of our Company. He has served as the assistant to the president of the Company since January 2023 and is primarily responsible for assisting the president of the Company with operation and management of the Group. He has also served as the chief executive officer of the Company's supply chain division since January 2025.

Mr. Mao worked in Suning Electric Co., Ltd. (蘇寧電器股份有限公司), a company principally operating franchised retail shops of electronics appliances in China, where he was primarily responsible for the production and marketing from October 2009 to August 2012; and the manager of key customer division of Nanjing Skyworth Household Appliances Co., Ltd. (南京創維家用電器有限公司), a company principally engaged in the R&D and production of household appliances, where he was primarily responsible for the domestic e-commerce business of refrigerators and washing machines of Skyworth, from September 2012 to March 2015.

Mr. Mao graduated from the Northwestern Polytechnical University (西北工業大學) in Xi'an, the PRC with a bachelor's degree in Software Engineering in July 2004.

Senior Management

Mr. XU Xiuxian. Please refer to "－Directors, Supervisors and Senior Management – Executive Directors".

Mr. ZHAO Liangsheng. Please refer to "－Directors, Supervisors and Senior Management – Executive Directors".

Mr. XING Jianhong, aged 54, has been a vice president of the Company since January 2015 and is primarily responsible for assisting the president of our Company with operation and management of our Group and the consumer electronics business. Mr. Xing currently holds directorship or managerial positions at several subsidiaries within our Group, including a director of Wanhulian New Energy Technology Co., Ltd. (萬戶聯新能源科技有限公司) since July 2017, a general manager of Yifantong Network Technology Co., Ltd. (億凡通網絡科技有限責任公司) since October 2019, a general manager of Jiangsu Xinglihui Network Technology Co., Ltd. (江蘇星立暉網絡科技有限公司) since December 2019, and an executive director of Tianjin Huayifan Network Technology Co., Ltd. (天津華億凡網絡科技有限公司) since December 2019.

Directors, Supervisors and Senior Management

Mr. Xing served as a deputy director of the procurement division, a branch general manager and the director of the development division of Five Star Appliance from December 1998 to December 2012 and a regional general manager of Shanghai Red Star Macalline Enterprise Development Co., Ltd. (上海紅星美凱龍企業發展有限公司), a homebuilding and renovation materials sales company, where he was primarily responsible for the development and operation of commercial properties from January 2013 to December 2014.

Mr. Xing completed postgraduate courses in corporate planning and corporate development at Nanjing University, the PRC in September 2004.

Mr. SUN Chao. Please refer to "－Directors, Supervisors and Senior Management – Executive Directors".

Ms. NI Juan, aged 50, has been the vice president of the Company and the secretary to the Board since July 2023. Ms. Ni is primarily responsible for assisting the president of the Company in operating the Company and overseeing the corporate governance of the Group.

Ms. Ni has extensive experience in corporate management and corporate governance of listed companies. From May 1998 to June 2012, Ms. Ni successively served as the administrative secretary and the secretary of the youth league committee of Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司) ("**Xinjiang Guanghui Industry Group**"), the deputy head of the mortgage department, a member of the Party committee, the head of the corporate culture department of the group, a member of the Party committee and the head of the strategic operation department of the group. From June 2012 to April 2023, she served as a director, deputy general manager and secretary to the board of directors of Guanghui Energy Co., Ltd. (廣匯能源股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600256). From March 2017 to June 2020, she also served as the legal representative and executive director of Xinjiang Guanghui Silk Road Cultural Tourism Investment Co., Ltd. (新疆廣匯絲路文化旅遊投資有限公司). From May 2023 to July 2023, she served as the assistant to the president and the general manager of the capital market department of Xinjiang Guanghui Industry Group.

Ms. Ni obtained a master's degree in political economics from Renmin University of China and has the qualification of economist.

Ms. Shen Chunmei, aged 41, has been the vice president and co-chief financial officer of the Company since February 2025. She has over 15 years of professional experience in capital markets, investor relations management, IPO, fundraising, merger and acquisition, strategic consulting and international financial media of companies listed in Hong Kong and the United States, as well as internationally renowned strategic consulting firms.

Directors, Supervisors and Senior Management

Prior to joining the Company, Ms. Shen served as the chief financial officer of an American medical device company. From 2020 to early 2024, Ms. Shen was an executive director and the vice president of China New Higher Education Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2001), where she took up the overall responsibility of its Hong Kong capital market related affairs. From 2018 to 2020, Ms. Shen was the director of corporate finance and investor relations of TCL Electronics Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1070), where she took up the overall responsibility of its capital market related affairs. From 2016 to 2018, Ms. Shen was the head of the group strategic communications department of Grab Holdings Inc., a multinational company offering ride-hailing transport services and payment solutions based in Singapore and listed on the NASDAQ Stock Exchange (stock code: GRAB), during which she participated in and assisted with its series-G financing of USD2.5 billion which was the largest single financing transaction in the history of Southeast Asia at that time. From 2015 to 2016, Ms. Shen was the investor relations director of Xinyuan Real Estate Co., Ltd., a top 100 real estate company in China and listed on the New York Stock Exchange (stock code: XIN). From 2012 to 2015, Ms. Shen was a director at FTI Consulting, one of the largest financial consulting firms in the world and headquartered in the United States (listed on the New York Stock Exchange (stock code: FCN)), leading a team and in charge of projects relating to initial public offering and investor relations strategy consulting of Chinese companies seeking a listing in Hong Kong and the United States. In 2014, she led the team to win the Sabre Awards (Global Campaign of the Year), the Global Financial Public Relations Award. From 2009 to 2012, Ms. Shen was the investor relations manager at Feihe International, Inc. (now known as China Feihe Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6186)).

Ms. Shen received her bachelor's degree with honors from University of Leeds in the United Kingdom in 2005. She also received her master's degree in business administration from University of Aberdeen in the United Kingdom in 2006.

REPORT OF THE BOARD

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2024.

BUSINESS

Principal Activities

The Company is a leading industrial internet company in China, dedicated to empowering the township family-run stores through digital technologies and supply chain capabilities.

Results of Operations

The results of the Group for the year ended December 31, 2024 are set out in the consolidated statement of profit or loss in this annual report.

Business Review

An objective review of the Group's business, including an analysis of the Group's financial performance, and indicators of the likely future development of the Group's business, is set out in the "Chairman's Statement" and "Management Discussion and Analysis" sections of this annual report. These discussions form part of the Group's business review.

DIVIDEND POLICY AND FINAL DIVIDEND

The Company is a joint stock limited company incorporated under the laws of the People's Republic of China. Pursuant to the Article of Association, the Company may apply cash or by way of shares to distribute dividends. Any distribution of dividends shall be formulated a distribution plan by the Board and subject to consideration and approval on general meeting of the Company. Any distribution of dividends paid by the Company shall be determined by the Board with absolute discretion on various factors, including actual operation results, cash flows, financial position, expected working capital needed in the future and business expansion plan, laws, regulations and other contracts restrictions, as well as other factors that the Board may consider appropriate.

Pursuant to the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association relating to the distribution of profits, the Board does not recommend the payment of final dividend for the year ended December 31, 2024 (2023: nil).

MAJOR RISKS AND UNCERTAINTIES

We are subject to the following major risks and uncertainties:

- If we fail to retain existing customers or attract new customers, or if our customers decrease their level of business resulting in lower revenue contribution, our financial condition and business operations may be materially and adversely affected.

- Our commerce business relies on the lower-tier market's demand for the merchandise we offer. A material change in consumer demand or preferences, or any unexpected situation with a negative impact on market demand may materially and adversely affect our business and results of operations.

- Our inability to maintain stable relationships with our suppliers, or failure to secure alternative suppliers, could have a material and adverse effect on our business and financial condition.

- If we are unable to provide satisfactory customer services, our business and reputation may be materially and adversely affected.

- Any delivery delay, improper handling of goods or increase in transportation costs of our logistic service providers could adversely affect our business and results of operations.

As the major risks and uncertainties mentioned above are not exhaustive, please refer to the section headed “Risk Factors” in the Prospectus for detailed information.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is not exposed to significant environmental risks. During the Reporting Period, no fines or other penalties were imposed on the Group for non-compliance with environmental regulations.

Details of the Group’s environmental policy and performance are set out in the Company’s environmental, social and governance report (the “**ESG Report**”) published on the websites of the Hong Kong Stock Exchange and the Company in due course.

RELATIONSHIP WITH STAKEHOLDERS

Employees

As of December 31, 2024, the Group had a total of 3,845 full-time employees. The Group also uses some third-party labor outsourcing and labor dispatch services, but most of the employees are directly employed by us. The vast majority of our employees are based in China, mainly in Nanjing, where our headquarter is located, and other cities, where our branches are located.

The Group emphasizes employee diversity, including but not limited to gender, age, educational background, socio-economic background, work experience, etc. The Group provides an inclusive work environment that embraces diversity such as the strengths of individuals, and seeks to provide opportunities to unleash their full potential. As of December 31, 2024, among the above 3,845 employees (including senior management), approximately 49.08% were male and 50.92% were female. The Group recognizes the benefits of having diverse employees and aims to maintain and promote employee diversification (especially gender diversification) whenever practicable. The Group is committed to promoting diversified development to build a sustainable workforce that creates a broader positive impact on society. The Group is not aware of any factors or circumstances that would make gender diversity among all employees more challenging or undermine its relevance.

The Group’s success depends on attracting, retaining and motivating qualified personnel. The Group adopts strict and high-standard recruitment procedures to ensure the quality of new recruits. The Group adopts a variety of recruitment methods (including campus recruitment, online recruitment, internal recommendation and recruitment through headhunting companies or agencies) to meet the demand for different types of talents, and pays competitive salaries in the industry.

Report of the Board

The Group provides its employees with a comprehensive training program, which it believes will enable employees to effectively acquire the necessary skills and professional ethics. The Group participates in mandatory employee social security scheme organized by provincial and municipal governments in accordance with PRC laws, including endowment insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident fund. The Group and its employees are required to pay a specified percentage of the cost of the social security scheme. The Group is required to contribute directly to the employee social security scheme at a specified percentage of the employees' salaries, bonuses and certain allowances in accordance with PRC laws.

Customers and Suppliers

The Group has a broad customer base, including enterprise customers, channel customers and member stores, as well as individual customers. For the year ended December 31, 2024, both the revenue contribution from the Group's the top five customers (mainly from the "commerce business") out of the Group's total revenue and the purchase from the top five suppliers out of the Group's total purchases were less than 30%.

During the year ended December 31, 2024, to the knowledge of the Directors, none of the Directors or any of their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued Shares (excluding the Treasury Shares (if any))) had an interest in any of the Company's top five customers or suppliers during the Year.

PROPERTY AND EQUIPMENT

During the Reporting Period, details of changes in the Group's property and equipment are set out in Note 11 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended December 31, 2024 are set out in Note 34(c) to the financial statements of this annual report.

CAPITAL RESERVES AND DISTRIBUTABLE RESERVES

Details of the changes in reserves during the Reporting Period are set out in Note 34(e) to the consolidated financial statements of this annual report. As of December 31, 2024, the Company has no distributable reserves.

BANK LOANS AND OTHER BORROWINGS

As at December 31, 2024, the Group's bank loans and other borrowings amounted to RMB1,297.7 million, denominated in RMB, mainly at fixed interest rates. Details of bank loans or other borrowings of the Company and the Group for the year ended December 31, 2024 are set out in Note 24 to the consolidated financial statements.

ISSUANCE OF DEBENTURES

During the Reporting Period, no debentures were issued by the Group.

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

During the Reporting Period, the Group has not purchased, sold or redeemed any of the Company's listed securities (including sales of Treasury Shares (as defined under the Listing Rules)).

As at the end of the Reporting Period, the Company did not hold any Treasury Shares.

INITIAL PUBLIC OFFERING OF H SHARES ON THE HONG KONG STOCK EXCHANGE AND USE OFPROCEEDS

On February 18, 2022, the H Shares were listed on the main board of the Hong Kong Stock Exchange. A total of 53,911,800 H Shares with a nominal value of RMB1.00 each were issued under the Global Offering (as defined in the Prospectus, including the issuance of H Shares upon the partial exercise of the over-allotment option as set forth in the Prospectus). The Offer Price was HK$43.00 per H Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%). The gross proceeds from the Global Offering (including the additional gross proceeds from the exercise of over-allotment option amounting to approximately HK$99.1 million) were approximately HK$2,318.2 million, and the net proceeds after deducting underwriting fees and other related expenses were approximately HK$2,185.0 million (equivalent to approximately RMB1,782.3 million) (the "**Proceeds from the Initial Public Offering of H Shares**").

On November 14, 2023, the resolution in relation to the change in the use of Proceeds from the Initial Public Offering of H Shares was considered and approved at the general meeting of the Company, which mainly related to the adjustment to the amounts of itemized use of Proceeds from the Initial Public Offering of H Shares (the "**Adjusted Use Approved by the General Meeting**").

As of December 31, 2024, the Group has accumulatively utilised approximately RMB1,145.0 million of the Proceeds from the Initial Public Offering of H Shares, representing approximately 64.2% of the proceeds, in accordance with the intended use set out in the Prospectus and the Adjusted Use Approved by the General Meeting, with the unused portion of the proceeds amounting to approximately RMB637.3 million and being deposited as short term deposits in licensed banks in Hong Kong or the Mainland China.

On March 27, 2025, the resolution in relation to the further change in the use of Proceeds from the Initial Public Offering of H Shares was considered and approved at the general meeting of the Company (the "**Further Adjusted Use Approved by the General Meeting**"). The balance of the Proceeds from the Initial Public Offering will continue to be used in accordance with the use as disclosed in the Prospectus and the Further Adjusted Use Approved by the General Meeting.

Report of the Board

As of December 31, 2024, the actual uses of the proceeds from the initial public offering of H Shares, the unused amounts, and their expected usage schedule are set out as follows:

Use of proceeds	Itemized use	Amount before the change *RMB in million*	Amount after the first change *RMB in million*	Unused amount as at January 1, 2024 *RMB in million*	Used during the Reporting Period *RMB in million*	Unused amount as at December 31, 2024 *RMB in million*	Total amount after further change *RMB in million*	Unused amount after further change *RMB in million*	Expected timeline
For enhancing relationships with our existing customers and further expanding our customer base	Digitalizing our member retail stores and upgrading their storefronts	178.2	28.2	20.7	0	20.7	7.5	0	–
	Offering solutions to certain wholesalers	178.2	278.2	179.6	4.2	175.3	102.9	0	–
	Strategically expanding into northern and southern regions of China where there is great potential for further development	89.1	59.1	44.7	0	44.7	14.4	0	–
	Expanding client managers team network with more digitalized solutions	89.1	169.1	80.0	2.8	77.2	91.9	0	–
For optimizing the capability and efficiency of our supply chain	Increasing spending on joint product R&D with our industry partners, brand licensing and tailored manufacturing	267.4	417.3	150.0	0	150.0	267.3	0	–
	Improving the digitalization and automation of order and fulfillment management systems	178.2	88.2	27.8	25.1	2.7	88.2	2.7	By June 30, 2025
For increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability	Acquiring IT talents for developing SaaS+ business and merchant solutions	178.2	28.2	15.1	10.5	4.6	25.6	2.0	By June 30, 2025
	Upgrading data infrastructure and enhancing data analysis capabilities	89.1	69.1	28.7	11.3	17.4	54.0	2.3	By June 30, 2025
	Continuously upgrading transaction and marketplace technology and infrastructure	89.1	59.1	34.9	11.5	23.3	40.8	5.0	By June 30, 2025
For selectively pursuing strategic alliances, investments, or acquisitions	Brand manufacturers within each merchandise segment	89.1	149.1	109.4	109.4	–	417.4	268.3	By December 31, 2025
	Third-party SaaS technology and service providers	89.1	29.1	29.1	0.7	28.4	0.7	0	–
	Third-party operators within the industry value chain	89.1	89.1	80.6	80.6	–	353.4	264.3	By December 31, 2025
As working capital	–	178.2	318.2	135.4	42.7	92.7	318.2	92.7	By December 31, 2025
Total		**1,782.3**	**1,782.3**	**936.0**	**298.8**	**637.3**	**1,782.3**	**637.3**	

Note: Any discrepancies in the above table between total and sum of amounts listed therein are due to rounding.

RSU SCHEME

On November 28, 2022, the general meeting of the Company approved and adopted the RSU Scheme. The RSU Scheme involves no issue of new Shares or granting of options for any new securities of the Company and constitutes a share scheme funded by existing Shares for the purpose of the Listing Rules. The principal terms of the RSU Scheme are set out below:

1. Purposes:

   (a) to recognize the contributions made by the eligible persons and provide incentives to them in order to retain them for the continuous operation and development of the Group;

   (b) to attract talents for further development of the Group and enhance competitiveness of such talents; and

   (c) to align the interests of eligible persons to the Group's values, enabling employees to work towards the Group's long-term development goals.

2. Eligible persons:

   Eligible persons are persons who the Board or its delegatee consider, in their sole discretion, to have significantly contributed or will significantly contribute to the development of the Group, including employees, Directors (excluding independent non-executive Directors), Supervisors, senior management, and key operating team member of any member of the Group.

3. Maximum number of award available for grant and maximum entitlement of each participant under the RSU Scheme:

   The Company shall not make any further grant which will result in the aggregate number of H Shares granted in relation to the RSUs under the RSU Scheme to exceed 5% of the total number of issued H Shares as at the relevant grant date.

   There is no specific limit on the maximum entitlement of each participant under the RSU scheme.

4. Vesting period of the award granted under the RSU Scheme:

   The Board or the delegatee may from time to time while the RSU Scheme is in force and subject to all applicable laws, rules, and regulations, determine such vesting criteria and conditions or periods for the award to be vested hereunder.

5. The amount payable upon acceptance of the award:

   The grantee is not required to pay any fund to the Company as consideration of the grant.

Report of the Board

6. Validity period of the RSU Scheme:

   Subject to the Board's decision to early terminate the RSU Scheme, the RSU Scheme shall be valid for a term of ten (10) years commencing on the adoption date (i.e., November 28, 2022). The remaining term of the RSU Scheme as at the Latest Practicable Date is approximately 7.6 years.

Further details of the RSU Scheme were set out in the circular of the Company dated November 11, 2022.

On April 6, 2023, the Company granted an aggregate of 4,842,500 RSUs ("**Phase I Award**"), representing 4,842,500 H Shares, which accounted for approximately 0.86% of the total number of issued Shares and approximately 2.69% of the total number of issued H Shares as at the Latest Practicable Date, respectively, to 494 selected participants pursuant to the RSU Scheme, and the above grant is subject to acceptance by the selected participants. Details of the above grant of RSUs are set out in the announcement of the Company dated April 6, 2023.

On December 27, 2023, the Company granted an aggregate of 4,157,000 RSUs ("**Phase II Award**"), representing 4,157,000 H Shares, which accounted for approximately 0.74% of the total number of issued Shares and approximately 2.31% of the total number of issued H Shares as at the Latest Practicable Date, respectively, to 259 selected participants pursuant to the RSU Scheme, and the above grant is subject to acceptance by the selected participants. Details of the above grant of RSUs are set out in the announcement of the Company dated December 27, 2023.

On May 31, 2024, as resolved and approved/confirmed by the Remuneration and Appraisal Committee, an aggregate of 570,000 RSUs granted pursuant to the RSU Scheme were lapsed on December 27, 2023; in addition, the Company granted an aggregate of 413,000 RSUs ("**Phase III Award**"), representing 413,000 H Shares, which accounted for approximately 0.07% of the total number of issued Shares and approximately 0.23% of the total number of issued H Shares as at the Latest Practicable Date, respectively, to 59 selected participants pursuant to the RSU Scheme and the above grant is subject to acceptance by the selected participants. Details of the above lapse and grant of RSUs are set out in the announcement of the Company dated May 31, 2024.

Details of the unvested RSUs at the beginning and at the end of the Reporting Period are as follows:

Type		Date of grant[2]	Vesting period and performance targets	Purchase price (HK$)	Unvested as at January 1, 2024	During the Reporting Period: Granted	Vested[6]	Cancelled	Lapsed	Unvested as at December 31, 2024
1.	**Directors**									
	Mr. XU Xiuxian	April 6, 2023	Note 3	Nil	180,000	0	18,000	0	0	162,000
		December 27, 2023	Note 4	Nil	160,000	0	0	0	0	160,000
	Mr. ZHAO Liangsheng	April 6, 2023	Note 3	Nil	100,000	0	10,000	0	0	90,000
		December 27, 2023	Note 4	Nil	90,000	0	0	0	0	90,000
	Mr. SUN Chao	April 6, 2023	Note 3	Nil	100,000	0	10,000	0	0	90,000
		December 27, 2023	Note 4	Nil	60,000	0	0	0	0	60,000
2.	**Supervisors**									
	Mr. LI Wei	April 6, 2023	Note 3	Nil	72,000	0	0	0	0	72,000
		December 27, 2023	Note 4	Nil	50,000	0	0	0	0	50,000
	Mr. MAO Yijun	April 6, 2023	Note 3	Nil	80,000	0	8,000	0	0	72,000
		December 27, 2023	Note 4	Nil	55,000	0	0	0	0	55,000
	Mr. WANG Xinghua	April 6, 2023	Note 3	Nil	50,000	0	5,000	0	0	45,000
		December 27, 2023	Note 4	Nil	35,000	0	0	0	5,000	30,000
3.	**Two of the five highest paid individuals[1]**	April 6, 2023	Note 3	Nil	90,000	0	0	0	0	90,000
		December 27, 2023	Note 4	Nil	120,000	0	0	0	0	120,000
4.	**Employees**									
	Employees of the Company, business units companies and divisions	April 6, 2023	Note 3	Nil	3,404,170	0	198,790	0	483,380	2,722,000
		December 27, 2023	Note 4	Nil	3,587,000	0	0	0	744,000	2,843,000
		May 31, 2024	Note 4	Nil	0	413,000	0	0	69,000	344,000
	Employees of other subsidiaries of the Company	April 6, 2023	Note 5	Nil	337,350	0	0	0	0	337,350
Total					**8,570,520**	**413,000**	**249,790**	**0**	**1,301,380**	**7,432,350**

Report of the Board

Notes:

(1) The remaining three are Directors, who have been listed separately in the above table.

(2) The fair value of the RSUs granted at the date of grant was measured based on the closing price of the Company's H Shares on the date of grant. In particular, the closing price of the H Shares on the date of grant of the Phase I Award was HK$31.15, and the closing price of the Company's H Shares immediately before the date of grant (i.e., April 4, 2023) was HK$31.10; the closing price of the H Shares on the date of grant of the Phase II Award was HK$28.70, and the closing price of the Company's H Shares immediately before the date of grant (i.e., December 22, 2023) was HK$28.10; the closing price of the H Shares on the date of grant of the Phase III Award was HK$28.20, and the closing price of the H Shares immediately before the date of grant (i.e., May 30, 2024) was HK$28.40. For details regarding the accounting standards and policies adopted for RSUs, please refer to Note 2(r) of the consolidated financial statements in this annual report.

(3) Vesting schedule: as to 10% of the RSUs in November 2024; as to 20% of the RSUs in November 2025; as to 20% of the RSUs in November 2026; as to 20% of the RSUs in November 2027; and as to 30% of the RSUs in November 2028.

Performance targets: (i) no less than 30% year-on-year increase in net profits attributable to equity shareholders of the Company in the preceding year; (ii) accomplishment of profit targets for the corresponding preceding year by the business unit in which such participant serves; and (iii) achievement of individual performance indicators.

(4) Vesting schedule: fully vested in April 2027.

Performance targets: (i) the Company records more than 100% increase in the net profits attributable to equity shareholders of the Company in 2026 as compared to 2023; and (ii) vesting at different tiers based on the accomplishment of profit targets of the respective business unit for 2024, 2025 and 2026 by the business units in which such employees serve.

(5) Vesting schedule: fully vested in April 2026.

Performance targets: (1) no less than 30% year-on-year increase in the net profits attributable to equity shareholders of the Company for three consecutive years of 2023, 2024 and 2025; and (2) no less than 10% year-on-year increase in profits before tax of other subsidiaries for the three consecutive years of 2023, 2024 and 2025.

(6) Since only part of the Phase I Award vested once during the Reporting Period according to its vesting schedule, the weighted average closing price of H Shares immediately prior to the vesting date (i.e., October 31, 2024) is equal to the closing price immediately prior to the vesting date (i.e., HK$19.98).

(7) As of January 1, 2024 and December 31, 2024, the number of awards that can be granted under the RSU Scheme was 442,796 and 1,331,176 RSUs, respectively.

The Company does not issue or allot additional new Shares in connection with the grant of above rewards and the grant of above rewards will not result in any dilution effect on the shareholding of the existing Shareholders of the Company.

In order to implement the RSU Scheme, the Company entrusted China Credit Trust Co., Ltd. and COFCO Trust Co., Ltd. (independent third parties independent of the Company and its connected persons (as defined in the Listing Rules), the "**Trustees**"), qualified trust managers, to purchase H Shares through on-market transactions at the prevailing market price as the source of award.

Pursuant to the Listing Rules and the RSU Scheme, the Trustees holding the unvested H Shares in relation to the RSUs shall abstain from voting on matters requiring the approval of the Shareholders in accordance with the Listing Rules, unless otherwise required by law to act in accordance with the beneficial owner's direction and such a direction is given.

Subject to the rules relating to the RSU Scheme and compliance with all relevant laws, rules and regulations, the Board and/or the delegatee will, depending on the market conditions, instruct the Trustees to make on-market purchase of H Shares in due course.

On April 23, 2025, as resolved and confirmed by the Remuneration and Appraisal Committee, an aggregate of 1,080,550 RSUs under the Phase I Award were lapsed, an aggregate of 681,600 RSUs under the Phase II Award were lapsed, and an aggregate of 68,800 RSUs under the Phase III Award were lapsed, due to the performance targets not being met.

As at the Latest Practicable Date, the number of H Shares underlying the unvested RSUs granted under the RSU Scheme is 5,601,400 Shares, representing approximately 1.00% of the total number of issued Shares and approximately 3.11% of the total number of issued H Shares as at the Latest Practicable Date, respectively.

SHARE OPTION SCHEME

On November 12, 2024, the general meeting of the Company approved and adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out below:

1. Purposes:

    (a) to recognize and acknowledge the contributions that eligible participants have or may have made or may make to the Group and to encourage the eligible participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the Shareholders as a whole;

    (b) to enhance eligible participants' motivation and loyalty and to encourage and retain eligible participants and attract talents to make contributions to the long-term development goals of the Group; and

    (c) to provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants.

2. Eligible participants:

    The participants of the Share Option Scheme include the following three categories:

    (a) employee participants, being Directors and employees of the Company and its subsidiaries (including any person who is granted Options under the Share Option Scheme as an inducement to enter into employment contracts with any member of the Group);

    (b) related entity participants, being Directors and employees of any holding companies, fellow subsidiaries or associated companies of the Company; and

Report of the Board

(c) service providers, being any person (natural person or corporate entity) who provides services to the Group on a continuing and recurring basis in the ordinary and usual course of business of the Group which are in the interests of the long-term growth of the Group, including but not limited to suppliers, distributors, contractor and agents (excluding any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity).

The basis of eligibility of any participant to the grant of any option shall be determined by the Board or the authorized persons at its sole discretion from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

3. Total number of shares available for issuance:

The maximum number of H Shares which may be issued in respect of option(s) to be granted under the Share Option Scheme and any other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules) ("**Scheme Mandate Limit**") shall be such number of H Shares which represent 10% (i.e. 18,026,633 H Shares, representing approximately 3.20% of the total issued Shares as of the Latest Practicable Date) of the total number of H Shares in issue as at the adoption date (i.e., November 12, 2024).

Within the Scheme Mandate Limit, the maximum number of H Shares which may be issued to Service Providers in respect of Option(s) to be granted under the Share Option Scheme and any all other share scheme(s) of the Company (excluding options or awards lapsed in accordance with relevant scheme rules) ("**Service Provider Sublimit**") shall be such number of H Shares which represent 5% (i.e. 9,013,316 H Shares, representing approximately 1.60% of the total issued Shares as of the Latest Practicable Date) of the total number of H Shares in issue as at the adoption date (i.e., November 12, 2024).

4. Maximum entitlement of each participant:

Where any grant of options to a grantee would result in the number of H Shares issued and to be issued in respect of all options and awards granted to such person, pursuant to the Share Option Scheme and any other share scheme adopted by the Company (excluding options or awards lapsed in accordance with relevant scheme rules), in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of issued H Shares (excluding the Treasury Shares (if any)) at the relevant time, such grant must be separately approved by the Shareholders in a general meeting with such grantee and their close associates (or associates if the grantee is a connected person of the Company) to abstain from voting.

In addition, each grant of options to any Director, chief executive (as defined in the Listing Rules), or substantial Shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where any grant of options to an independent non-executive Director or a substantial Shareholder of the Company, or any of their respective associates, would result in the number of H Shares issued and to be issued in respect of all options and awards granted (excluding options or awards lapsed in accordance with the relevant scheme rules) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of issued H Shares (excluding the Treasury Shares (if any)) at the relevant time, such further grant of options must be approved by Shareholders in general meeting.

5. Exercise period of the option:

The Board or the authorized persons may in its sole and absolute discretion determine the Exercise Period of the Options, but in all circumstances the exercise period shall not be more than ten (10) years from the offer date.

6. Vesting period:

The Board or the authorized persons may, subject to all applicable laws, rules and regulations, determine vesting periods for vesting of the options in its sole and absolute discretion. The vesting period of the options shall not be less than twelve (12) months, save and except that options to be granted to an employee participant may be subject to a vesting period of less than twelve (12) months in the following circumstances: (a) grants of "make-whole" options to a new joiner to replace the share awards or options he/she forfeited when leaving his/her previous employer; (b) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out-of-control event; (c) grants with performance-based vesting conditions in lieu of time-based vesting criteria; (d) grants that are made in batches during a year for administrative and compliance reasons. They may include options that should have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting periods may be shorter to reflect the time from which the options would have been granted; (e) grants with a mixed or accelerated vesting schedule such as where the options may vest evenly over a period of 12 months; and (f) grants of options with a total vesting and holding period of more than 12 months.

7. Consideration for acceptance:

No amount shall be payable for the acceptance of the option offer at the time of such acceptance.

8. Exercise price:

The exercise price of the options shall be such price as determined by the Board or the authorized persons and shall be no less than the highest of: (a) the closing price of the H Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; (b) the average closing prices of the H Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of the H Shares.

9. Remaining validity period of the scheme:

Unless being earlier terminated by a decision of the Board or a general meeting in accordance with the rules of the scheme, the Share Option Scheme shall remain in force for a period of ten (10) years from the adoption date (i.e., November 12, 2024). The remaining term of the Share Option Scheme as at the Latest Practicable Date is approximately 9.6 years.

Report of the Board

Further details regarding the Share Option Scheme are set out in the Company's circular dated October 24, 2024.

No options have been granted under the Share Option Scheme as at the end of the Reporting Period and up to the Latest Practicable Date.

As at the end of the Reporting Period, options in respect of a total of 18,026,633 H Shares and 9,013,316 H Shares remain available to be granted by the Company under the Scheme Mandate Limit and the Service Provider Sublimit, respectively.

PRE-EMPTIVE RIGHTS

In 2024, the Company had no arrangement for pre-emptive rights and options. There is no provision for the pre-emptive rights under the Articles of Association, or the laws of the PRC, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

TAX CONCESSION AND EXEMPTION

The Company is not aware of any tax concession or exemption available to any Shareholders by reason of their holding of the Company's securities. Shareholders are advised to seek professional advice if they are in any doubt regarding the tax implications of purchasing, holding, disposing of and trading in Shares or exercising any of their rights in relation to them, including any right to tax concession.

DONATIONS

For the year ended December 31, 2024, the Group made charitable and other donations of approximately RMB23,000.

CONTRACT WITH THE SINGLE LARGEST SHAREHOLDER

Save as disclosed in this annual report, no material contracts were entered into by the Group with Mr. WANG Jianguo, the single largest Shareholder, during the Reporting Period.

NON-COMPETITION UNDERTAKING

The Group has received confirmation from the single largest Shareholder in respect of compliance with the Non-Competition Undertaking (as defined in the Prospectus) for the Reporting Period. The independent non-executive Directors have reviewed the compliance of single largest Shareholder with the Non-Competition Undertaking. Independent non-executive Directors confirmed that, the single largest Shareholder did not breach the Non-Competition Undertaking during the Reporting Period.

MANAGEMENT CONTRACT

During the Reporting Period, no contracts were entered into in relation to the management and administration of the whole or any substantial part of the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company, and to the best of the Directors' knowledge, public float of the Company is 16.33% as of the Latest Practicable Date. The Directors confirm that the Company has complied with the minimum public float required by the Hong Kong Stock Exchange as at the Latest Practicable Date.

LEGAL PROCEEDINGS AND COMPLIANCE

The Group may from time to time be involved in various legal procedures, arbitrations or proceedings in the course of its ordinary business. During the Reporting Period, the Group was not involved in any legal procedures, arbitrations or proceedings that we believe would have a material adverse effect on the business, financial condition or operating performance and to the best of our knowledge, there was no risk of any such legal procedures, arbitrations or proceedings.

The Group's business operations are subject to applicable PRC laws and regulations. During the Reporting Period, the Group has not been involved in, nor is it involved in any non-compliance incidents resulting in fines, enforcement actions or other penalties that may individually or collectively have a material adverse impact on the Group's business, financial condition or operating performance, and the Group has complied with applicable laws and regulations in all material respects.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Change of Non-executive Director

Mr. Wang Ran has resigned as a non-executive Director due to change in work arrangement, effective from March 27, 2025.

In view of the resignation of Mr. Wang Ran, the Company considered and approved, among others, the resolution in relation to the proposed election of Ms. Xu Di ("**Ms. Xu**") as a candidate for non-executive Director of the third session of the Board at the Board meeting held on 24 February, 2025. Such resolution was considered and approved by Shareholders at the 2025 first extraordinary general meeting of the Company held on 27 March 2025. Ms. Xu's term of office shall be effective from 27 March 2025 until the expiry of the term of the third session of the Board. She is eligible for re-election after the expiry of her term of office.

Save as disclosed above, no other significant events after the period affecting the Group have occurred during the Reporting Period and up to the Latest Practicable Date.

2024 ANNUAL GENERAL MEETING

The Company's 2024 annual general meeting will be held on Wednesday, May 21, 2025. The notice of convening the 2024 annual general meeting will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.htd.cn) and dispatched to the H Shareholders in the manner by the mean of receipt of corporate communications chosen by the H Shareholders as required by the Listing Rules in due course.

Report of the Board

CLOSURE OF SHARE TRANSFER REGISTRATION

To determine the eligibility to attend and vote at the 2024 annual general meeting, the register of members of the Company will be closed from Friday, May 16, 2025 to Wendsday, May 21, 2025 (both dates inclusive), during which period the registration of share transfers will be closed. To be eligible to attend and vote at the annual general meeting, all completed transfer documents accompanied by the relevant share certificates shall be lodged with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the registered office of the Company, at Huitongda Building, No. 50, Zhongling Street, Xuanwu District, Nanjing, Jiangsu Province, PRC (for Domestic Shareholders) no later than 4:30 p.m. on Thursday, May 15, 2025 for handling share transfer registration procedures.

BOARD OF DIRECTORS

During the Reporting Period and as at the Latest Practicable Date, the members of the Board were as follows:

Chairman of the Board and Non-executive Director

Mr. WANG Jianguo

Executive Directors

Mr. XU Xiuxian (Chief Executive Officer)
Mr. ZHAO Liangsheng
Mr. SUN Chao

Non-executive Directors (excluding the Chairman of the Board)

Mr. CAI Zhongqiu
Ms. XU Di (appointed on March 27, 2025)
Mr. WANG Ran (ceased on March 27, 2025)

Independent Non-executive Directors

Ms. YU Lixin
Mr. LIU Xiangdong
Mr. DIAO Yang

Report of the Board

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51 B(1) of the Listing Rules, during the period from the publication of the 2024 interim report of the Company to the Latest Practicable Date, the following Directors, Supervisors and chief executive of the Company have changed the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules as follows:

Mr. SUN Chao ceased to be an executive Director and a general manager of Nanjing Shumei Health Technology Co., Ltd. (南京數美健康科技有限公司) since September 2024.

Mr. CAI Zhongqiu ceased to be the executive director of SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司), his position has been changed to the deputy general manager since December 2024.

Mr. MAO Yijun has served as the chief executive officer of the Company's supply chain division since January 2025.

From March 2025, Mr. WANG Ran ceased to serve as a non-executive Director and Ms. XU Di has been appointed as a non-executive Director for a term commencing from March 27, 2025 until the expiry of the term of the third session of the Board.

Save as disclosed above, the Company is not aware of any changes to information in respect of the Directors, Supervisors and chief executive of the Company required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has not entered into a service contract with the Directors or Supervisors which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Details of Directors and Supervisors' remuneration for the year ended December 31, 2024 are set out in Note 8 to the consolidated financial statements of this annual report.

INTERESTS OF DIRECTORS AND SUPERVISORS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in Note 36 to the consolidated financial statements of this annual report and the section below headed "Continuing Connected Transactions", to the knowledge of the Directors, none of the Directors, Supervisors or entities connected with the Directors or Supervisors had or has had a material interest, directly or indirectly, in any material transaction, arrangement or contract in which the Company or its subsidiaries or fellow subsidiaries was a party subsisted during or at the end of the year ended December 31, 2024.

Report of the Board

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended December 31, 2024, no rights has been granted to any Directors or their spouses or children under the age of 18 to enable them to benefit from the purchase of Shares or debentures of the Company, and such persons did not exercise those rights; and no arrangement has been entered into by the Company or any of its subsidiaries or holding companies or subsidiaries of the holding companies whereby the Directors, their spouses or children under the age of 18 may have access to the rights of any other legal entities.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As of the Latest Practicable Date, Mr. WANG Jianguo, the chairman of the Board and the non-executive Director, was entitled to exercise approximately 68.14% voting rights in Five Star Holdings, which in turn is also entitled to exercise or control the exercise of 10% or more of the voting rights at any general meeting of certain companies which have been engaged in the sales of electrical appliances. Details of such companies are set out below:

Entity name	Principal activities	Total interests held	Other positions held by the Director/ senior management of the Company
Hosjoy Comfortable Smart Home Co., Ltd. (好享家舒適智能家居股份有限公司) ("**Hosjoy**")	With the mission of "making home more comfortable and healthier", Hosjoy endeavors to provide one stop comfortable smart home solutions through four major sectors: cooling and heating system, fresh air system, water purification system and smart system for purpose of improving the environment of city families.	Approximately 39.4% by Five Star Holdings Approximately 19% by Mr. WANG Jianguo and his family member	Mr. WANG Jianguo, the non-executive Director, served as a director at Hosjoy
Suzhou Xinhongda Electrical Appliances Co., Ltd. (蘇州市新宏達電器有限公司) ("**Suzhou Xinhongda**")	Sales of electrical appliances	10% by Five Star Holdings	N/A
Taizhou Fuling Electrical Appliances Sales Co., Ltd. (泰州市富菱電器銷售有限公司) (a wholly owned subsidiary of Suzhou Xinhongda)	Sales of electrical appliances	100% by Suzhou Xinhongda	N/A
Yancheng Chengling Electrical Appliances Sales Co., Ltd. (鹽城市誠菱電器銷售有限公司) (a wholly owned subsidiary of Suzhou Xinhongda)	Sales of electrical appliances	100% by Suzhou Xinhongda	N/A

Save as disclosed in this annual report and the interests of the Group held by the single largest Shareholder, for the year ended December 31, 2024, the single largest Shareholder or any Director has no interest in any business (other than the businesses of the Group) that is subject to disclosure under Rule 8.10 of the Listing Rules and that directly or indirectly competes or is likely to compete with the businesses of the Group.

REMUNERATION POLICY

The Remuneration and Appraisal Committee is established to review the Group's remuneration policy and remuneration structure for all Directors and senior management taking into account the Group's operating performance, individual performance of Directors and senior management and comparable market practices.

Currently, the Directors receive their emoluments according to the following criteria: (1) Non-executive Directors do not receive emoluments from the Company during their tenure; (2) Executive Directors' emoluments during their tenure are implemented in accordance with the Company's remuneration management measures. It mainly consists of basic salary, performance-based pay, welfare-related income, etc. Among them, the performance-based pay is mainly determined based on the Group's operating results and individual performance; and (3) Independent non-executive Directors receive a fixed director fee from the Company during their tenure. The fee standard is determined by referring to the market average level and combining with the actual situation of the Company.

Details of the remuneration of the Directors and the five highest paid individuals during the Reporting Period are set out in Notes 8 and 9 to the consolidated financial statements.

According to code provision E.1.5 of the CG Code, the annual remuneration range (including share-based compensation) for senior management members for the year ended December 31, 2024 is as follows:

Remuneration range	Number of Individuals
HK$2,000,001-HK$2,500,000	2
HK$3,000,001-HK$3,500,000	1
HK$3,500,001-HK$4,000,000	1
HK$5,000,001-HK$5,500,000	1

No payment was made by the Company in 2024 to induce such person with high emolument to join in the Company.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 6(b) to the consolidated financial statements of this annual report.

During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

PERMITTED INDEMNITY PROVISIONS

The Company has maintained Directors liability insurance to protect the Directors against any losses that may arise out of their actual or alleged misconduct.

Report of the Board

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2024, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which is required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which is required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) were as follows:

Interests and Short Positions in the Shares

Name	Position	Class of Shares	Number of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Approximate percentage of shareholding in the total issued Shares (Note 2)
WANG Jianguo	Chairman of the Board and non-executive Director	H Shares	39,516,334	Beneficial owner	21.92%	7.02%
		Domestic Shares	114,439,526	Beneficial owner	29.93%	20.34%
		H Shares	2,991,759	Interest in a controlled corporation (Note 3)	1.66%	0.53%
		Domestic Shares	8,664,152	Interest in a controlled corporation (Note 3)	2.27%	1.54%
XU Xiuxian	Executive Director and chief executive officer	H Shares	18,295,661	Beneficial owner	10.15%	3.25%
		Domestic Shares	52,984,339	Beneficial owner	13.86%	9.42%
LI Wei	Supervisor	H Shares	745,591	Beneficial owner	0.41%	0.13%
		Domestic Shares	2,159,237	Beneficial owner	0.56%	0.38%

Notes:

1. All interests stated above are long positions.

2. As at December 31, 2024, the total number of issued Shares was 562,569,837 Shares, including 180,266,339 H Shares and 382,303,498 Domestic Shares.

3. Mr. WANG Jianguo indirectly controlled 99% equity interest in Nanjing Yuanbai Enterprise Management Centre (Limited Partnership) through Five Star Holdings (a company in which Mr. WANG Jianguo was entitled to exercise approximately 68.14% voting rights). Nanjing Yuanbai Enterprise Management Centre (Limited Partnership) directly holds 2,991,759 H Shares and 8,664,152 Domestic Shares. Therefore, Mr. WANG Jianguo was deemed to be interested in the Shares held by Nanjing Yuanbai Enterprise Management Centre (Limited Partnership).

Report of the Board

Interests in the Underlying Shares of Equity Derivatives of the Company

Name	Position	Date of grant	Number of underlying Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Approximate percentage of shareholding in the total issued Shares (Note 2)	Note
XU Xiuxian	Executive Director and chief executive officer	April 6, 2023	180,000	Beneficial owner	0.10%	0.03%	RSUs, 18,000 Shares were vested in November, 2024
		December 27, 2023	160,000	Beneficial owner	0.09%	0.03%	
ZHAO Liangsheng	Executive Director	April 6, 2023	100,000	Beneficial owner	0.06%	0.02%	RSUs, 10,000 Shares were vested in November, 2024
		December 27, 2023	90,000	Beneficial owner	0.05%	0.02%	
SUN Chao	Executive Director	April 6, 2023	100,000	Beneficial owner	0.06%	0.02%	RSUs, 10,000 Shares were vested in November, 2024
		December 27, 2023	60,000	Beneficial owner	0.03%	0.01%	
LI Wei	Supervisor	April 6, 2023	72,000	Beneficial owner	0.04%	0.01%	RSUs
		December 27, 2023	50,000	Beneficial owner	0.03%	0.01%	
MAO Yijun	Supervisor	April 6, 2023	80,000	Beneficial owner	0.04%	0.01%	RSUs, 8,000 Shares were vested in November, 2024
		December 27, 2023	55,000	Beneficial owner	0.03%	0.01%	
WANG Xinghua	Supervisor	April 6, 2023	50,000	Beneficial owner	0.03%	0.01%	RSUs, 5,000 Shares were vested in November, 2024
		December 27, 2023	30,000	Beneficial owner	0.02%	0.01%	

Notes:

1. All interests stated above are long positions.

2. As at December 31, 2024, the total number of issued Shares was 562,569,837 Shares, including 180,266,339 H Shares and 382,303,498 Domestic Shares.

Save as disclosed above, as at December 31, 2024, to the knowledge of the Directors, none of the Directors, Supervisors and chief executive of the Company had or was deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including their interests and short positions deemed or taken under the relevant provisions of the SFO), or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Report of the Board

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2024, to the best of Directors' knowledge, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares, which would be required to be notified to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Name	Class of Shares	Number of Shares	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Approximate percentage of shareholding in the total issued Shares (Note 2)
Alibaba China (Note 3)	H Shares	19,401,212	Beneficial owner	10.76%	3.45%
Hangzhou Haoyue Enterprise Management Co., Ltd. ("**Hangzhou Haoyue**") (Note 3)	Domestic Shares	72,156,332	Beneficial owner	18.87%	12.83%
Taobao (China) Software Co., Ltd. (Note 3)	H Shares	19,401,212	Interest in a controlled corporation	10.76%	3.45%
	Domestic Shares	72,156,332	Interest in a controlled corporation	18.87%	12.83%
Zhejiang Tmall Technology Co., Ltd. (Note 3)	H Shares	19,401,212	Interest in a controlled corporation	10.76%	3.45%
	Domestic Shares	72,156,332	Interest in a controlled corporation	18.87%	12.83%
Taobao China Holding Limited (Note 3)	H Shares	19,401,212	Interest in a controlled corporation	10.76%	3.45%
	Domestic Shares	72,156,332	Interest in a controlled corporation	18.87%	12.83%
Taobao Holding Limited (Note 3)	H Shares	19,401,212	Interest in a controlled corporation	10.76%	3.45%
	Domestic Shares	72,156,332	Interest in a controlled corporation	18.87%	12.83%
Alibaba Group Holding Limited (Note 3)	H Shares	19,401,212	Interest in a controlled corporation	10.76%	3.45%
	Domestic Shares	72,156,332	Interest in a controlled corporation	18.87%	12.83%
Central SOEs Industrial Investment Fund for Poor Area Co., Ltd. (Note 4)	H Shares	6,921,056	Beneficial owner	3.84%	1.23%
	Domestic Shares	20,043,418	Beneficial owner	5.24%	3.56%
WANG Jian	H Shares	7,455,912	Beneficial owner	4.14%	1.33%
	Domestic Shares	21,592,364	Beneficial owner	5.65%	3.84%

Notes:

1. All interests stated above are long positions.

2. As at December 31, 2024, the total number of issued Shares was 562,569,837 Shares, including 180,266,339 H Shares and 382,303,498 Domestic Shares.

3. Each of Alibaba China and Hangzhou Haoyue is held as to 57.59% and 35.75% by Taobao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd., respectively. Taobao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. are wholly owned by Taobao China Holding Limited, which in turn is wholly owned by Taobao Holding Limited. Taobao Holding Limited is a direct wholly-owned subsidiary of Alibaba Group Holding Limited. Therefore, Taobao (China) Software Co., Ltd., Zhejiang Tmall Technology Co., Ltd., Taobao China Holding Limited, Taobao Holding Limited and Alibaba Group Holding Limited are deemed to be interested in the shares held by Alibaba China and Hangzhou Haoyue.

4. Central SOEs Industrial Investment Fund for Poor Area Co., Ltd. ("**SOE IIF**") was managed by SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司) and was owned as to (i) 30.49% by six institutional shareholders (mainly engaged in equity investment, equity management consulting, telecom operations, energy investment and integrated infrastructure services) each holding 5% to 10% equity interest in SOE IIF, and (ii) 69.51% by the remaining 104 institutional shareholders each holding no more than 5% equity interest in SOE IIF. SOE IIF is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會).

Save as disclosed above, as at December 31, 2024, the Directors were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register to be kept by the Company under section 336 of the SFO.

EQUITY LINKED AGREEMENTS

The Company did not enter into, and did not have, any equity linked agreements which would or might result in the issue of Shares by the Company, or require the Company to enter into any agreements which would or might result in the issue of Shares by the Company, during the Reporting Period and up to the Latest Practicable Date.

ACHIEVEMENT OF THE PERFORMANCE COMMITMENTS BY THE ACQUIRED COMPANY

On March 21, 2023, the Company entered into an equity acquisition agreement (the "**Equity Acquisition Agreement**") with Hosjoy Comfortable Smart Home Co., Ltd. ("**Hosjoy**") for the acquisition of 100% equity interest in Nanjing Hosjoy Engineering Technology Co., Ltd. ("**Nanjing Hosjoy Engineering**").

According to the Equity Acquisition Agreement, Hosjoy has made relevant commitment to the Company in respect of the net profit achieved on a consolidated basis (the "**Committed Net Profit**") of Nanjing Hosjoy Engineering for the year ended December 31, 2023, the year ended December 31, 2024 and the year ending December 31, 2025 (collectively, the "**Performance Commitment Period**"), and stipulated the compensation method.

Report of the Board

The Committed Net Profit and the net profit achieved on a consolidated basis (the "**Achieved Net Profit**") are as follows:

Financial Year	Year ended December 31, 2023 *RMB0'000*	2024 *RMB0'000*	2025 *RMB0'000*
Committed Net Profit	6,477.50	7,780.46	8,396.66
Achieved Net Profit	5,576.50	7,891.85	/

The Achieved Net Profit of Nanjing Hosjoy Engineering for the year ended December 31, 2024 met its Committed Net Profit for the year ended December 31, 2024.

According to the Equity Acquisition Agreement, if the three-year accumulated actual net profit achieved on a consolidated basis of Nanjing Hosjoy Engineering during the Performance Commitment Period is less than 90% of the three-year accumulated Committed Net Profit, Hosjoy shall compensate the Company for the profit gap (the calculation formula for performance compensation being: the amount of compensation = three-year accumulated Committed Net Profit – three-year accumulated actual net profit achieved on a consolidated basis). In the event that the compensation obligation of Hosjoy is triggered, Hosjoy shall pay the full amount of compensation to the Company in one lump sum within 30 working days from the date of publication of the Company's audit report for the year 2025.

Please refer to the Company's announcement dated March 21, 2023 for further details regarding the above acquisition.

CONTINUING CONNECTED TRANSACTIONS

Overview

During the Reporting Period, the Company entered into certain continuing connected transactions which are subject to the reporting, announcement and/or annual review requirements under Chapter 14A of the Listing Rules. The Directors confirm that for the year ended December 31, 2024, the Group has complied with the disclosure requirements specified in Chapter 14A of the Listing Rules in respect of the following continuing connected transactions and has followed the pricing policies in accordance with the relevant agreements.

Non-exempt Continuing Connected Transactions

The following sets out the details of certain non-exempt continuing connected transactions entered into by the Company.

1. *Alibaba China Sales Framework Agreement*

On September 20, 2023, the Company and Alibaba China had renewed the Alibaba China Sales Framework Agreement ("**Alibaba China Sales Framework Agreement**"). The annual caps for the transactions under the Alibaba China Sales Framework Agreement for the year ended December 31, 2024, and the years ending December 31, 2025 and December 31, 2026 are RMB400 million, RMB500 million and RMB600 million, respectively.

Main Content of the Transaction

Pursuant to the Alibaba China Sales Framework Agreement, the Group has agreed to supply goods (including but not limited to household appliances, consumer electronics, etc.) to Alibaba China and/or its associates. The term is from January 1, 2024, to December 31, 2026. The Alibaba China Sales Framework Agreement is renewable upon mutual agreement, subject to compliance with Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Under the terms of the Alibaba China Sales Framework Agreement, Alibaba China and/or its associates will enter into specific agreements with the Group or issue purchase orders to stipulate the specific terms and conditions for the supply of goods. According to the Alibaba China Sales Framework Agreement, the consideration payable by Alibaba China and/or its associates will be made in accordance with the time and manner agreed upon in the specific agreements or purchase orders.

Reasons for and benefits of the Transaction

Alibaba China and/or its associates have been purchasing certain goods from the Group in their ordinary course of business given the price advantage of such goods offered by the Group compared to other market players. In addition, the Group is authorized as designated agents or sellers of certain types and/or brands of goods in certain areas. As such, Alibaba China and/or its associates could only purchase such goods from the Group. The transactions contemplated under the Alibaba China Sales Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms.

Report of the Board

Pricing basis

The prices of transactions contemplated under the Alibaba China Sales Framework Agreement shall be determined on the basis of arm's length negotiations.

The price for selling goods to Alibaba China and/or its associates by the Group shall be determined with reference to the price that the Group may sell goods to independent third parties and the prevailing market price.

Pricing procedures

The parties shall negotiate the selling price separately for each sale of goods based on the principles that the selling price to be paid shall be determined on normal commercial terms after arm's length negotiations, and shall be no less favorable than the prevailing market price and the price offered to independent third parties. Pursuant to the terms of the Alibaba China Sales Framework Agreement, the parties will enter into separate sales order for each sale.

To ensure that the selling prices offered to Alibaba China and/or its associates are fair and reasonable and comparable to those offered to independent third parties, the Group will compare the prices offered by at least two other independent companies for similar product types and quantities so as to know the prevailing market prices before entering into sales orders with Alibaba China and/or its associates. The above procedures can ensure that the transactions contemplated under the Alibaba China Sales Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

Annual cap and actual transaction amount

The annual cap and actual transaction amounts of the transactions under the Alibaba China Sales Framework Agreement were RMB400 million and RMB107.6 million respectively for the year ended December 31, 2024.

Listing Rules implications

As at the date of the agreement, Alibaba China is a substantial Shareholder of the Company. Therefore, Alibaba China is a connected person of the Company according to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Alibaba China Sales Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

For details of the Alibaba China Sales Framework Agreement and the transactions thereunder, please refer to the announcement of the Company dated September 20, 2023.

2. Alibaba China Purchase Framework Agreement

On September 20, 2023, the Company and Alibaba China had renewed the Alibaba China Purchase Framework Agreement ("**Alibaba China Purchase Framework Agreement**"). The annual caps for the transactions under the Alibaba China Purchase Framework Agreement for the year ended December 31, 2024, and the years ending December 31, 2025 and December 31, 2026 are RMB250 million, RMB300 million and RMB350 million, respectively.

Main Content of the Transaction

Pursuant to the Alibaba China Purchase Framework Agreement, the Group has agreed to purchase goods (including but not limited to household appliances, consumer electronics, etc.) from Alibaba China and/or its associates. The term is from January 1, 2024, to December 31, 2026. The Alibaba China Purchase Framework Agreement is renewable upon mutual agreement, subject to compliance with Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Under the terms of the Alibaba China Purchase Framework Agreement, the Group will enter into specific agreements with Alibaba China and/or its associates or issue purchase orders to stipulate the specific terms and conditions for the supply of goods. According to the Alibaba China Purchase Framework Agreement, the Group shall make payments for the consideration in accordance with the time and manner agreed upon in the specific agreements or purchase orders.

Reasons for and benefits of the Transaction

The Group has been purchasing certain goods from Alibaba China and/or its associates given the price advantage of such goods offered by Alibaba China and/or its associates compared to other market players. The transactions contemplated under the Alibaba China Purchase Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms.

Report of the Board

Pricing basis

The prices of transactions contemplated under the Alibaba China Purchase Framework Agreement shall be determined on the basis of arm's length negotiations.

The price for purchasing certain goods from Alibaba China and/or its associates by the Group shall be determined with reference to the price that the Group may purchase goods from independent third parties and the prevailing market price.

Pricing procedures

The parties shall negotiate the purchase price separately for each purchase of goods based on the principles that the purchase price payable shall be determined on normal commercial terms after arm's length negotiations, and shall be no less favorable than the prevailing market price and the price offered by independent third parties. Pursuant to the terms of the Alibaba China Purchase Framework Agreement, the parties will enter into separate purchase order for each purchase.

To ensure that the purchase prices offered by Alibaba China and/or its associates are fair and reasonable and comparable to those offered by independent third parties, the Group will compare the prices offered by at least two other independent companies for similar product types and quantities so as to know the prevailing market prices before entering into purchase orders with Alibaba China and/or its associates. The above procedures can ensure that the transactions contemplated under the Alibaba China Purchase Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

Annual cap and actual transaction amount

The annual cap and actual transaction amounts of the transactions under the Alibaba China Purchase Framework Agreement were RMB250 million and RMB89.2 million respectively for the year ended December 31, 2024.

Listing Rules implications

As at the date of the agreement, Alibaba China is a substantial Shareholder of the Company. Therefore, Alibaba China is a connected person of the Company according to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Alibaba China Purchase Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

For details of the Alibaba China Purchase Framework Agreement and the transactions thereunder, please refer to the announcement of the Company dated September 20, 2023.

3. Five Star Holdings Sales Framework Agreement

On March 27, 2024, the Company and Five Star Holdings had entered into the Five Star Holdings Sales Framework Agreement ("**Five Star Sales Framework Agreement**"). The proposed annual caps for the transactions contemplated under the Five Star Sales Framework Agreement for the year ended December 31, 2024, and the years ending December 31, 2025 and December 31, 2026 are RMB30 million.

Main Content of the Transaction

Pursuant to the Five Star Sales Framework Agreement, the Group has agreed to supply goods (including but not limited to household appliances, consumer electronics, etc.) to Five Star Holdings and/or its associates. The Five Star Sales Framework Agreement is effective from March 27, 2024, to December 31, 2026. The Five Star Sales Framework Agreement is renewable upon mutual agreement, subject to compliance with Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Under the terms of the Five Star Sales Framework Agreement, Five Star Holdings and/or its associates will enter into specific agreements with the Group or issue purchase orders to stipulate the specific terms and conditions for the supply of goods. According to the Five Star Sales Framework Agreement, the consideration payable by Five Star Holdings and/or its associates will be made in accordance with the time and manner agreed upon in the specific agreements or purchase orders.

Reasons for and benefits of the Transaction

Five Star Holdings and/or its associates may increase the quantity of certain goods purchased from the Group during their ordinary course of business as the Group is a leading supplier of certain goods. The sales of goods including household appliances and consumer electronics by the Group to Five Star Holdings and/or its associates help the Group expand its scale and channels. The transactions contemplated under the Five Star Sales Framework Agreement are conducted in the ordinary and usual course of business of the Group and on normal commercial terms. These transactions have been agreed on arm’s length basis and on terms that are fair and reasonable to the Group and in the interests of the Company and the Shareholders as a whole.

Pricing basis

The prices of transactions contemplated under the Five Star Sales Framework Agreement shall be determined by negotiation on an arm’s length basis.

The price for selling goods to Five Star Holdings and/or its associates by the Group shall be determined with reference to the price of the goods of similar product types and quantities that the Group may sell to the independent third parties and the prevailing market price.

Pricing procedures

The parties shall negotiate the selling price separately for each sale of goods based on the principles that the selling price to be paid by Five Star Holdings and/or its associates shall be determined on normal commercial terms after arm’s length negotiation, and shall be no less favorable than the prevailing market price and the price offered by the Group to independent third parties for similar product types and quantities. Pursuant to the terms of the Five Star Sales Framework Agreement, the parties will enter into separate sales order for each sale.

To ensure that the selling prices offered by the Group to Five Star Holdings and/or its associates are fair and reasonable and comparable to those offered to independent third parties, the Group will compare the prices offered by at least two other independent companies for similar product types and quantities so as to know the prevailing market price before entering into sales orders with Five Star Holdings and/or its associates. The above procedures can ensure that the transactions contemplated under the Five Star Sales Framework Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders.

Annual cap and actual transaction amount

The annual cap and actual transaction amounts of the transactions under the Five Star Sales Framework Agreement were RMB30 million and RMB0.14 million respectively for the year ended December 31, 2024.

Report of the Board

Listing Rules implications

As Mr. Wang Jianguo is the chairman of the Board and a non-executive Director, and he holds approximately 29.44% of the total issued Shares in aggregate and is also a substantial Shareholder of the Company, Mr. Wang Jianguo is a connected person of the Company in accordance with Chapter 14A of the Listing Rules. In addition, as at the Latest Practicable Date, as Mr. Wang Jianguo and his family member together hold approximately 68.14% interest in Five Star Holdings, Five Star Holdings is an associate of Mr. Wang Jianguo and a connected person of the Company in accordance with Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Five Star Sales Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

For details of the Five Star Sales Framework Agreement and the transactions thereunder, please refer to the announcement of the Company dated March 27, 2024.

Annual Review by Independent Non-executive Directors

Independent non-executive Directors have reviewed aforementioned continuing connected transactions, and confirmed such transactions are:

(i) entered into in the ordinary business of the Group;

(ii) conducted with normal commercial terms or better; and

(iii) conducted pursuant to agreements of relevant transactions, with fair and reasonable terms and in the interests of the Shareholders as a whole.

Confirmation by the Auditor

The auditor of the Company has performed the relevant procedures regarding the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

The auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions:

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

(b) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the disclosed continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Report of the Board

Related Party Transactions

Details of material related party transactions entered into by the Group during the Reporting Period are disclosed in Note 36 to the financial statements. Save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, related party transactions disclosed in Note 36 do not constitute connected transactions under Chapter 14A of the Listing Rules, or are exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under the Listing Rules. The Company had complied with the disclosure requirements under Chapter 14A of the Listing Rules and disclosure was made in this annual report.

Save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, during the Reporting Period, there was no connected transaction or continuing connected transaction of the Company which is required to be disclosed pursuant to the provisions of Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

AUDITOR

The Company's accompanying financial statements prepared in accordance with IFRSs, have been audited by KPMG.

KPMG will retire at the forthcoming annual general meeting and, being eligible, offer itself for re-appointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

The Company has not changed auditor in the past three years.

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and set its terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Ms. YU Lixin (Chairlady), Mr. LIU Xiangdong and Mr. DIAO Yang. The Audit Committee is chaired by Ms. YU Lixin, who is an independent non-executive Director with appropriate accounting and related financial management expertise as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules.

Following discussions with the auditor, the Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended December 31, 2024. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters relating to the Company's risk management and internal controls. There were no disagreements between the Board and the Audit Committee with respect to the accounting treatment method adopted by the Company.

The Company has prepared its annual results for the year ended December 31, 2024 in accordance with IFRS.

On behalf of the Board
Chairman
Mr. WANG Jianguo

Nanjing, the PRC
March 27, 2025

REPORT OF THE BOARD OF SUPERVISORS

In 2024, in strict accordance with the Company Law of the PRC, the Articles of Association, the Rules of Procedure of the Board of Supervisors and relevant laws and regulations, the Board of Supervisors supervised and inspected the legal operation, financial position, operation and implementation of the management policy of the Company in a responsible manner to the Company and all Shareholders, conscientiously performing its due duties and promoting the operation and development of the Company. The 2024 Report of the Board of Supervisors is set out below.

DAILY WORK OF THE BOARD OF SUPERVISORS IN 2024

In 2024, the Board of Supervisors held a total of 5 meetings, attended 2 meetings of the Board held in the form of offline meetings, 4 meetings of the Board held in the form of correspondence voting, attended 3 general meetings held in the form of offline meetings, and conducted due diligence review on relevant resolutions, details of which are as follows:

Name of Supervisors	Attendances/ Number of Meetings of the Board of the Supervisors	Attendances/ Number of Board Meetings	Attendances/ Number of General Meetings
Mr. WANG Xinghua (Chairman)	5/5	6/6	3/3
Mr. LI Wei	5/5	6/6	3/3
Mr. MAO Yijun	5/5	6/6	3/3

INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON MATTERS RELATING TO THE OPERATION AND MANAGEMENT OF THE COMPANY FOR 2024

(I) Basic evaluation of the operation and management behavior plus performance for 2024

From the perspective of effectively safeguarding the interests of the Company and the rights and interests of the Shareholders, the Board conscientiously performed its supervisory duties. The Board of Supervisors was of the view that the Board had conscientiously implemented the resolutions of the general meetings and diligently performed its duties. The resolutions were in compliance with the Company Law of the PRC and the Articles of Association, without detriment to the interests of the Company and the Shareholders. The management of the Company conscientiously implemented the Board resolutions, without incurring illegal and unlawful acts in the operation, and successfully completed the business plans formulated at the beginning of the year.

Report of the Board of Supervisors

(II) Inspection of the Company's financial position

During the Reporting Period, the Board of Supervisors carefully and effectively supervised, inspected and reviewed the Company's financial position, financial system and operating results by reviewing the Company's financial statements, audit reports, etc., and believed that the Company's financial system was sound, the financial management system was perfect, the financial operation was standard, and the financial position was good. KPMG audited the Company's 2024 annual financial report and issued a "standard unqualified" auditor's report, which truly and accurately reflected the financial position and operating results of the Company.

(III) Use of proceeds

During the Reporting Period, the Board of Supervisors effectively supervised the use and management of the Company's proceeds and was of the opinion that the Company rationally used and effectively managed the proceeds. The use of the proceeds was legal and compliant, and the actual investment projects of the proceeds were consistent with that disclosed in the prospectus. The change in the use of proceeds complied with relevant procedures in accordance with the law, and there was no act that was detrimental to the interests of the Shareholders.

(IV) Connected transactions of the Company

During the Reporting Period, the Board of Supervisors verified the connected transactions of the Company, and was of the view that the connected transactions of the Company were reasonable and necessary and in line with the needs of the Company's business development, the decision-making procedures of connected transactions were legal and compliant, the pricing of connected transactions was fair, and there was no act that harmed the interests of the Shareholders.

(V) Acquisition and disposal of assets

During the Reporting Period, the Company did not dispose of any significant assets and there was no act that harmed the interests of the Company and Shareholders, especially the minority Shareholders.

Report of the Board of Supervisors

(VI) Audit opinions on the RSU Scheme

During the Reporting Period, the Company granted 413,000 RSUs. The grant of RSUs by the Company can establish and improve the Company's long-term incentive and restraint mechanism, fully mobilise the work enthusiasm of employees, help boost the Company's operating performance, and is conducive to the long-term sustainable development of the Company, without prejudice to the interests of the Company and all Shareholders. The Board of Supervisors reviewed the RSUs and was of the view that the appraisal system was comprehensive, integrated and operable, and the appraisal indicators were designed to be scientific and reasonable, which were binding on incentive participants and made it feasible to achieve the appraisal purpose of the Incentive Scheme.

(VII) Opinions on the evaluation of the Company's internal control

The Board of Supervisors carefully reviewed the Board's 2024 Evaluation Report on Internal Control and the construction and operation of the Company's internal control system and was of the opinion that the Company had established a relatively sound and reasonable internal control system and implemented it in operation activities. This prevented corporate operational risks, ensured the orderly and effective conduct of various business activities of the Company, and safeguarded the interests of the Shareholders.

HIGHLIGHTS OF THE WORK OF BOARD OF SUPERVISORS IN 2025

In 2025, the Board of Supervisors will continue to perform its duties under relevant laws and regulations, the Articles of Association and the Rules of Procedure of the Board of Supervisors, fully exercise its rights conferred by laws and regulations, faithfully and diligently perform its supervisory duties, improve its supervisory capabilities, and better supervise the Company's finance, risk control and Directors and senior management. At the same time, it will keep acquiring business knowledge, improve the comprehensive ability of Supervisors, effectively safeguard the legitimate rights and interests of the Shareholders, and promote the steady development of the Company.

On behalf of the Board of Supervisors
Chairman of Board of Supervisors
Mr. WANG Xinghua

Nanjing, the PRC
March 27, 2025

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving high standards of corporate governance to protect the Shareholders' interests and enhance the corporate value. The Company has adopted the CG Code as the basis of corporate governance of the Company and established a good corporate governance system. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Reporting Period.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

The Board is responsible for performing the functions as set out in code provision A.2.1 of the CG Code. The Board will review the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code and the Employee Written Guidelines, and the Company's compliance with the CG Code and disclosures made in this Corporate Governance Report.

CORPORATE PURPOSE, VALUES AND CULTURE

Always keeping in mind the corporate mission of "Making Farmers' Life Better", the Group adheres to the entrepreneurial mentality and deepens the awareness of innovation to enhance its creative ability. This allows the Group to empower the township family-run retail stores and the member retail stores to grow bigger, better and stronger using its supply chain and digital services.

Upholding the core value of "Together for Shared Value and Growth", the Group has gradually established and improved a series of policy systems, internal control systems, and management mechanisms and processes for the major stakeholders involved in good corporate governance policies and measures: Shareholders, the Board and its committees, management and staff, and other stakeholders (including customers, local communities, industry peers, regulatory authorities, etc.), to comprehensively prevent and resolve all kinds of risks.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopts the Model Code as its code of conduct for securities transactions by the Directors and Supervisors.

After making specific enquiries to all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with the provisions set out in the Model Code during the Reporting Period.

The Company has also established written guidelines for securities transactions by relevant employees who may have inside information about the Company on terms no less stringent than the Model Code (the "**Guidelines for Securities Transactions by Relevant Employee**"). The Company has not been aware of any non-compliance by employees with the Guidelines for Securities Transactions by Relevant Employee.

Corporate Governance Report

LIST OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out the information of the Directors, Supervisors and senior management of the Company during the Reporting Period and up to the Latest Practicable Date:

Name	Position in the Company	Date of appointment
Directors		
WANG Jianguo	Chairman of the Board and non-executive Director	November 16, 2015
XU Xiuxian	Executive Director	November 16, 2015
ZHAO Liangsheng	Executive Director	May 10, 2021
SUN Chao	Executive Director	February 10, 2023
CAI Zhongqiu	Non-executive Director	May 10, 2021
WANG Ran	Non-executive Director	November 28, 2022 (ceased on March 27, 2025)
XU Di	Non-executive Director	March 27, 2025
YU Lixin	Independent non-executive Director	June 17, 2022
LIU Xiangdong	Independent non-executive Director	May 10, 2021
DIAO Yang	Independent non-executive Director	November 14, 2023
Supervisors		
WANG Xinghua	Supervisor	November 16, 2015
LI Wei	Supervisor	June 29, 2020
MAO Yijun	Supervisor	May 10, 2021
Senior Management		
XU Xiuxian	Chief executive officer	December 6, 2010
ZHAO Liangsheng	Senior Vice President and co-chief financial officer	January 1, 2013
XING Jianhong	Vice President	January 4, 2015
SUN Chao	Vice President and chief technology officer	July 15, 2015
NI Juan	Vice President and secretary to the board	September 20, 2023
SHEN Chunmei	Vice President and co-chief financial officer	February 24, 2025
XING Jun	Vice President and co-chief financial officer	June 17, 2022 (ceased on March 8, 2024)

Biographical details of the Directors, Supervisors and senior management are set out in the section headed "Directors, Supervisors and Senior Management" of this annual report. The Board is responsible, and has the general authority for, the management and operation of the Company. The Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years.

Corporate Governance Report

During the Reporting Period, the Board has complied with the Listing Rules in relation to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors a written annual confirmation of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

None of the Directors, Supervisors or senior management of the Company has any personal relationship (including financial, business, family or other material/relevant relationships) with any other Directors, Supervisors or senior management.

All Directors, including the independent non-executive Directors, bring valuable business experience, knowledge and expertise in different areas to the Board to enable its efficient and effective operation. The independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

MECHANISMS TO ENSURE INDEPENDENT VIEWS

The Company ensures independent views and input are available to the Board via the below mechanisms:

1. The Board composition and the independence of the independent non-executive Directors, in particular the proportion of independent non-executive Directors, should be reviewed by the Nomination Committee on an annual basis.

2. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all independent non-executive Directors to be independent.

3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also directors and/or senior management of the Company's single largest Shareholder and/or certain subsidiaries of the single largest Shareholder, would abstain from voting in the relevant Board resolutions in relation to the transactions with the single largest Shareholder and/or associates.

4. The chairman of the Board shall meet with independent non-executive Directors at least once annually.

5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice. As part of its regular review, the Board has reviewed the implementation of the above mechanisms for the Year and is of the view that they are effective.

Corporate Governance Report

BOARD RESPONSIBILITIES AND DELEGATION OF AUTHORITY

The Board is responsible for the leadership and control of the Company, directing and supervising the affairs of the Company and acting in the best interests of the Company and the Shareholders.

The Board is responsible for and has general authority over the management and operation of the business of the Company, including the determination of the business of the strategy and investment plans, the implementation of resolutions passed at general meetings and the exercise of other powers, functions and duties conferred by Articles of Association. The Board is also responsible for formulating and reviewing the Company's policies and practices with respect to corporate governance, risk management and internal controls, and legal and regulatory compliance.

The Board stands at the core of the Company's corporate governance structure and there is a clear division of responsibilities between the Board and the senior management. The Company has clearly delineated the responsibilities of the general meeting, the Board, the Board of Supervisors and the senior management. The general meeting is the highest authority of the Company, and the Board is accountable to the general meeting. The Board has established five specialized committees, which operate under the leadership of the Board and advise the Board on its decisions. The Board of Supervisors oversees the Board and senior management in the performance of their duties, as well as the financial activities, risk management and internal controls of the Company. Under the leadership of the Board, the senior management is responsible for the implementation of the Board's resolutions and for the daily operations and management of the Company, and reports to the Board and the Board of Supervisors.

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

The roles of the chairman and chief executive officer are separate and are not performed by the same individual as this ensures better checks and balances and hence better corporate governance. Mr. WANG Jianguo holds the position of the chairman of the Board, who is primarily responsible for the strategic development of the Group. Mr. XU Xiuxian serves as the chief executive officer, who is primarily responsible for the overall management and operation of the Group.

BOARD DIVERSITY POLICY

In accordance with Rule 13.92 of the Listing Rules, the Nomination Committee shall formulate a policy concerning diversity of the Board members. In formulating its nomination policy, the Company has created measurable targets in the following areas, including expertise, experience, knowledge, professional skills, education background, independence, age, etc. In doing so, the Company can ensure the Directors reach the eligible level in terms of their expertise, industrial experience, education background, independence, age and other factors, which enable them to make corresponding contributions to the Board whenever necessary and practicable. With regards to gender diversity on the Board, our board diversity policy further provides that the Board shall take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. Going forward and with a view to developing a pipeline of potential successors to the Board that may meet the targeted gender diversity ratio set out below, the Company will:

(i) continue to make appointments based on merits with reference to board diversity as a whole;

(ii) take steps to promote gender diversity at all levels of the Company by recruiting staff of different gender;

(iii) consider the possibility of nominating female management staff who has the necessary skills and experience to the Board; and

(iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or board of the Company so that we will have a pipeline of female senior management and potential successors to the Board in a few years' time.

Nomination Committee is responsible for ensuring diversity within the Board members and will use its best efforts to identify and recommend suitable candidates, including female candidates, for the Board's consideration. We also welcome candidates of different genders to apply for our mid to senior level positions. The ultimate decision of the appointment will be based on merits and the contribution the selected candidates could bring to the Board and management team. The Board believes that such merit-based selection criteria will best enable the Company to serve the Shareholders and other stakeholders going forward. The Board and the Nomination Committee regularly review its nomination policy and are open to adopt measurable objectives based on the Company's future business needs while aligning with the current statutory requirements and sound corporate governance.

At present, members of our Board consisted of 2 females and 7 males, aged from 36 to 64 and with education background and professional experience covering management, economy, finance, law, accounting, etc. The Company has fully considered the diversified requirements of Board members in terms of gender, age, region, education background and professional experience.The Company confirmed that the composition of the Board satisfies the requirements regarding diversity of board of directors (including gender diversity) set out in the Listing Rules. In the future, the Company will continue to identify and appoint female Director, with appropriate qualification and experience, in the Board. The Directors will exercise fiduciary duties in the process, acting in the best interests of the Company and the Shareholders as a whole when making the relevant appointments.

In addition to the Board level, the Company also attaches importance to diversity at all employee levels (including gender diversity). For information on all employees (including senior management), such as gender ratios, please refer to the section headed "Relationship with Stakeholders – Employees" of this annual report.

Corporate Governance Report

CONTINUING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors shall participate in appropriate continuing professional development in accordance with code provision C.1.4 of the CG Code to develop and update their knowledge and skills to ensure informed and relevant contribution to the Board. Seminars are also arranged on a regular basis to update the Directors from time to time on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements to ensure that they have a proper understanding of the Company's operations and business and their obligations under the relevant statutes, laws, rules and regulations. The Directors are also provided with regular updates on the performance, position and prospects of the Company to enable the Board as a whole and each of the Directors to discharge their duties. The Company's solicitors and joint company secretaries update and provide written training materials to the Directors from time to time on their roles, functions and responsibilities.

Each newly-appointed Director, including Ms. XU Di, has been provided with necessary on-boarding training and information to ensure that she has an appropriate understanding of the Company's operations and business, as well as her responsibilities under relevant ordinances, laws, rules and regulations. Ms. XU Di confirms that she (i) obtained the legal opinion described in Rule 3.09D of the Listing Rules on March 26, 2025; and (ii) understands her obligations as a director under the Listing Rules.

Directors are required to submit to the Company details of the training they have received in each financial year in order for the Company to keep proper training records of the Directors. During the Reporting Period, the training for Directors was as follows:

Name of Directors	Continuing Professional Development Involved (Note)
Chairman and Non-executive Director:	
Mr. WANG Jianguo	a,b
Executive Directors:	
Mr. XU Xiuxian	a,b
Mr. ZHAO Liangsheng	a,b
Mr. SUN Chao	a,b
Non-executive Directors:	
Mr. CAI Zhongqiu	a,b
Mr. WANG Ran (ceased on March 27, 2025)	a,b
Independent Non-executive Directors:	
Ms. YU Lixin	a,b
Mr. LIU Xiangdong	a,b
Mr. DIAO Yang	a,b

Notes:

a: Participating in the training offered by the law firm and related to the Company's business

b: Reading materials on a variety of topics, including corporate governance issues, Directors' duties, Listing Rules and other relevant laws

Corporate Governance Report

Board Meetings

Notice of all regular Board meetings of the Company shall be given to all Directors at least 14 days in advance to give them an opportunity to attend the regular meetings and place matters on the agenda.

For other Board meetings and Board committee meetings, the Company generally gives a reasonable notice. The meeting agenda and accompanying Board papers are sent to the Directors or Board committee members at least three days prior to the Board meeting or Board committee meeting to ensure that the Directors have sufficient time to review the papers and are well prepared to attend the Board meeting or Board committee meeting. If a Director or Board committee member is unable to attend a meeting, he/she will be informed of the matters to be discussed and will have an opportunity to inform the chairman of his/her views prior to the meeting. Minutes of the meetings shall be kept by the joint company secretaries and copies are circulated among all Directors for information and records.

Minutes of Board meetings and Board committee meetings shall record in detail the matters considered and decisions made by the Board and Board committees, including any issues raised by the Directors. Minutes of each Board meeting and Board committee meeting are drafted and sent to the Directors for their comments within a reasonable time after the date of the meeting. Minutes of the Board meetings are open for inspection by all Directors.

During the Reporting Period, 6 Board meetings were held and 3 general meetings were convened, and the attendance records of each Director at the Board meetings and the general meetings above are as follows:

	Number of Meetings Attended/ Number of Meetings Eligible to Attend	
Name of Directors	**Board meetings**	**General meetings**
Chairman and Non-executive Director:		
Mr. WANG Jianguo	6/6	3/3
Executive Directors:		
Mr. XU Xiuxian	6/6	3/3
Mr. ZHAO Liangsheng	6/6	3/3
Mr. SUN Chao		
Non-executive Directors:		
Mr. CAI Zhongqiu	6/6	3/3
Mr. WANG Ran (ceased on March 27, 2025)	6/6	3/3
Independent Non-executive Directors:		
Ms. YU Lixin	6/6	3/3
Mr. LIU Xiangdong	6/6	3/3
Mr. DIAO Yang	6/6	3/3

Corporate Governance Report

During the Board meetings, the senior management of the Company provides the Directors with information on the business activities and development of the Company in a timely manner. The Executive Directors also frequently communicate with the non-executive Directors to obtain their views on the Company's business development and operations.

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles of Association and the corporate governance practice prescribed in the Listing Rules, we have formed five Board committees, namely the Strategy Committee, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the ESG Committee.

STRATEGY COMMITTEE

The Strategy Committee consists of three Directors, including a non-executive Director, an executive Director and an independent non-executive Director, namely Mr. WANG Jianguo, Mr. XU Xiuxian and Mr. LIU Xiangdong. Mr. WANG Jianguo serves as the chairman of the committee. The primary duties of the Strategy Committee include (but are not limited to):

1. studying and regularly advising on our business objectives and medium to long-term development strategy in accordance with operation and the changes in the market;

2. reviewing annual business plans and any material change or adjustment in implementation and advise the Board accordingly;

3. regularly assessing and inspecting the implementation of the above issues after they have been approved by the Board and report to the Board; and

4. handling other matters required by laws, regulations, rules, normative documents, regulatory rules of the jurisdictions where the shares of the Company are listed, the Articles of Association or as authorised by the Board.

During the Reporting Period, the Strategy Committee held 3 meetings. The main tasks of the Strategy Committee in 2024 included the following:

- Review the report on the implementation of the development and investment plan for 2023;

- Review the environmental, social and governance report for 2023; and

- Review the development and investment plan for 2025.

The following is the attendance of each member during the Reporting Period:

Name of Directors	Number of Meetings Attended/ Number of Meetings Eligible to Attend
Mr. WANG Jianguo (Chairman)	3/3
Mr. XU Xiuxian	3/3
Mr. WANG Ran (ceased to be a member on August 2, 2024)	2/2
Mr. LIU Xiangdong (appointed as a member on August 2, 2024)	1/1

AUDIT COMMITTEE

The Audit Committee consists of three Directors, including three independent non-executive Directors, namely Ms. YU Lixin, Mr. LIU Xiangdong and Mr. DIAO Yang. Ms. YU Lixin serves as the chairlady of the committee. The primary duties of the Audit Committee include (but are not limited to):

1. to review annually the performance of the external audit firm, submit a summary of the annual audit work of the Company conducted by the external audit firm during the Year to the Board;

2. to communicate between the Company's internal audit department and external audit firm;

3. to, on an as-needed basis, formulate and implement policy on the provision of non-audit services by the external audit firm (including its affiliates);

4. to review the Company's accounting policies, financial position, financial reporting procedures and financial controls; to review completeness, accuracy and fairness of the financial statements, the quarterly (if any), half-year and annual reports and accounts of the Company and review significant financial reporting comments contained therein, as well as the disclosure of the Company's financial information;

5. to discuss with the external auditor about issues and areas of concern arising from the audit on half-year and full-year accounts of the Company and any other matters that the external auditor may wish to discuss;

6. to examine the financial policies, internal audit system, internal control system and risk management system of the Company and provide opinions and recommendations for improvements;

7. to establish relevant procedures and ensure the impartial and independent investigation and resolution of the matters;

8. to advise and ensure that the Board takes effective remedial measures for the Company's failure to comply with the requirements of the Listing Rules regarding the establishment of an audit committee;

9. to complete other tasks assigned by the Board;

10. to discharge other duties imposed by the laws, regulations and normative documents, regulatory bodies including the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong, as well as the Articles of Association and the rules of procedures of the Board;

11. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

12. to review and monitor the training and continuous professional development of the Directors and senior management;

13. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

14. to supervise the work of the Company's internal audit department and to make recommendations on the appraisal of and changes to the head of the Company's internal audit department;

15. to supervise potential improper practices in financial reporting, internal control or other matters by the Company's employees; and

16. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

During the Reporting Period, the Audit Committee held 7 meetings. The Audit Committee's major work in 2024 includes the following:

- reviewing the 2023 annual report, including the Corporate Governance Report, the ESG Report, the Report of the Board and the financial statements, as well as the related results announcement;

- reviewing the 2024 interim report and interim results announcement;

- reviewing the renewal of caps for continuing connected transactions; and

- in relation to the external auditor, reviewing their plans, reports and management letter, fees, involvement in non-audit services, and their terms of engagement.

The following is the attendance of each member during the Reporting Period:

Name of Directors	Number of Meetings Attended/Number of Meetings Eligible to Attend
Ms. YU Lixin (Chairlady)	7/7
Mr. LIU Xiangdong	7/7
Mr. WANG Ran (ceased to be a member on August 2, 2024)	4/4
Mr. DIAO Yang (appointed as a member on August 2, 2024)	3/3

NOMINATION COMMITTEE

The Nomination Committee consists of three Directors, including an executive Director and two independent non-executive Directors, namely Mr. XU Xiuxian, Mr. DIAO Yang, and Mr. LIU Xiangdong. Mr. DIAO Yang serves as the chairman of the committee. The primary duties of the Nomination Committee include (but are not limited to):

1. to consider and draw up the criteria and procedures for selecting Directors and senior management and make recommendations thereon to the Board. Factors to be considered include but are not limited to culture, education background and experience of occupation;

2. to identify qualified candidates for directorship and recommend candidates to the Board, and exam the candidates running for the positions of the Directors (especially the chairman of the Board) and make recommendations thereon;

3. to identify candidates for senior management, exam the candidates running for the positions of the senior management of the Company (especially the general manager) and make recommendations thereon;

4. to review the independence of the independent non-executive Directors;

5. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and make recommendations to the Board on any proposed change to the Board to implement the Company's strategies, and to assess the structure of the committees under the Board, recommend members to the relevant committees from the Directors, and submit to the Board for approval;

6. to establish the plan for reserving potential Directors and senior management and make updates from time to time;

7. to evaluate the performance of the Directors and make advice or recommendations on the replacement, reappointment or succession of Directors (including the chairman and the chief executive officer) based on the evaluation results;

8. to formulate and (as appropriate) review and implement the policy on Board diversity from time to time adopted by the Board, and to review the progress on achieving the objectives and make disclosure of the relevant policy reviewed by the Committee or its summary in the annual report of the Company; and

9. other matters required by relevant laws, administrative regulations, the Listing Rules and the Articles of Association and authorized by the Board.

During the Reporting Period, the Nomination Committee held 2 meetings. The main tasks of the Nomination Committee in 2024 included the following:

- Review the structure, size, composition and member diversity of the Board;

- Review the independence of independent non-executive Directors; and

- Search for and identify qualified Director candidates and submit nomination recommendations to the Board.

The following is the attendance of each member during the Reporting Period:

Name of Directors	Number of Meetings Attended/Number of Meetings Eligible to Attend
Mr. DIAO Yang (Chairman)	2/2
Mr. LIU Xiangdong	2/2
Mr. WANG Ran (ceased to be a member on August 2, 2024)	2/2
Mr. XU Xiuxian (appointed as a member on August 2, 2024)	0/0

Nomination Procedures

The Company has also adopted procedures for nomination and election of Directors. The policy sets out the criteria and procedures for selection and performance evaluation and provides guidance to the Board on the nomination and appointment of Directors. The Board believes that a clear selection process facilitates corporate governance, ensures the continuity of Board, maintains the leadership of Board, and enhances the efficiency and diversity of the Board.

Both the Nomination Committee and the Board can nominate candidates for Directors. When evaluating the suitability of recommended candidates and their potential contributions to the Board, the Nomination Committee may refer to certain selection criteria such as integrity, professional qualifications and skills, achievements and experience in the Internet and technology fields, commitment and related contributions. The Nomination Committee shall report the evaluation results to the Board on the appointment of suitable Director candidates and provide relevant recommendations for the Board to make decisions and formulate a general election plan. The Board shall bear the ultimate responsibility for the selection and appointment of Directors.

Corporate Governance Report

REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee consists of three Directors, including one executive Director and two independent non-executive Directors, namely Mr. XU Xiuxian, Mr. LIU Xiangdong, and Ms. YU Lixin. Mr. LIU Xiangdong serves as the chairman of the committee. The primary duties of the Remuneration and Appraisal Committee include (but are not limited to):

1. to formulate remuneration policy, make recommendations to the Board and oversee the implementation in respect of the overall remuneration policy and structure of the Directors and senior management (including but not limited to the performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems, etc.) and setting up formal and transparent procedures, based on the major scope, responsibility and importance of the respective positions of the Directors and senior management and the remuneration of the same position paid by comparable companies;

2. to review and approve proposals on management's remuneration according to the corporate goals and objectives developed by the Board;

3. to examine the performance of duties by the Directors and senior management of the Company, conduct annual performance appraisals of them, and formulate annual incentives schemes which shall be submitted to the Board for approval and implementation;

4. to supervise the implementation of the remuneration system of the Company;

5. to recommend to the Board the remuneration packages offered to individual executive Directors and senior management, including benefits in kind, pension and compensation (including compensation paid for loss or termination of office or appointment), and to recommend to the Board concerning remuneration offered to non-executive Directors;

6. to consult the chairman of the Board or the general manager in respect to the compensation proposed for other executive Directors. The Remuneration and Appraisal Committee shall seek independent professional opinions if necessary;

7. to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

8. to review and approve compensation payable to the 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;

9. to review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

10. to ensure that any Directors or his/her associate(s), as defined in the Listing Rules, shall not participate in determining his/her own remuneration, and that the remuneration of non-executive Directors who are also members of the Remuneration and Appraisal Committee shall be determined by other members of the Remuneration and Appraisal Committee;

11. to review incentives schemes and Directors' service contracts;

12. to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules; and

13. other matters required by laws, regulations, department rules, relevant regulatory rules of the securities regulatory authorities and the stock exchanges in the place where the Company's securities are listed and authorized by the Board.

During the Reporting Period, the Remuneration and Appraisal Committee held 4 meetings. The Remuneration and Appraisal Committee's major work in 2024 includes the following:

- reviewing and recommending to the Board in respect of the remuneration policies and structure of the Company to ensure that the Company's remuneration packages are competitive to recruit the best talents in the industry and to retain key staff;
- reviewing and recommending to the Board on the remuneration packages for the Directors;
- assessing performance and, reviewing and approving adjustments to the remuneration packages for the members of the senior management team;
- reviewing and approving compensation awards granted to senior management team, recognising their contributions to the Company and providing incentives for future performances;
- reviewing and approving the grant of RSUs; and
- reviewing and approving matters related to the Share Option Scheme.

The following is the attendance of each member during the Reporting Period:

Name of Directors	**Number of Meetings Attended/Number of Meetings Eligible to Attend**
Mr. XU Xiuxian	4/4
Mr. LIU Xiangdong (Chairman)	4/4
Ms. YU Lixin	4/4

SUSTAINABLE DEVELOPMENT (ESG) COMMITTEE

To further improve the Company's governance structure, continuously optimize its environmental, social, and governance ("**ESG**") capabilities, and enhance the quality of ESG-related work, the Board has resolved to establish the ESG Committee, effective from March 27, 2025. The ESG Committee is primarily responsible for studying on the sustainable development and ESG matters of the Company, and making recommendations to the Board.

Corporate Governance Report

The Sustainable Development (ESG) Committee consists of three Directors, including one non-executive Director and two executive Directors, namely Mr. WANG Jianguo, Mr. XU Xiuxian, and Mr. Sun Chao. Mr. WANG Jianguo serves as the chairman of the committee. The primary duties of the Sustainable Development (ESG) Committee include (but are not limited to):

1. To study and develop the Company's visions, objectives, strategies and management systems in relation to sustainable development and ESG to ensure that they are in line with the Company's strategic planning needs and comply with laws, regulations and regulatory requirements;

2. To identify key stakeholders and ESG issues of the Company, study and make recommendations on related sustainable development business with the Company's stakeholders;

3. To review and assess the implementation of sustainable development, ESG and other long-term corporate strategies to ensure that the Company's performance, operations and management are consistent with these strategies;

4. To follow up and inspect the implementation of the Company's sustainable development and ESG work and make recommendations to the Board on actions needed to improve ESG performance;

5. To review major trends in sustainable development and ESG, identify and assess risks and opportunities related to sustainable development and ESG issues, and ensure that the Company's position and performance related to sustainable development and ESG issues comply with relevant regulations and standards;

6. To review the Company's annual environmental, social and governance reports and other information that should be disclosed related to sustainable development and ESG and make recommendations to the Board;

7. To study and make recommendations to the Board on other major issues affecting the sustainable development of the Company; and

8. Other matters authorized by the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has established a risk management and internal control system in accordance with the requirements of the CG Code, and is responsible for independently reviewing the adequacy and effectiveness of the Company's risk management and internal control system, continuously monitoring and reviewing the effectiveness of its operation at least once a year. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, promote effective and efficient operations, provide reasonable assurance of financial reporting reliability and compliance with applicable laws and regulations, and safeguard the Company's assets. The Board can only make reasonable but not absolute assurances that there will be no material misrepresentation or loss.

Characteristics of risk management and internal control organizational system

The Company has established a sound risk management and internal control organizational system, including the Board, the Audit Committee, the Board of Supervisors, the Company's management, office of the Board, internal control management center and other departments according to the requirements of code provision D.2 of the CG Code, so as to ensure that the Company has sufficient resources, employee qualifications and experience, sufficient training courses and relevant budget.

The Company has formulated risk management policies and procedures, clarified the risk management structure and responsibility permissions, established three lines of defense for risk management and control, identified major risks that hinder the realization of objectives, and controlled them within acceptable levels to ensure the achievement of business objectives, the improvement of operational efficiency, and the reliability of financial reports and compliance with national regulations and other compliance requirements.

First line of defense:

The first line of defense is mainly implemented by the Company's business departments, which are responsible for daily operations and for designing and implementing control measures to address risks.

Second line of defense:

The second line of defense is mainly implemented by the Company's internal control management center, financial management center, system operation department and other departments with similar functions. This line of defense is responsible for the formulation of policies related to operations, finance, compliance and litigation, information security and internal control of the Company, as well as planning and implementing the construction of the overall risk control system. To ensure the implementation of such systems, the second line of defense also assists and supervises the first line of defense in establishing and improving risk management and internal control systems.

Third line of defense:

The third line of defense mainly consists of the internal audit team, the Audit Committee and the Board of Supervisors. The Board shall assume the ultimate responsibility for the establishment and improvement of the Company's risk management and internal control system and the effective implementation of risk management, and shall serve as the highest decision-making body for the risk management and internal control of the Company.

The Board is responsible for performing the functions as set out in code provision A.2.1 of the CG Code. The Board will review the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code and the Employee Written Guidelines, and the Company's compliance with the CG Code and disclosures made in this Corporate Governance Report.

Corporate Governance Report

The Board has reviewed the risk management and internal monitoring during the Reporting Period, which covers all important monitoring aspects, including financial monitoring, operational monitoring, and compliance monitoring. The results of the Company's risk management and internal control during the Reporting Period show that the Company does not have any major risk monitoring errors, nor does it find any major risk monitoring weaknesses. The Board considers that the risk management and internal control systems of the Company are effective and adequate.

The Company has put in place appropriate internal control procedures and guidelines to avoid improper handling of inside information which may constitute insider trading or breach of any other statutory duty. At any time, access to inside information is limited to the relevant personnel (i.e. the Directors, senior management and relevant employees of the Company) and as the situation requires until it is disclosed or released in accordance with applicable laws and regulations. Directors, senior management and relevant employees of the Company who are in possession of potential inside information and/or inside information are required to take reasonable steps to ensure that adequate safeguards are in place to ensure the strict confidentiality of inside information and that recipients understand their responsibility to keep the information confidential.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024.

The Board shall be responsible for presenting a clear and understandable assessment of annual and interim reports, inside information and other disclosures required under the Listing Rules and other regulatory requirements. The senior management has provided to the Board such interpretations and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements and position, which are submitted to the Board for approval.

The Directors are not aware of any event or circumstance of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The auditor's statement of reporting responsibilities on the Company's consolidated financial statements for the year ended December 31, 2024 are set out in the section headed "Independent Auditor's Report" of this annual report.

AUDITOR'S REMUNERATION

The auditor's remuneration for audit and non-audit services provided to the Company during the year ended December 31, 2024 is set out below:

Service categories	**Amount *(RMB'000)***
Audit services	7,100
Non-audit services *(Note)*	15
Total	**7,115**

Note: Non-audit services include Hong Kong profit tax filing services.

JOINT COMPANY SECRETARIES

Ms. TANG Min, the joint company secretary, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. AU Wai Ching from SWCS Corporate Services Group (Hong Kong) Limited, which is a corporate service provider, as one of its joint company secretaries to assist Ms. TANG Min to discharge her duties as company secretary of the Company. The key contacts of Ms. AU Wai Ching in the Company is Ms. TANG Min.

Details of the biographies of Ms. TANG Min and Ms. AU Wai Ching are as follows:

Ms. TANG Min, has been one of the joint company secretaries of the Company since January 2022. Ms. Tang currently is the deputy director of the office of the secretary of the Board. She joined the Group in April 2013 and is primarily responsible for capital financing of the Company. She served as a financial accountant of Jiangsu Shangfa Home Appliances Co., Ltd. (江蘇商發家電有限公司) from June 1997 to November 2001 and a senior financial supervisor of Pentagon Freight Services (Singapore) Private Limited (新加坡五角貨運有限公司) from October 2009 to January 2011. Ms. TANG obtained a bachelor's degree with honors in Applied Accounting from Oxford Brookes Business School in the UK in July 2009. She completed Fundamentals Level of the ACCA examinations in December 2008.

Ms. AU Wai Ching, has been one of the joint company secretaries of the Company since January 2022. Ms. Au is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, which is a corporate service provider. She is an fellow member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom. She obtained her bachelor's degree in business administration and her master's degree in corporate governance from the City University of Hong Kong.

For the year ended December 31, 2024, Ms. TANG Min and Ms. AU Wai Ching have participated in relevant professional training for no less than 15 hours to comply with rule 3.29 of the Listing Rules.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information to enable the Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Board, and the chairmen of the Board committees will attend the annual general meeting to answer the Shareholders' questions. Auditors will also attend the annual general meeting to answer questions on the conduct of the audit, the preparation and content of the auditor's reports, the accounting policies and auditors' independence.

To promote effective communication and establish a two way relationship and communication between the Company and the Shareholders, the Company adopts a Shareholders' communication policy and maintains a website at (www.htd.cn), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meeting and other general meetings.

During the Reporting Period, the Company actively expanded the communication channels with investors, and maintained good communication and interaction with investors through various forms such as results briefings, operation tracking exchange meetings, investor reception day and large-scale offline exchange activities, brokerage strategy meetings, and analyst surveys. In addition, the Company responded to investors' questions in time through the investor relationship mobile and email, and submitted reasonable suggestions to the management.

Shareholders Communication Policy

The Company has established a shareholder communication policy to ensure that Shareholders' comments and concerns are properly addressed. The Board shall regularly review the policy on an annual basis to ensure its effectiveness.

As part of its regular review, the Board has reviewed the shareholder communication policy for the Year and is of the view that they are effective and adequately implemented.

Shareholders' Rights

According to the Articles of Association, the procedures for Shareholders to convene an extraordinary general meeting, to make inquiries and to make suggestions at the general meeting are as follows:

1) Convene an extraordinary general meeting

Shareholders who individually or collectively hold more than 10% of the Company's Shares may sign one or several written requests in the same format to request the Board to convene an extraordinary general meeting or a class general meeting, and clarify the topics of the meeting. The Board shall, in accordance with the provisions of laws, administrative laws and regulations, the Listing Rules and the Articles of Association of the Company, provide written feedback on whether or not to agree to hold an extraordinary general meeting or a class general meeting within 10 days after receiving the request.

If the Board agrees to convene an extraordinary general meeting or a class general meeting, a notice of the meeting shall be issued within 5 days after the resolution of the Board is passed. Changes made to the original request in the notice shall be approved by relevant Shareholders.

If the Board does not agree to hold the extraordinary general meeting or the class general meeting or fails to give a reply within 10 days after receipt of the proposal, Shareholder(s) severally or jointly holding no less than 10% Shares of the Company shall be entitled to propose in writing to the Board of Supervisors to convene an extraordinary general meeting or a class general meeting.

If the Board of Supervisors agrees to convene the extraordinary general meeting or the class general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal, the consent of relevant Shareholder(s) shall be obtained. If the Board of Supervisors fails to issue the notice for the Shareholders' general meeting or the class general meeting within the specified time, the Board of Supervisors shall be deemed as failing to convene or preside the general meeting or the class general meeting. The Shareholder(s) severally or jointly holding no less than 10% Shares of the Company for no less than 90 consecutive days may convene and preside over such meeting on his or their own.

Corporate Governance Report

2) Make enquiries to the Board

Shareholders who intend to make enquiries about the Company to the Board may send their enquiries to the investor relations department of the Company by email at ir@htd.cn. The Company will not handle verbal or anonymous enquiries in general.

3) Make recommendations to the general meeting

Shareholders who individually or collectively hold more than 3% of the Company's Shares may put forward an interim proposal and submit it to the convener in writing 10 days before the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days after receiving the proposal, notify other Shareholders and submit the interim proposal to the general meeting for approval.

A written notice shall be given at least 20 days prior to the convening of the annual general meeting, and at least 15 days prior to the convening of the extraordinary general meeting. Where laws, regulations and the securities regulatory authority of the place where the Company's stocks are listed provide otherwise, such provisions shall prevail.

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each matter at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange in a timely manner after each general meeting.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Company held the 2024 first extraordinary general meeting on August 2, 2024, at which the amendments to the Articles of Association were considered and approved, with effect from August 2, 2024. For details, please refer to the announcement of the Company dated July 8, 2024, the circular of the Company dated July 17, 2024 and the poll results announcement dated August 2, 2024.

The latest Articles of Association were published on the website of the Hong Kong Stock Exchange on August 2, 2024.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
匯通達網絡股份有限公司 Huitongda Network Co., Ltd.*
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of 匯通達網絡股份有限公司 Huitongda Network Co., Ltd.* ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 88 to 188, which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising 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 December 31, 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China ("**PRC**") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

* *For identification only.*

Independent Auditor's Report

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.

Recognition of revenue from merchandise sales	
Refer to Note 4 to the consolidated financial statements and the accounting policies on pages 113 to 115.	
The Key Audit Matter	**How the matter was addressed in our audit**
The principal activities of the Group are sales of a comprehensive suite of merchandise in lower tier cities and rural areas in the PRC and provision of intelligent business and marketing subscription service, offering merchant solutions and rendering other various related services. The Group recognized revenue from merchandise sales of RMB59,269 million for the year ended December 31, 2024. Management evaluates the terms of individual contracts to determine the Group's performance obligations and appropriate timing of revenue recognition. Revenue from merchandise sales is recognized at the point in time when the control of the merchandise has been transferred to customers, being when the goods are delivered and accepted.	Our audit procedures to assess the recognition of revenue from merchandise sales included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting sales contracts, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and acceptance and any sales return, rebate and/or discount arrangements to assess if the Group's revenue recognition accounting policy was in accordance with the requirements of the prevailing accounting standards; • comparing sales transactions recorded during the year, on a sample basis, with invoices, sales contracts, and customer acceptance records, where appropriate, to assess whether the related revenue was recognized in accordance with the Group's revenue recognition accounting policy;

Independent Auditor's Report

KEY AUDIT MATTER (CONTINUED)

Recognition of revenue from merchandise sales	
Refer to Note 4 to the consolidated financial statements and the accounting policies on pages 113 to 115.	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the recognition of revenue from merchandise sales as a key audit matter because revenue generated therefrom accounts for the majority of the Group's revenue and involves large number of individual sales orders and because revenue is one of the key performance indicators of the Group which increases the risk of misstatement of the timing and amount of revenue recognized by management to meet specific targets or expectations.	• confirming, on a sample basis, the amount of sales transactions for the year ended December 31, 2024 directly with customers and inspecting underlying documentation relating to reconciling differences between the transaction amounts confirmed by customers and the Group's accounting records; • comparing, on a sample basis, specific revenue transactions recorded before and after the year end date with the underlying sales contracts, customer acceptance records and other relevant supporting documents to determine whether the related revenue had been recognized in the appropriate financial year; and • inspecting manual adjustments to revenue during the financial year which met specific risk-based criteria, enquiring of management about the reasons for such adjustments and comparing details of the adjustments with relevant underlying documentation.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

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. This report is made solely to you, as a body, 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 judgement and maintain professional scepticism 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.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

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

- 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Ting Yuen.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 27, 2025

Consolidated Statement of Profit or Loss

For the year ended December 31, 2024
(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Revenue	4	**60,059,328**	82,432,520
Cost of revenue		**(57,750,433)**	(79,692,796)
Gross profit		**2,308,895**	2,739,724
Other revenue	5(a)	**43,154**	44,941
Other net gain	5(b)	**57,405**	132,358
Research and development costs		**(67,066)**	(93,502)
Selling and marketing expenses		**(1,075,414)**	(1,380,775)
Administrative and other operating expenses		**(364,328)**	(373,844)
Impairment loss on trade and other receivables	6(c)	**(304,721)**	(274,889)
Profit from operations		**597,925**	794,013
Finance income	6(a)	**163,951**	263,295
Finance costs	6(a)	**(242,160)**	(259,457)
Net finance (costs)/income		**(78,209)**	3,838
Share of gains/(losses) of associates	15	**196**	(829)
Share of losses of a joint venture	16	**(680)**	–
Profit before taxation	6	**519,232**	797,022
Income tax	7	**(57,463)**	(99,723)
Profit for the year		**461,769**	697,299
Attributable to:			
Equity shareholders of the Company		**269,738**	448,275
Non-controlling interests		**192,031**	249,024
Profit for the year		**461,769**	697,299
Earnings per share	10		
Basic (RMB)		**0.49**	0.80
Diluted (RMB)		**0.49**	0.80

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2024
(Expressed in Renminbi)

	Note	**2024 RMB'000**	2023 RMB'000
Profit for the year		**461,769**	697,299
Other comprehensive income for the year (after tax adjustments)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of a subsidiary with functional currency other than Renminbi		**91**	(13)
Other comprehensive income for the year		**91**	(13)
Total comprehensive income for the year		**461,860**	697,286
Attributable to:			
Equity shareholders of the Company		**269,829**	448,262
Non-controlling interests		**192,031**	249,024
Total comprehensive income for the year		**461,860**	697,286

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	**2024** **RMB'000**	2023 RMB'000
Non-current assets			
Property, plant and equipment	11	**79,582**	81,725
Right-of-use assets	12	**79,358**	78,293
Investment property	13	**150,894**	25,298
Interests in associates	15	**12,623**	11,831
Interests in a joint venture	16	**14,020**	14,700
Financial assets at fair value through other comprehensive income	17	**2,000**	2,000
Financial assets at fair value through profit or loss	18	**959,355**	898,163
Pledged deposits	22(b)	**780,000**	20,000
Time deposits	22(c)	**470,000**	430,000
Deferred tax assets	31(b)	**150,320**	98,587
		2,698,152	1,660,597
Current assets			
Financial assets at fair value through profit or loss	18	**3,516,166**	2,434,550
Inventories	19	**2,032,725**	2,581,063
Trade and bills receivables	20	**2,999,214**	2,830,982
Prepayments, deposits and other receivables	21	**9,056,338**	9,312,440
Restricted deposits	22(a)	**176,110**	2,220
Pledged deposits	22(b)	**4,454,957**	5,682,725
Time deposits	22(c)	**770,000**	848,600
Cash and cash equivalents	23(a)	**2,781,257**	3,748,938
Taxation recoverable	31(a)	**6,221**	7,955
		25,792,988	27,449,473
Current liabilities			
Bank loans and other borrowings	24	**1,116,494**	368,605
Loans from non-controlling shareholders of subsidiaries	25	**15,095**	16,553
Lease liabilities	26	**32,148**	35,374
Financial liabilities at fair value through profit or loss	27	**30**	–
Trade and bills payables	28	**14,636,785**	15,516,038
Other payables and accruals	29	**515,936**	908,618
Contract liabilities	30	**2,256,326**	2,426,677
Taxation payable	31(a)	**58,194**	44,912
		18,631,008	19,316,777
Net current assets		**7,161,980**	8,132,696
Total assets less current liabilities		**9,860,132**	9,793,293

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	**2024** **RMB'000**	2023 RMB'000
Non-current liabilities			
Bank loans and other borrowings	24	**181,200**	241,600
Lease liabilities	26	**51,432**	39,664
Deferred income	32	**17,000**	17,000
		249,632	298,264
NET ASSETS		**9,610,500**	9,495,029
CAPITAL AND RESERVES			
Share capital	34	**562,570**	562,570
Treasury shares	34	**(224,923)**	(92,903)
Reserves	34	**7,449,583**	7,302,792
Total equity attributable to equity shareholders of the Company		**7,787,230**	7,772,459
Non-controlling interests		**1,823,270**	1,722,570
TOTAL EQUITY		**9,610,500**	9,495,029

Approved and authorized for issue by the board of directors on March 27, 2025.

Xu Xiuxian	)	
	)	
	)	
	)	Directors
Zhao Liangsheng	)	
	)	
	)	
	)	

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at January 1, 2024		562,570	(92,903)	7,951,744	12,139	(13)	(661,078)	7,772,459	1,722,570	9,495,029
Changes in equity for 2024:										
Profit for the year		-	-	-	-	-	269,738	269,738	192,031	461,769
Other comprehensive income		-	-	-	-	91	-	91	-	91
Total comprehensive income		-	-	-	-	91	269,738	269,829	192,031	461,860
Purchase of own shares	34(d)	-	(138,745)	-	-	-	-	(138,745)	-	(138,745)
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	44,029	44,029
Acquisition of non-controlling interests	34(e)	-	-	(151,769)	-	-	-	(151,769)	(52,900)	(204,669)
Disposal of interests in subsidiaries	23(e)	-	-	-	-	-	-	-	(57,015)	(57,015)
Disposal of interests in subsidiaries without loss of control		-	-	802	-	-	-	802	2,701	3,503
Appropriation of dividends to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	(28,832)	(28,832)
Liabilities waived by non-controlling interests		-	-	189	-	-	-	189	127	316
Equity settled share-based transactions	33	-	-	31,101	-	-	-	31,101	1,838	32,939
Vesting of equity interests under Employee Share Purchase Plan	33	-	-	3,364	-	-	-	3,364	(1,279)	2,085
Vesting of restricted shares		-	6,725	(6,725)	-	-	-	-	-	-
Balance at December 31, 2024		562,570	(224,923)	7,828,706	12,139	78	(391,340)	7,787,230	1,823,270	9,610,500

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2024
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at January 1, 2023		562,570	–	8,635,930	12,139	–	(1,109,353)	8,101,286	1,508,884	9,610,170
Changes in equity for 2023:										
Profit for the year		–	–	–	–	–	448,275	448,275	249,024	697,299
Other comprehensive income		–	–	–	–	(13)	–	(13)	–	(13)
Total comprehensive income		–	–	–	–	(13)	448,275	448,262	249,024	697,286
Business combination under common control		–	–	(476,014)	–	–	–	(476,014)	–	(476,014)
Acquisition of interests in a subsidiary		–	–	–	–	–	–	–	2,000	2,000
Purchase of own shares	34(d)	–	(92,903)	–	–	–	–	(92,903)	–	(92,903)
Capital contribution from non-controlling interests		–	–	8,467	–	–	–	8,467	76,837	85,304
Acquisition of non-controlling interests	34(e)	–	–	(254,943)	–	–	–	(254,943)	(45,398)	(300,341)
Disposal of interests in subsidiaries	23(e)	–	–	–	–	–	–	–	(35,649)	(35,649)
Appropriation of dividends to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	(38,385)	(38,385)
Liabilities waived by non-controlling interests		–	–	8,211	–	–	–	8,211	5,474	13,685
Equity settled share-based transactions	33	–	–	27,791	–	–	–	27,791	–	27,791
Vesting of equity interests under Employee Share Purchase Plan	33	–	–	2,302	–	–	–	2,302	(217)	2,085
Balance at December 31, 2023		562,570	(92,903)	7,951,744	12,139	(13)	(661,078)	7,772,459	1,722,570	9,495,029

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2024
(Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from operations	23(b)	**372,145**	591,594
Tax paid	31(a)	**(96,867)**	(120,784)
Net cash generated from operating activities		**275,278**	470,810
Investing activities			
Payment for the acquisition of property, plant and equipment		**(27,875)**	(32,958)
Proceeds from disposal of property, plant and equipment and investment property		**14,573**	6,702
Payment for purchases of financial assets measured at fair value through profit or loss		**(10,973,618)**	(6,865,468)
Proceeds from disposal of financial assets measured at fair value through profit or loss		**9,900,439**	6,568,666
Net settlement of future contracts		**(26)**	6,339
Net settlement of forward exchange contract for time deposits		**–**	(152,513)
Net proceeds from disposal of interests in subsidiaries	23(e)	**4,551**	51,930
Proceeds from disposal of interests in subsidiaries without loss of control		**3,503**	–
Net receipts from acquisition of interest in a subsidiary		**–**	2,000
Payment for acquisition of interests in an associate		**(596)**	(3,000)
Payment for acquisition of interests in a joint venture		**–**	(14,700)
(Increase)/decrease in time deposits		**(21,400)**	1,029,688
Interest received		**220,366**	346,168
Net cash (used in)/generated from investing activities		**(880,083)**	942,854

The notes on pages 96 to 188 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2024
(Expressed in Renminbi)

	Note	**2024** **RMB'000**	2023 RMB'000
Financing activities			
Capital element of lease rental paid	23(c)	**(35,089)**	(49,421)
Interest element of lease rental paid	23(c)	**(2,967)**	(3,998)
Proceeds from new bank loans and other borrowings	23(c)	**4,561,702**	6,076,153
Repayment of bank loans and other borrowings	23(c)	**(3,875,085)**	(6,168,722)
Interest paid	23(c)	**(238,694)**	(256,148)
New loans from non-controlling shareholders of subsidiaries	23(c)	**23,543**	42,544
Repayment of loans from non-controlling shareholders of subsidiaries	23(c)	**(24,628)**	(41,861)
Net settlement of forward exchange contract for bank loans		**–**	6,072
Increase in pledged deposits for bank facilities		**(400,000)**	(502,000)
Capital contributions from non-controlling interests		**44,029**	85,304
Payment for acquisition of non-controlling interests		**(240,510)**	(328,514)
Net payment for acquisition of interests in subsidiaries under common control		**–**	(476,014)
Payment for purchase of own shares	34(d)	**(138,745)**	(92,903)
Payment of dividends to non-controlling shareholders of subsidiaries		**(36,560)**	(37,469)
Net cash used in financing activities		**(363,004)**	(1,746,977)
Net decrease in cash and cash equivalents		**(967,809)**	(333,313)
Cash and cash equivalents at the beginning of the year	23(a)	**3,748,938**	4,082,240
Effect of foreign exchange rate changes		**128**	11
Cash and cash equivalents at the end of the year	23(a)	**2,781,257**	3,748,938
Significant non-cash investing activities			
Settlements of trade and other receivables through debt restructuring arrangements		**149,693**	14,183

The notes on pages 96 to 188 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

匯通達網絡股份有限公司 Huitongda Network Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on December 6, 2010 as a limited liability company. Upon approval by the Company's board meeting held on November 16, 2015, the Company was converted from a limited liability company into a joint stock limited liability company. The Company's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on February 18, 2022.

The Company and its subsidiaries (together, "the Group") are principally engaged in sales of a comprehensive suite of merchandise in the PRC and provision of intelligent business and marketing subscription service, offering merchant solutions and rendering other various related services. The information of the principal subsidiaries is set out in Note 14.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (the "IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2024 comprise the Group and the Group's interests in associates and a joint venture.

Items included in these consolidated financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The functional currency of the Company is RMB. The consolidated financial statements are presented in RMB, rounded to nearest thousands, which is the presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The IASB has issued the following new and amended IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* ("2020 amendments") and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants* ("2022 amendments")

- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*

- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

For each business combination, the Group can elect to measure any non-controlling interest ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI is presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal Group classified as held for sale). They are initially recognized at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture after applying the ECL model to such other long-term interests where applicable (see Note 2(k)(i)).

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent there is no evidence of impairment.

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 35(e). These investments are subsequently accounted for as follows, depending on their classification.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Other investments in securities (Continued)

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(u)(ii)(c)), foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income (see Note 2(u)(ii)(b)).

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognized in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(h) Investment property

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss on disposal of investment property is recognized in profit or loss. Rental income from investment properties is recognized in accordance with Note 2(u)(ii)(a).

Depreciation is calculated to write off the cost of items of investment property less their estimated residual value, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful life
Buildings	20 – 30 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Property, plant and equipment

The property, plant and equipment, including right-of-use assets (see Note 2(j)), are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(k)(ii)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (Continued)

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight line method over their estimated useful lives and is generally recognized in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful life
Buildings	20 – 30 years
Leasehold improvements	The shorter of the unexpired term of lease and the estimated useful lives
Electronic equipment	3 – 10 years
Furniture, fixtures and office equipment	3 – 10 years
Motor vehicles	5 – 10 years
Machinery	10 years
Right-of-use assets	Over the lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

No depreciation is provided in respect of construction in progress.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (Continued)

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is recognized using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(k)(ii)).

Refundable rental deposits are accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost (see Notes 2(f)(i), 2(u)(ii)(c) and 2(k)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification, is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(u)(ii)(a).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses ("ECL"s) on the financial assets measured at amortized cost (including cash and cash equivalents, and trade and other receivables) and non-equity securities measured at FVOCI (recycling) (see Note 2(f)(i)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 6 months past due.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

– the financial asset is 3 years past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 3 years past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganization; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes five years past due or when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial asset (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i) and (ii)).

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using the first-in-first-out formula and comprises all costs of purchase of goods after deducting discounts from suppliers, and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(u)(i)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such latter cases, a corresponding receivable is also recognized (see Note 2(n)).

(n) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(k)(i)). Receivables that are held for collection of contractual cash flows and for selling the financial assets are measured at fair value through other comprehensive income (recycling).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(k)(i)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with Note 2(x).

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Contributions to local retirement schemes pursuant to the relevant labor rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognized as an expense in profit or loss as incurred.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured by reference to the market price or the valuer's valuation of the underlying shares. The amount is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or tax recoverable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (Continued)

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (Continued)

(i) Revenue from contracts with customers (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

(a) Revenue from commerce business

The Group directly sells and enables merchants to sell their products to transaction users through business-to-business commerce platforms. Revenue from commerce business primarily comprised revenue from merchandise sales and commission income.

Revenue from merchandise sales and related costs is recognized on a gross basis when the Group acts as a principal. Revenue from merchandise sales is recognized at the point in time when the control of the merchandise has been delivered, being when the goods are delivered and accepted.

Commission income is recognized for transactions where the Group is not the primary obligor, is not subject to inventory risk and does not have latitude in establishing prices and selecting suppliers. Commission income is recognized on a net basis which is based on a fixed percentage of the sales amount.

(b) Revenue from service business and other services

The Group provides intelligent business and marketing Software-as-a-Service plus (“SaaS+”) subscription service to the merchants, offers merchant solutions and renders other various related services.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (Continued)

(i) Revenue from contracts with customers (Continued)

(b) Revenue from service business and other services (Continued)

The Group offers SaaS+ products and services to subscribing merchants. Revenue of SaaS+ subscription includes fixed subscription fees and service fees for value-added solutions under various modules, such as online storefront build-up and promotional activities. Revenue of fixed subscription fees is generally recognized over time on a ratable basis over the contract term beginning on the date that the service is made available to the customer. Revenue of service fees for value-added solutions is recognized at the point in time when the performance obligations for the services performed are completed.

The Group earns revenue by offering the merchant solutions and other related services including various value-added services to address paying merchants or marketers' online and offline operation needs, including marketing digitalization, targeted advertisement and other relevant services. Revenue of merchant solutions and other related services is generally recognized at the point in time when the performance obligations for the services performed are completed.

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(b) Dividends

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (Continued)

(ii) Revenue from other sources and other income (Continued)

(c) Interest income

Interest income is recognized using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(d) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss over the useful life of the asset.

(v) Research and development costs

Research and development costs comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as expenses in the period in which they are incurred.

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies (Continued)

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI are recognized in OCI.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(y) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following critical accounting judgement:

Revenue from merchandise sale from commerce business

Determining whether the Group is acting as a principal or as an agent in the sales of goods on the Group's platform requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers, individually or in combination whether the Group is primarily responsible for fulfilment the contract, is subject to the inventory risk, has discretion to establish prices. Having considered the relevant facts and circumstances, the directors consider that the Group obtains control of those goods sold in commerce business before the goods are transferred to the customers. Accordingly, the Group is acting as a principal for the merchandise sales and the related revenue is presented on a gross basis.

(b) Sources of estimation uncertainty

Notes 17, 18 and 27 contain information about the assumptions and their risk factors relating to valuation of fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each statement of financial position date.

(ii) Loss allowance for expected credit losses

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are sales of a comprehensive suite of merchandise in the PRC and provision of intelligent business and marketing SaaS+ subscription service, offering merchant solutions and rendering other various related services. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major business lines is as follows:

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from merchandise sales	**59,269,204**	81,616,120
Commission income	**263**	1,975
Revenue from SaaS+ subscription	**510,851**	562,041
Revenue from merchant solutions	**99,623**	92,678
Revenue from other services	**179,387**	159,706
	60,059,328	82,432,520

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is set out below:

	2024 **RMB'000**	2023 RMB'000
A point in time	**59,548,477**	81,870,479
Over time	**510,851**	562,041
	60,059,328	82,432,520

The Group recognized its revenue from contracts with customers in accordance with accounting policy as set out in Note 2(u)(i).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

The Group's customer base is diversified and nil (2023: nil) of the customers with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31, 2024. Details of concentrations of credit risk arising from the customers are set out in Note 35(a).

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for goods and services such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts that had an expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by divisions, which are organized by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Commerce business

The commerce business segment, which mainly includes direct sales and provision of marketplace service that enables merchants to sell their products to transacting users through the online platform. Revenue from commerce business primarily comprised revenue from merchandise sales and commission income.

Service business

The service business segment, which mainly represents the provision of intelligent business and marketing SaaS+ subscription service and a collection of merchant solutions.

Others

Revenues from the others are primarily derived from other services rendered by the Group.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and cost are allocated to the reportable segments with reference to sales generated by those segments and the costs incurred by those segments or which otherwise arise from the depreciation of certain assets attributable to those segments. The measure used for reporting segment profit is gross profit.

There were no separate segment assets and segment liabilities information provided to the Group's most senior executive management as Group's most senior executive management does not use this information to allocate resources to or evaluate the performance of the operating segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of recourse allocated and assessment of segment performance for the years ended December 31, 2024 and 2023 is set out below.

	2024			
	Commerce business RMB'000	**Service business RMB'000**	**Others RMB'000**	**Total RMB'000**
Reportable segment revenue	**59,269,467**	**610,474**	**179,387**	**60,059,328**
Reportable segment profit	**1,639,455**	**529,371**	**140,069**	**2,308,895**

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	2023			
	Commerce business RMB'000	Service business RMB'000	Others RMB'000	Total RMB'000
Reportable segment revenue	81,618,095	654,719	159,706	82,432,520
Reportable segment profit	2,039,920	574,008	125,796	2,739,724

The reconciliation of gross profit to profit before tax for the years ended December 31, 2024 and 2023 is shown in the consolidated statements of profit or loss.

(ii) Geographic information

IFRS 8, Operating Segments, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because primarily all of its revenue was generated in the PRC and primarily all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

5 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	2024 RMB'000	2023 RMB'000
Government grants	**39,727**	41,134
Others	**3,427**	3,807
	43,154	44,941

During the year ended December 31, 2024, the Group received unconditional government grants of RMB39,727,000 (2023: RMB41,134,000) as rewards of the Group's contribution to technology innovation and regional economic development.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET GAIN (CONTINUED)

(b) Other net gain

	2024 **RMB'000**	2023 RMB'000
Net realized and unrealized gain on financial assets at fair value through profit or loss	**69,629**	171,172
Net loss on disposal of interests in subsidiaries (Note 23(e))	**(10,635)**	(19,794)
Impairment loss on investment property	**(10,893)**	(4,221)
Net (loss)/gain on disposal of property, plant and equipment and investment property	**(2,297)**	449
Net foreign exchange gain	**(145)**	35,655
Net realized and unrealized loss on financial liabilities at fair value through profit or loss	**(56)**	(63,189)
Others	**11,802**	12,286
	57,405	132,358

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs/(income)

	2024 **RMB'000**	2023 RMB'000
Interest income from bank deposits	**(163,951)**	(263,295)
Finance income	**(163,951)**	(263,295)
Interest expenses on discounted bills and bank loans (Note 23(c))	**238,740**	255,138
Interest expenses on loans from non-controlling shareholders of subsidiaries (Note 23(c))	**453**	321
Interest expenses on lease liabilities (Note 23(c))	**2,967**	3,998
Finance costs	**242,160**	259,457
Net finance costs/(income)	**78,209**	(3,838)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits	**529,923**	632,922
Contributions to defined contribution retirement plans	**34,483**	37,273
Equity settled share-based payment expenses (Note 33)	**32,939**	27,791
	597,345	697,986

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. The Group remits all the defined contribution retirement scheme contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the defined contribution retirement scheme. The Group's contributions to the defined contribution retirement plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the contributions described above.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2024 **RMB'000**	2023 RMB'000
Cost of inventories recognized as expenses (Note i)	**57,560,902**	79,410,844
Depreciation charge		
– owned property, plant and equipment	**22,311**	21,994
– right-of-use assets	**40,828**	51,246
– investment property	**3,895**	545
Impairment loss on investment property	**10,893**	4,221
Research and development costs (Note ii)	**67,066**	93,502
Provision for credit loss on trade and other receivables		
– expected credit loss on trade and other receivables	**308,982**	277,321
– write-on of other receivables previously written off	**(4,261)**	(2,432)
Provision for/(reversal of) write-down of inventories	**38,350**	(2,959)
Auditors' remuneration		
– audit services	**7,100**	7,100
– other audit services	**–**	1,500
– non-audit services	**15**	580

Notes:

(i) Cost of inventories recognized as expenses includes provision for write-down of inventories.

(ii) Research and development costs include amounts relating to staff costs and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for the year	**111,675**	102,949
Deferred tax		
Origination and reversal of temporary differences (Note 31(b))	**(54,212)**	(3,226)
Total income tax expense	**57,463**	99,723

Note:

(i) Pursuant to the income tax rules and regulations of Hong Kong, the subsidiary in Hong Kong was liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended December 31, 2024.

(ii) The Company and PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("CIT") at a statutory rate of 25%, except for the following specified subsidiaries:

According to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32), the Company obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2024 to 2027.

Huitone Datatech Smart Technology Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2024 to 2027.

According to Announcement [2023] No. 6, "The Announcement of Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses" issued by Ministry of Finance of the PRC and National Tax Bureau on March 26, 2023, the small-scaled minimal profit enterprise is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% for the years from 2023 to 2024.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(a) Taxation in the consolidated statement of profit or loss represents: (Continued)

Note: (Continued)

(ii) (Continued)

Pursuant to Caishui [2011] No.58 and Caishui [2020] No.23 Notice on Tax Policies for Further Implementation of Western Regions Development Strategy, certain subsidiaries in the Group established in the western regions of the PRC, and are entitled to the preferential income tax rate of 15% from 2021 to 2030.

Certain subsidiaries in the Group which are primarily engaged in merchandise sales in commerce business meet the conditions as small-scaled minimal profit enterprise or western regions development enterprise were qualified for the entitlement of such preferential tax treatment during the years end December 31, 2024 and 2023.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2024 RMB'000	2023 RMB'000
Profit before taxation	**519,232**	797,022
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25%	**129,808**	199,256
Effect of preferential tax rate	**(87,794)**	(127,635)
Tax effect of non-deductible expenses	**1,928**	2,895
Tax effect of tax losses not recognized	**14,336**	19,490
Tax effect of temporary differences not recognized	**6,829**	18,256
Tax effect of bonus deduction for research and development costs	**(7,644)**	(12,539)
Actual tax expense	**57,463**	99,723

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Subtotal RMB'000	Equity settled share-based payments RMB'000	2024 Total RMB'000
Executive directors							
Xu Xiuxian	–	1,721	–	–	1,721	1,730	3,451
Zhao Liangsheng	–	1,109	–	46	1,155	968	2,123
Sun Chao	–	1,038	276	46	1,360	3,445	4,805
Non-executive directors							
Wang Jianguo	–	–	–	–	–	–	–
Wang Ran	–	–	–	–	–	–	–
Cai Zhongqiu	–	–	–	–	–	–	–
Independent non-executive directors							
Yu Lixin	120	–	–	–	120	–	120
Diao Yang	120	–	–	–	120	–	120
Liu Xiangdong	120	–	–	–	120	–	120
Supervisors							
Mao Yijun	–	623	130	19	772	665	1,437
Wang Xinghua	–	418	101	19	538	388	926
Li Wei	–	779	140	46	965	522	1,487
	360	5,688	647	176	6,871	7,718	14,589

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Subtotal RMB'000	Equity settled share-based payments RMB'000	2023 Total RMB'000
Executive directors							
Xu Xiuxian	–	1,787	643	12	2,442	1,047	3,489
Zhao Liangsheng	–	1,146	402	46	1,594	582	2,176
Sun Chao (appointed on February 10, 2023)	–	1,103	638	46	1,787	2,507	4,294
Non-executive directors							
Wang Jianguo	–	–	–	–	–	–	–
Wang Ran	–	–	–	–	–	–	–
Cai Zhongqiu	–	–	–	–	–	–	–
Independent non-executive directors							
Yu Lixin	120	–	–	–	120	–	120
Diao Yang (appointed on November 14, 2023)	20	–	–	–	20	–	20
Liu Xiangdong	120	–	–	–	120	–	120
Supervisors							
Mao Yijun	–	607	160	19	786	465	1,251
Wang Xinghua	–	502	136	19	657	291	948
Li Wei	–	743	187	46	976	365	1,341
	260	5,888	2,166	188	8,502	5,257	13,759

During the years ended December 31, 2024 and 2023, no amounts were paid or payable by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

During the years ended December 31, 2024 and 2023, each of the directors of the Company did not waive or agreed to waive any remuneration.

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(Expressed in Renminbi unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2023: three) are directors and nil (2023: nil) is supervisor whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries, allowances and benefits in kind	**2,793**	4,375
Discretionary bonuses	**925**	405
Retirement scheme contributions	**87**	46
Equity settled share-based payments	**1,021**	922
	4,826	5,748

The emoluments of the two (2023: two) individuals with the highest emoluments are within the following bands:

	2024 **Number of individuals**	2023 Number of individuals
Hong Kong Dollar ("HK$") 2,000,001 to HK$2,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB269,738,000 (2023: RMB448,275,000). The weighted average number of ordinary shares for the purpose of basic earnings per share is calculated as follows:

	2024	2023
Issued ordinary shares at the beginning of the year	**562,569,837**	562,569,837
Treasury shares at the beginning of the year	**(3,450,400)**	–
Effect of purchase of own shares (Note 34(d))	**(4,732,641)**	(1,025,739)
Effect of vested shares under the RSU Scheme (Note 33)	**41,632**	–
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share	**554,428,428**	561,544,098

(b) Diluted earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB269,738,000 (2023: RMB448,275,000). The weighted average number of ordinary shares for the purpose of diluted earnings per share is calculated as follows:

	2024	2023
Weighted average number of ordinary shares at the end of the year for the purpose of basic earnings per share	**554,428,428**	561,544,098
Effect of outstanding shares under the RSU Scheme (Note 33)	**–**	205,104
Weighted average number of ordinary shares at the end of the year for the purpose of diluted earnings per share	**554,428,428**	561,749,202

Notes to the Financial Statements

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11 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At January 1, 2023	762	59,390	36,688	19,001	23,106	–	31,794	170,741
Additions	5,999	1,204	3,718	386	8,937	106	12,608	32,958
Transfers	–	13,120	–	–	–	30,000	(43,120)	–
Disposals	–	(3,352)	(4,442)	(203)	(5,689)	–	–	(13,686)
Disposal of interests in subsidiaries (Note 23(e))	–	–	(188)	(181)	(316)	–	–	(685)
At December 31, 2023 and January 1, 2024	6,761	70,362	35,776	19,003	26,038	30,106	1,282	189,328
Additions	–	2,294	956	5,773	8,111	7,940	2,801	27,875
Transfers	–	2,274	–	–	–	–	(2,274)	–
Disposals	–	–	(6,330)	(2,445)	(9,077)	(371)	–	(18,223)
Disposal of interests in subsidiaries (Note 23(e))	–	(410)	(355)	(120)	(198)	(9)	–	(1,092)
At December 31, 2024	6,761	74,520	30,047	22,211	24,874	37,666	1,809	197,888
Accumulated depreciation:								
At January 1, 2023	37	44,330	27,348	9,273	12,676	–	–	93,664
Charge for the year	225	7,607	5,162	2,327	3,794	2,879	–	21,994
Written back on disposals	–	(3,352)	(1,704)	(178)	(2,199)	–	–	(7,433)
Disposal of interests in subsidiaries (Note 23(e))	–	–	(173)	(139)	(310)	–	–	(622)
At December 31, 2023 and January 1, 2024	262	48,585	30,633	11,283	13,961	2,879	–	107,603
Charge for the year	308	10,499	3,808	1,286	3,025	3,385	–	22,311
Written back on disposals	–	–	(6,004)	(2,054)	(2,550)	(54)	–	(10,662)
Disposal of interests in subsidiaries (Note 23(e))	–	(351)	(306)	(105)	(179)	(5)	–	(946)
At December 31, 2024	570	58,733	28,131	10,410	14,257	6,205	–	118,306
Net book value:								
At December 31, 2023	6,499	21,777	5,143	7,720	12,077	27,227	1,282	81,725
At December 31, 2024	6,191	15,787	1,916	11,801	10,617	31,461	1,809	79,582

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12 RIGHT-OF-USE ASSETS

The Group has obtained the right to use certain office and warehouse properties through tenancy agreements during the reporting period. The leases typically run for a period of 1 to 10 years. The analysis of the net book value of right-of-use assets by class of underlying asset is presented below:

	Properties held for own use RMB'000
At January 1, 2023	106,875
Additions	23,353
Depreciation charge for the year	(51,246)
Disposal of interests in subsidiaries (Note 23(e))	(689)
At December 31, 2023 and January 1, 2024	78,293
Additions	59,959
Depreciation charge for the year	(40,828)
Disposal of interests in subsidiaries (Note 23(e))	(15,335)
Ceasing leases during the year	(2,731)
At December 31, 2024	79,358

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets	**40,828**	51,246
Interest on lease liabilities (Note 6(a))	**2,967**	3,998
Expense relating to short-term leases	**43,025**	48,809

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases are set out in Notes 23(d), 26 and 35(b), respectively.

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13 INVESTMENT PROPERTY

	Buildings RMB'000
Cost:	
At January 1, 2023	16,422
Additions	14,183
At December 31, 2023 and January 1, 2024	30,605
Additions	149,693
Disposals	(12,007)
At December 31, 2024	168,291
Accumulated depreciation and impairment:	
At January 1, 2023	541
Charge for the year	545
Impairment loss	4,221
At December 31, 2023 and January 1, 2024	5,307
Charge for the year	3,895
Impairment loss	10,893
Written back on disposals	(2,698)
At December 31, 2024	17,397
Net book value:	
At December 31, 2023	25,298
At December 31, 2024	150,894

As at December 31, 2024, the fair value of investment property is valued by an independent third-party valuer to be RMB152,355,000 (2023: RMB25,324,000).

The Group's investment property is located in the PRC. The fair value measurement of the Group's investment property is categorized into Level 3 of fair value measurement. The fair value was determined based on the market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales.

Notes to the Financial Statements

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14 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of establishment and business	Particulars of issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Huitone Datatech Smart Technology Co., Ltd. (匯通數科智能科技有限公司)	The PRC	RMB53,652,941	89%	89%	–	Provision of intelligent business and marketing solutions through service offering platform and other relevant services
Jiangsu Sanchuang Trading Co., Ltd. (江蘇三創商貿有限公司)	The PRC	RMB20,000,000	100%	100%	–	Sales of merchandise in commerce business
Jiangsu Xinglihui Network Technology Co., Ltd. (江蘇星立暉網絡科技有限公司)	The PRC	RMB12,000,000	92%	–	92%	Sales of merchandise in commerce business
Zhejiang Huabaihui Technology Co., Ltd. (浙江華百匯網絡科技有限公司)	The PRC	RMB10,000,000	100%	100%	–	Sales of merchandise in commerce business
Guangzhou Henghui Trade Development Co., Ltd. (廣州恒匯貿易發展有限公司)	The PRC	RMB12,000,000	70%	70%	–	Sales of merchandise in commerce business
Liaoning Huixingyuan Network Technology Co., Ltd. (遼寧匯星源網絡科技有限公司)	The PRC	RMB10,000,000	60%	–	60%	Sales of merchandise in commerce business
Shanghai Danao Network Technology Co., Ltd. (上海達腦網絡科技有限公司)	The PRC	RMB20,000,000	69%	69%	–	Sales of merchandise in commerce business
Zhejiang Qianqian Network Technology Co., Ltd. (浙江乾乾網絡科技有限公司)	The PRC	RMB nil	51%	–	51%	Sales of merchandise in commerce business

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14 INTERESTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest			
Name of company	Place of establishment and business	Particulars of issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Shandong Sanlian Tongda Network Technology Co., Ltd. (山東三聯通達網絡科技有限公司)	The PRC	RMB44,000,000	40%	–	40%	Sales of merchandise in commerce business
Jiangsu Yiyuntong Digital Technology Co., Ltd. (江蘇億雲通數碼科技有限公司)	The PRC	RMB10,000,000	60%	–	60%	Sales of merchandise in commerce business
Hunan Huitongda Network Technology Co., Ltd. (湖南匯通達網絡科技有限公司)	The PRC	RMB10,000,000	100%	100%	–	Sales of merchandise in commerce business
Huitongda Zhejiang Network Co., Ltd. (匯通達浙江網絡有限公司)	The PRC	RMB30,000,000	100%	100%	–	Sales of merchandise in commerce business
Huizhong Tianxia (Jiangsu) New Energy Technology Co., Ltd. (匯眾天下(江蘇)新能源科技有限公司)	The PRC	RMB10,000,000	55%	–	55%	Sales of merchandise in commerce business
Nanjing Yuefanyun Network Technology Co., Ltd. (南京市悅梵雲網絡科技有限公司)	The PRC	RMB10,000,000	100%	–	100%	Sales of merchandise in commerce business
Beijing Huizhongxin Network Technology Co., Ltd. (北京匯中鑫網絡科技有限公司)	The PRC	RMB10,000,000	60%	60%	–	Sales of merchandise in commerce business
Shandong Qianyun Agricultural Development Co., Ltd. (山東阡耘農業發展有限公司)	The PRC	RMB10,000,000	75%	–	75%	Sales of merchandise in commerce business
Zhejiang Changhui Technology Co., Ltd. (浙江暢匯科技有限公司)	The PRC	RMB10,000,000	60%	60%	–	Sales of merchandise in commerce business
Jiangsu Shengshi Zhuocheng Electronic Technology Co., Ltd. (江蘇盛世卓成電子科技有限公司)	The PRC	RMB nil	60%	–	60%	Sales of merchandise in commerce business

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14 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment and business	Particulars of issued and paid-in capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Ningbo Huimei Network Technology Co., Ltd. (寧波匯美網絡科技有限公司)	The PRC	RMB1,500,000	99%	99%	–	Sales of merchandise in commerce business
Hangzhou Pinchen Information Technology Co., Ltd. (杭州品臣信息科技有限公司)	The PRC	RMB5,000,000	60%	60%	–	Sales of merchandise in commerce business
Shandong Huitongda Network Co., Ltd. (山東匯通達網絡有限公司)	The PRC	RMB10,000,000	100%	100%	–	Sales of merchandise in commerce business
Xiamen Xinyi Shengtong Network Technology Co., Ltd. (廈門鑫奕晟通網絡科技有限公司)	The PRC	RMB10,000,000	40%	–	40%	Sales of merchandise in commerce business
Zhejiang Huichao Network Technology Co., Ltd. (浙江匯超網絡科技有限公司)	The PRC	RMB20,000,000	71%	71%	–	Sales of merchandise in commerce business
Shandong Qianyun Runyin Smart Agriculture Co., Ltd. (山東阡耘潤銀智慧農業有限公司)	The PRC	RMB10,000,000	50%	–	50%	Sales of merchandise in commerce business
Shengzhou Huiran Technology Co., Ltd. (嵊州匯然科技有限公司)	The PRC	RMB5,000,000	60%	–	60%	Sales of merchandise in commerce business
Huai'an Huiken Agricultural Technology Co., Ltd. (淮安匯墾農業科技有限公司)	The PRC	RMB4,800,000	65%	65%	–	Sales of merchandise in commerce business
Hangzhou Jingwei E-commerce Co., Ltd. (杭州景威電子商務有限公司)	The PRC	RMB2,500,000	51%	–	51%	Sales of merchandise in commerce business
Hangzhou Huiyihui Technology Co., Ltd. (杭州匯義匯科技有限公司)	The PRC	RMB2,500,000	62%	–	62%	Sales of merchandise in commerce business
Jiangsu Dachuang Electric Appliance Co., Ltd. (江蘇達創電器有限公司)	The PRC	RMB10,000,000	51%	51%	–	Sales of merchandise in commerce business

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14 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment and business	Particulars of issued and paid-in capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Beijing Huidetongda Network Technology Co., Ltd. (北京匯德通達網絡科技有限公司)	The PRC	RMB10,000,000	60%	–	60%	Sales of merchandise in commerce business
Shanghai Yikoutian Network Technology Co., Ltd. (上海壹口田網絡科技有限公司)	The PRC	RMB10,000,000	100%	100%	–	Sales of merchandise in commerce business
Jiangsu Qianyun Intelligent Agriculture Co., Ltd. (江蘇阡耘智慧農業有限公司)	The PRC	RMB10,000,000	100%	–	100%	Sales of merchandise in commerce business
Shengzhou Pintai Information Technology Co., Ltd. (嵊州品泰信息科技有限公司)	The PRC	RMB nil	60%	–	60%	Sales of merchandise in commerce business
Chongqing Sanmeng Agriculture Co., Ltd. (重慶三盟農業有限公司)	The PRC	RMB20,000,000	40%	–	40%	Sales of merchandise in commerce business
Jiangsu Home Express Trading Co., Ltd. (江蘇居家運通商貿有限公司)	The PRC	RMB10,000,000	51%	51%	–	Sales of merchandise in commerce business
Huimei (Jiaxing) Network Technology Co., Ltd. (匯美(嘉興)網絡科技有限公司)	The PRC	RMB nil	99%	–	99%	Sales of merchandise in commerce business
Ningbo Yunhuida Electric Appliance Co., Ltd. (寧波雲匯達電器有限公司)	The PRC	RMB2,000,000	95%	95%	–	Sales of merchandise in commerce business
Jiangsu Huide Nuo Electrical Trading Co., Ltd. (江蘇匯得諾電器商貿有限公司)	The PRC	RMB10,000,000	100%	100%	–	Sales of merchandise in commerce business

These entities are limited liability companies established in the PRC. The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.

During the years ended December 31, 2024 and 2023, the Group's non-controlling interests are diverse among the subsidiaries. None of the Group's subsidiaries has a material non-controlling interest.

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(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN ASSOCIATES

The following list contains the particulars of associates of the Group, all of which are unlisted corporate entities whose quoted market price is not available:

			Proportion of ownership interest as at December 31, 2024			
Name of associate	Place of establishment and business	Particulars of issued and paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Nanjing Nongpaidang Network Technology Co., Ltd. (南京農拍檔網絡科技有限公司) (Note i)	The PRC	RMB15,200,000	19%	19%	–	Development of agricultural e-commerce and service offering platforms
Hainan Huitong Youcheng Information Technology Co., Ltd. (海南匯通優丞信息科技有限公司) (Note ii)	The PRC	RMB6,000,000	20%	–	20%	Rendering human resource services
Nanjing Shumei Health Technology Co., Ltd. (南京數美健康科技有限公司) (Note iii)	The PRC	RMB4,936,857	30%	–	30%	Rendering technology services and sales of merchandise
Gongqingcheng Zhonghuida Electronics Co., Ltd. (共青城中匯達電子有限公司) (Note iv)	The PRC	RMB50,000,000	20%	–	20%	Investment holding

Notes:

(i) In September 2019, the Group entered into an investment agreement to invest 51% equity interest in Nanjing Nongpaidang Network Technology Co., Ltd. ("Nanjing Nongpaidang") through capital injection of RMB5,100,000, upon which Nanjing Nongpaidang became a subsidiary of the Group. The investment in Nanjing Nongpaidang, an innovative company focusing on development of agricultural e-commerce and service offering platforms, enables the Group to have exposure to market of agricultural production materials.

In May 2020, the Group entered into an agreement with a third party, pursuant to which, the Group agreed to dispose its 20% equity interest in Nanjing Nongpaidang at a cash consideration of RMB1,600,000. Meanwhile, another third party acquired 37.5% equity interest in Nanjing Nongpaidang through capital injection of RMB6,000,000. Upon the completion of the Group's disposal and capital injection from the third party, the proportion of the Group's equity interest in Nanjing Nongpaidang has been diluted to 19% and Nanjing Nongpaidang ceased to be a subsidiary of the Group but became an associate of the Group. The Group has a right to appoint one director to the board of Nanjing Nongpaidang in accordance with the articles of association, therefore the directors of the Company are in the view that the Group can cast significant influence on Nanjing Nongpaidang and consider it is an associate of the Group.

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(Expressed in Renminbi unless otherwise indicated)

15 INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(ii) In November 2020, the Group invested 20% of the equity interest in Hainan Huitong Youcheng Information Technology Co., Ltd. through capital injection of RMB2,000,000.

(iii) In November 2021, the Group disposed 53% of the subscribed equity interest in Nanjing Shumei Health Technology Co., Ltd. ("Nanjing Shumei"), which was the Group's subsidiary principally engaged in rendering technology services and sales of merchandise, at nil consideration. As of the date of disposal, nil capital contribution was made by the Group in Nanjing Shumei. Upon the completion of the Group's disposal, the proportion of the Group's equity interest in Nanjing Shumei has been diluted to 30% and Nanjing Shumei ceased to be a subsidiary of the Group but became an associate of the Group. In 2024, the Group made a capital contribution of RMB596,000 to Nanjing Shumei.

(iv) In November 2022, the Group entered into an agreement and agreed to subscribe 20% of the equity interest in Gongqingcheng Zhonghuida Electronics Co., Ltd. ("Gongqingcheng Zhonghuida"). Gongqingcheng Zhonghuida and its subsidiaries are principally engaged in research and development, manufacturing and sales of household appliances in the PRC. As at December 31, 2024 and 2023, the Group has made capital contribution of RMB10,000,000.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

The Group assesses whether this is any objective evidence that its interest in the associates are impaired at the end of each reporting period by considering the associates' business development process, any significant financial difficulty, default or bankruptcy encountered by the associates and adverse change in technological, market, economic or legal environment. Based on the assessment above, the Group concluded that no impairment indicator was identified at the end of each reporting period and no impairment loss of interests in associates is considered necessary to be recognized in the consolidated statement of profit or loss.

Aggregate information of associates that are not individually material:

	2024 RMB'000	2023 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**12,623**	11,831
Aggregate amounts of the Group's share of those associates		
Profits/(losses) from continuing operations	**196**	(829)
Other comprehensive income	**–**	–
Total comprehensive income	**196**	(829)

Notes to the Financial Statements

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16 INTERESTS IN A JOINT VENTURE

Details of the Group's interests in a joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Place of establishment and business	Particulars of issued and paid-in capital	Proportion of ownership interest as at December 31, 2024 Group's effective interest	 Held by the Company	 Held by a subsidiary	Principal activity
Yangzhou Huizheng Technology Innovation Investment Partnership Enterprise (Limited Partnership) ("Yangzhou Huizheng") (揚州匯正科技創新投資合夥企業(有限合夥))	The PRC	RMB30,000,000	49%	49%	–	Investment holding and management of various equity and debt portfolios

In December 2023, the Group entered into an investment agreement to invest 49% of the equity interest in Yangzhou Huizheng through capital injection of RMB14,700,000. Yangzhou Huizheng is an unlisted limited partnership principally engaged in management of investment portfolios in the PRC. No single investor is in a position to control the investors' meeting or the partners' meeting. Therefore, the directors of the Company consider Yangzhou Huizheng to be a joint venture of the Group.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 **RMB'000**	2023 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Investment in unlisted equity security	**2,000**	2,000

The unlisted equity security is equity interest of a private entity incorporated in the PRC. This entity is principally engaged in offering pawns services to individuals or small and medium enterprises.

The Group designated its investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year (2023: nil).

The analysis on the fair value measurement of the above financial asset is disclosed in Note 35(e).

(Expressed in Renminbi unless otherwise indicated)

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 **RMB'000**	2023 RMB'000
Financial assets at FVPL – non-current portion		
– Unlisted investments	**386,308**	361,834
– Structured deposits and wealth management products	**573,047**	536,329
Financial assets at FVPL – current portion		
– Structured deposits and wealth management products	**3,516,166**	2,434,410
– Future contracts	**–**	140
	4,475,521	3,332,713

The Group's non-current balances of financial assets at FVPL represent investments in private companies established in the PRC and certain structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return. The unlisted investments are the Group's interests in companies principally engaged in technology and new energy industries.

The Group's current balances of financial assets at FVPL mainly represent structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return.

As at December 31, 2024, structured deposits and wealth management products of RMB1,627,000,000 (2023: RMB1,810,228,000) were pledged as security for issuance of bills payable.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 35(e).

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19 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2024 RMB'000	2023 RMB'000
Merchandise	**2,000,080**	2,356,255
Goods in transit	**126,446**	286,511
	2,126,526	2,642,766
Write-down of inventories	**(93,801)**	(61,703)
	2,032,725	2,581,063

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold	**57,522,552**	79,413,803
Provision for/(reversal of) for write-down of inventories	**38,350**	(2,959)
	57,560,902	79,410,844

As at December 31, 2024, inventories of RMB141,804,000.00(2023: RMB59,656,000) were pledged as security for issuance of bills payable and bank loans and other borrowings.

All inventories are expected to be recovered within one year.

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20 TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**1,875,132**	1,969,744
Bills receivable	**1,192,392**	956,193
	3,067,524	2,925,937
Less: loss allowance	**(68,310)**	(94,955)
	2,999,214	2,830,982

All of the trade and bills receivables are expected to be recovered within one year.

Bills receivable primarily represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to make prepayments and settle trade and other payables.

As at December 31, 2024, the Group endorsed certain bank acceptance bills to suppliers for settling trade and other payables of the same amount on a full recourse basis. The Group has derecognized these bills receivable and payables to suppliers in their entirety. These derecognized bank acceptance bills had a maturity date of less than twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at December 31, 2024, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB520,094,000 (2023: RMB515,545,000).

Certain bills receivable were discounted to financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred. Since the Group has continuing involvement in the transferred assets, discounted bills receivable of RMB126,051,000 (2023: RMB94,300,000) were therefore not derecognized as at December 31, 2024.

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20 TRADE AND BILLS RECEIVABLES (CONTINUED)

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivable, based on the invoice date and net of loss allowance, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**2,536,298**	2,488,862
Over 3 months but within 12 months	**191,498**	96,524
Over 12 months	**271,418**	245,596
	2,999,214	2,830,982

Trade receivables are generally due within 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 35(a).

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 **RMB'000**	2023 RMB'000
Prepayments	**8,146,179**	8,246,328
Value added tax recoverable	**147,077**	156,919
Refund receivables from suppliers	**586,345**	489,538
Amounts due from former subsidiaries	**442,848**	526,263
Interest receivables	**63,482**	119,897
Other deposits and receivables	**309,511**	277,172
	9,695,442	9,816,117
Less: loss allowance	**(639,104)**	(503,677)
	9,056,338	9,312,440

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The amount of interest receivables expected to be recovered after more than one year is RMB11,626,000 (2023: RMB15,613,000), all of which relates to non-current pledged deposits and time deposits. All of the other prepayments, deposits and other receivables are expected to be recovered or recognized as expense within one year.

As at December 31, 2024, prepayments of RMB33,361,000 (2023: RMB4,070,000) were pledged as security for bank loans and other borrowings.

Movement in the loss allowance in respect of the Group's prepayments, deposits and other receivables during the reporting period is as follows:

	12-month ECL RMB'000	Lifetime ECL-not credit – impaired RMB'000	Lifetime ECL-credit-impaired RMB'000	Total RMB'000
As at January 1, 2023	936	47,550	249,362	297,848
Impairment losses recognized/(reversed)	(11)	12,554	225,684	238,227
Transfer to lifetime ECL-not credit-impaired	(514)	514	–	–
Transfer to lifetime ECL-credit-impaired	–	(24,803)	24,803	–
Write-off	–	–	(20,665)	(20,665)
Disposal of interests in subsidiaries	(15)	(1,129)	(10,589)	(11,733)
As at December 31, 2023 and January 1, 2024	396	34,686	468,595	503,677
Impairment losses recognized	466	12,625	300,367	313,458
Transfer to lifetime ECL-not credit-impaired	(396)	396	–	–
Transfer to lifetime ECL-credit-impaired	–	(14,320)	14,320	–
Write-off	–	–	(156,766)	(156,766)
Disposal of interests in subsidiaries	–	(10)	(21,255)	(21,265)
As at December 31, 2024	466	33,377	605,261	639,104

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22 RESTRICTED DEPOSITS, PLEDGED DEPOSITS AND TIME DEPOSITS

(a) Restricted deposits comprise:

	2024 RMB'000	2023 RMB'000
Restricted deposits related to litigation	**173,523**	1,461
Other restricted deposits	**2,587**	759
	176,110	2,220

(b) Pledged deposits comprise:

	2024 RMB'000	2023 RMB'000
Current portion	**4,454,957**	5,682,725
Non-current portion	**780,000**	20,000
Pledged deposits for issuance of bill payables, letters of guarantee and bank facilities	**5,234,957**	5,702,725

The pledged deposits will be released upon the settlement of the relevant bills payable, letters of guarantee and repayment of relevant bank loans.

(c) Time deposits comprise:

	2024 RMB'000	2023 RMB'000
Current portion	**770,000**	848,600
Non-current portion	**470,000**	430,000
	1,240,000	1,278,600

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash at bank	**2,781,257**	3,748,938

(b) Reconciliation of profit before taxation to cash generated from operations

	Note	**2024 RMB'000**	2023 RMB'000
Profit before taxation		**519,232**	797,022
Adjustments for:			
Depreciation	6(c)	**67,034**	73,785
Impairment loss on investment property	6(c)	**10,893**	4,221
Provision for credit loss on trade and other receivables	6(c)	**308,982**	277,321
Write-on of other receivables previously written off	6(c)	**(4,261)**	(2,432)
Provision for/(reversal of) write-down of inventories	6(c)	**38,350**	(2,959)
Finance costs	6(a)	**242,160**	259,457
Finance income	6(a)	**(163,951)**	(263,295)
Foreign exchange gain		**(128)**	(37,975)
Equity settled share-based payment expenses	6(b)	**32,939**	27,791
Net loss/(gain) on disposal of property, plant and equipment and investment property	5(b)	**2,297**	(449)
Net realized and unrealized gains on financial assets at fair value through profit or loss	5(b)	**(69,629)**	(171,172)
Net realized and unrealized loss on financial liabilities at fair value through profit or loss	5(b)	**56**	63,189
Net loss on disposal of interests in subsidiaries	5(b)	**10,635**	19,794
Share of (gains)/losses of associates	15	**(196)**	829
Share of losses of a joint venture	16	**680**	–
Changes in working capital:			
Decrease/(increase) in inventories		**475,779**	(104,870)
Increase in trade and other receivables		**(735,684)**	(458,803)
(Increase)/decrease in restricted deposits		**(173,890)**	3,035
Decrease/(increase) in pledged deposits for issuance of bills payable and letters of guarantee		**927,768**	(151,039)
(Decrease)/increase in trade and other payables		**(1,059,123)**	600,718
Decrease in contract liabilities		**(57,798)**	(342,574)
Cash generated from operations		**372,145**	591,594

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(Expressed in Renminbi unless otherwise indicated)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans and other borrowings RMB'000 (Note 24)	Loans from non-controlling shareholders of subsidiaries RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At January 1, 2024	**610,205**	**16,553**	**75,038**	**701,796**
Changes from financing cash flows:				
Proceeds from new bank loans and other borrowings	**4,561,702**	**–**	**–**	**4,561,702**
Repayment of bank loans and other borrowings	**(3,875,085)**	**–**	**–**	**(3,875,085)**
New loans from non-controlling shareholders of subsidiaries	**–**	**23,543**	**–**	**23,543**
Repayment of loans from non-controlling shareholders of subsidiaries	**–**	**(24,628)**	**–**	**(24,628)**
Capital element of lease rentals paid	**–**	**–**	**(35,089)**	**(35,089)**
Interest element of lease rentals paid	**–**	**–**	**(2,967)**	**(2,967)**
Interest paid	**(237,868)**	**(826)**	**–**	**(238,694)**

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23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 (Note 24)	Loans from non-controlling shareholders of subsidiaries RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
Total changes from financing cash flows	**448,749**	**(1,911)**	**(38,056)**	**408,782**
Exchange adjustments	**–**	**–**	**–**	**–**
Other changes:				
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**59,959**	**59,959**
Interest expenses (Note 6(a))	**238,740**	**453**	**2,967**	**242,160**
Disposal of interests in subsidiaries (Note 23(e))	**–**	**–**	**(13,767)**	**(13,767)**
Decrease in lease liabilities from ceasing leases during the year	**–**	**–**	**(2,561)**	**(2,561)**
Total other changes	**238,740**	**453**	**46,598**	**285,791**
At December 31, 2024	**1,297,694**	**15,095**	**83,580**	**1,396,369**

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 (Note 24)	Loans from non-controlling shareholders of subsidiaries RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At January 1, 2023	698,783	16,207	101,649	816,639
Changes from financing cash flows:				
Proceeds from new bank loans and other borrowings	6,076,153	–	–	6,076,153
Repayment of bank loans and other borrowings	(6,168,722)	–	–	(6,168,722)
New loans from non-controlling shareholders of subsidiaries	–	42,544	–	42,544
Repayment of loans from non-controlling shareholders of subsidiaries	–	(41,861)	–	(41,861)
Capital element of lease rentals paid	–	–	(49,421)	(49,421)
Interest element of lease rentals paid	–	–	(3,998)	(3,998)
Interest paid	(255,490)	(658)	–	(256,148)
Total changes from financing cash flows	(348,059)	25	(53,419)	(401,453)
Exchange adjustments	4,343	–	–	4,343

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(Expressed in Renminbi unless otherwise indicated)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 (Note 24)	Loans from non-controlling shareholders of subsidiaries RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	–	23,353	23,353
Interest expenses (Note 6(a))	255,138	321	3,998	259,457
Disposal of interests in subsidiaries (Note 23(e))	–	–	(543)	(543)
Total other changes	255,138	321	26,808	282,267
At December 31, 2023	610,205	16,553	75,038	701,796

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	**43,025**	48,809
Within financing cash flows	**38,056**	53,419
	81,081	102,228

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Lease rentals paid	**81,081**	102,228

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(Expressed in Renminbi unless otherwise indicated)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(e) Net cash flow arising from disposal of interests in subsidiaries

During the years ended December 31, 2024 and 2023, the Group disposed its interests in certain subsidiaries, which were principally engaged in the merchandise sales in commerce business in the PRC. None of these disposed subsidiaries are individually material to the Group.

Aggregate of assets and liabilities at the date of disposal of the subsidiaries over which control was lost:

	2024 **RMB'000**	2023 RMB'000
Property, plant and equipment (Note 11)	**146**	63
Right-of-use assets (Note 12)	**15,335**	689
Deferred tax assets (Note 31(b))	**3,045**	1,010
Inventories	**34,209**	79,840
Cash and cash equivalents	**38,022**	6,473
Trade and bills receivables	**92,855**	28,044
Prepayments, deposits and other receivables	**263,073**	130,033
Taxation recoverable (Note 31(a))	**208**	28
Trade and bills payables	**(27,009)**	(24,046)
Other payables and accruals	**(133,129)**	(82,610)
Contract liabilities (Note 30)	**(112,553)**	(52,703)
Lease liabilities (Note 23(c))	**(13,767)**	(543)
Taxation payable (Note 31(a))	**–**	(101)
Deferred tax liabilities (Note 31(b))	**(566)**	(172)
Net assets disposed	**159,869**	86,005

Net loss on disposal of interests in subsidiaries:

	2024 **RMB'000**	2023 RMB'000
Consideration	**199,048**	84,266
Net assets disposed of	**(159,869)**	(86,005)
Non-controlling interests disposed of	**57,015**	35,649
Gross amounts due from former subsidiaries disposed during the year	**(106,829)**	(53,704)
Net loss on disposal of interests in subsidiaries (Note 5(b))	**(10,635)**	(19,794)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(e) Net cash flow arising from disposal of interests in subsidiaries (Continued)

Analysis of net cash in respect of the disposal of interests in subsidiaries is as follows:

	2024 **RMB'000**	2023 RMB'000
Consideration	**199,048**	84,266
Less: cash and cash equivalents disposed of	**(38,022)**	(6,473)
(Increase)/decrease in consideration receivables	**(60,727)**	12,203
Effect of net amounts due from former subsidiaries disposed during the year	**(95,748)**	(38,066)
Net proceeds received for disposal of interests in subsidiaries	**4,551**	51,930

24 BANK LOANS AND OTHER BORROWINGS

The maturity profile for the interest-bearing bank loans of the Group at the end of the reporting period is as follows:

	2024 **RMB'000**	2023 RMB'000
Short-term bank loans and other borrowings	**1,056,094**	308,205
Current portion of long-term bank loans	**60,400**	60,400
Within 1 year or on demand	**1,116,494**	368,605
After 1 year but within 2 years	**60,400**	60,400
After 2 years but within 5 years	**120,800**	181,200
	181,200	241,600
	1,297,694	610,205

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

At the end of each reporting period, the bank loans and other borrowings were secured as follows:

	2024 **RMB'000**	2023 RMB'000
Bank loans and other borrowings		
– secured	**561,324**	125,124
– unsecured	**736,370**	485,081
	1,297,694	610,205

Notes:

(i) The bank loans and other borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	2024 **RMB'000**	2023 RMB'000
Inventories (Note 19(b))	**100,000**	14,572
Bills receivable (Note 20)	**126,051**	94,300
Prepayments (Note 21)	**33,361**	4,070
Pledged deposits (Note 22(b))	**380,000**	2,000

(ii) At December 31 2023, certain bank facilities granted to the Group for bank loans were guaranteed by Mr. Wang Jianguo as the single largest shareholder of the Group and Five Star Holdings Group Co., Ltd. There are no Guarantees issued by related parties for bank loans at December 31, 2024.

	2024 **RMB'000**	2023 RMB'000
Bank loans with guarantees issued by related parties	**–**	89,150

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(Expressed in Renminbi unless otherwise indicated)

25 LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	2024 RMB'000	2023 RMB'000
Loans from non-controlling shareholders of subsidiaries	**15,095**	16,553

At December 31, 2024 and 2023, loans from non-controlling shareholders of subsidiaries were subject to an interest rate, ranging from 4.35% to 5.30% per annum, were unsecured and expected to be settled within one year or repayable on demand.

26 LEASE LIABILITIES

At the end of the reporting period, the lease liabilities were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**32,148**	35,374
After 1 year but within 2 years	**21,029**	14,242
After 2 years but within 5 years	**29,370**	19,896
After 5 years	**1,033**	5,526
	51,432	39,664
	83,580	75,038

27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Future contracts	**30**	–

The analysis on the fair value measurement of the above financial liabilities is disclosed in Note 35(e).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 TRADE AND BILLS PAYABLES

	2024 **RMB'000**	2023 RMB'000
Trade payables	**1,070,684**	939,025
Bills payable	**13,566,101**	14,577,013
	14,636,785	15,516,038

As of the end of the reporting period, the ageing analysis of the Group's trade and bills payable, based on the Group's invoice date, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**7,628,373**	9,495,937
3 to 12 months	**6,889,883**	5,899,438
Over 12 months	**118,529**	120,663
	14,636,785	15,516,038

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

At December 31, 2024 and 2023, certain bank facilities granted to the Group for issuance of bills payable were guaranteed by Mr. Wang Jianguo as the single largest shareholder of the Group, Mr. Xu Xiuxian as the executive director of the Company and Five Star Holdings Group Co., Ltd. Guarantees issued by related parties for bills payable at December 31, 2024 will be fully released by December 16, 2025 at the latest.

	2024 **RMB'000**	2023 RMB'000
Bills payable with guarantees issued by related parties	**2,873,870**	7,609,259

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 OTHER PAYABLES AND ACCRUALS

	2024 **RMB'000**	2023 RMB'000
Accrued expenses	**151,462**	225,513
Payable for staff related costs	**75,243**	110,183
Other taxes payable	**71,248**	228,639
Deposits received	**100,709**	118,462
Logistics cost payables	**26,413**	31,792
Amounts due to former subsidiaries	**10,018**	15,839
Dividends payable to shareholders of subsidiaries	**13,781**	21,509
Payable for acquisition of non-controlling interests	**45,082**	87,457
Redemption obligation on equity settled share-based transaction	**6,254**	8,339
Amounts due to related parties	**5,250**	6,801
Others	**10,476**	54,084
	515,936	908,618

Accrued expenses primarily comprise marketing and promotion expenses, service costs and other expenses.

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

30 CONTRACT LIABILITIES

	2024 **RMB'000**	2023 RMB'000
Balance at the beginning of the year	**2,426,677**	2,821,954
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	**(2,149,522)**	(2,666,768)
Increase in contract liabilities as a result of receiving advance payments during the year	**2,091,724**	2,324,194
Decrease in contract liabilities as a result of disposal of interests in subsidiaries (Note 23(e))	**(112,553)**	(52,703)
Balance at the end of the year	**2,256,326**	2,426,677

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	**36,957**	54,865
Provision for PRC Corporate Income Tax for the year	**111,675**	102,949
Tax paid	**(96,867)**	(120,784)
Disposal of interests in subsidiaries (Note 23(e))	**208**	(73)
At the end of the year	**51,973**	36,957
Represented by:		
Taxation recoverable	**(6,221)**	(7,955)
Taxation payable	**58,194**	44,912
	51,973	36,957

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Expected credit loss allowance RMB'000	Inventory provision RMB'000	Deductible tax losses RMB'000	Fair value change of financial liabilities RMB'000	Deferred income RMB'000	Lease liabilities RMB'000	Other temporary differences RMB'000	Total RMB'000
At January 1, 2023	63,324	5,016	7,325	13,410	2,550	–	13,809	105,434
Recognized in profit or loss	26,055	356	11,158	(13,410)	–	18,714	2,691	45,564
Disposal of interests in subsidiaries (Note 23(e))	(212)	(54)	(610)	–	–	(134)	–	(1,010)
At December 31, 2023 and January 1, 2024	89,167	5,318	17,873	–	2,550	18,580	16,500	149,988
Recognized in profit or loss	35,752	4,468	(728)	–	–	(7,621)	(1,192)	30,679
Disposal of interests in subsidiaries (Note 23(e))	(1,890)	(270)	(331)	–	–	(554)	–	(3,045)
At December 31, 2024	123,029	9,516	16,814	–	2,550	10,405	15,308	177,622

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognized: (Continued)

(ii) The components of deferred tax liabilities recognized in the consolidated statement of financial position and the movements during the year are as follows:

	Fair value change of financial assets RMB'000	Depreciation charge of right-of-use assets RMB'000	Interests receivable RMB'000	Total RMB'000
At January 1, 2023	8,222	1,013	–	9,235
Recognized in profit or loss	5,974	18,732	17,632	42,338
Disposal of interests in subsidiaries (Note 23(e))	–	(172)	–	(172)
At December 31, 2023 and January 1, 2024	14,196	19,573	17,632	51,401
Recognized in profit or loss	(5,731)	(8,555)	(9,247)	(23,533)
Disposal of interests in subsidiaries (Note 23(e))	–	(566)	–	(566)
At December 31, 2024	**8,465**	**10,452**	**8,385**	**27,302**

(iii) Reconciliation to the consolidated statement of financial position:

	2024 RMB'000	2023 RMB'000
Deferred tax assets recognized	**177,622**	149,988
Deferred tax liabilities recognized	**(27,302)**	(51,401)
Net deferred tax asset recognized in the consolidated statement of financial position	**150,320**	98,587

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(s), the Group did not recognize deferred tax assets of RMB67,625,000 (2023: RMB49,869,000) in respect of cumulative tax losses RMB380,957,000 (2023: RMB317,386,000) as at December 31, 2024. The Group did not recognize deferred tax assets of RMB32,499,000 (2023: RMB28,462,000) in respect of cumulative time differences RMB195,284,000 (2023: RMB186,453,000) as at December 31, 2024. It was not probable that future taxable profits against which the losses and time differences can be utilized will be available in the relevant tax jurisdiction and entities.

32 DEFERRED INCOME

As at December 31, 2024, deferred income of the Group represented unamortized conditional government grants amounting to RMB17,000,000 (2023: RMB17,000,000), for stimulating the development of strategic emerging industries.

Deferred income is recognized as income upon the satisfaction of certain acceptance standards of the Group's business project.

33 EQUITY SETTLED SHARE-BASED TRANSACTION

The Restricted Share Unit ("RSU") Scheme (the "RSU Scheme")

On November 28, 2022, the shareholders of the Company approved the adoption of the RSU Scheme and would grant up to 5% of the total number of issued H Shares as at the relevant grant date to the directors and the supervisors of the Company and employees of the Group (the "Participants").

On April 6, 2023 and December 27, 2023, pursuant to the approval of the Company's remuneration and appraisal committee, 4,755,400 and 4,157,000 RSUs, representing 4,755,400 and 4,157,000 underlying H shares, were granted to and accepted by the Participants under the RSU Scheme in aggregate, respectively.

On May 31, 2024, pursuant to the approval of the Company's remuneration and appraisal committee, 413,000 RSUs, representing 413,000 underlying H shares, were granted to and accepted by the Participants under the RSU Scheme in aggregate.

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33 EQUITY SETTLED SHARE-BASED TRANSACTION (CONTINUED)

(a) The terms and conditions of the grants are as follows:

Restricted shares granted to directors, supervisors and employees:	Number of RSUs	Vesting condition	Consideration per RSU RMB
– on April 6, 2023	4,372,000	Graded vest of 10% of 4,372,000 RSUs in November 2024, 20% of 4,372,000 RSUs in November 2025, 2026 and 2027, respectively, 30% of 4,372,000 RSUs in November 2028 and subject to performance conditions	Nil
– on April 6, 2023	383,400	Cliff vest of 383,400 RSUs in April 2026 and subject to performance conditions	Nil
– on December 27, 2023	4,157,000	Cliff vest of 4,157,000 RSUs in April 2027 and subject to performance conditions	Nil
– on May 31, 2024	413,000	Cliff vest of 413,000 RSUs in April 2027 and subject to performance conditions	Nil

(b) A summary of RSUs outstanding for the year ended December 31, 2024:

	2024		2023	
	Weighted average grant-date fair value RMB	**Number of RSUs RMB**	Weighted average grant-date fair value	Number of RSUs
Balance at the beginning of the year	**26.25**	**8,570,520**	–	–
Grant during the year	**25.64**	**413,000**	26.26	8,912,400
Vesting during the year	**26.40**	**(249,790)**	–	–
Forfeited during the year	**26.23**	**(3,132,330)**	26.40	(341,880)
Balance at the end of the year	**26.21**	**5,601,400**	26.25	8,570,520

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(Expressed in Renminbi unless otherwise indicated)

33 EQUITY SETTLED SHARE-BASED TRANSACTION (CONTINUED)

(c) Fair value of restricted shares granted

The grant-date fair value of the RSUs granted is measured based on the closing price of the Company's shares at the respective grant date.

During the year ended December 31, 2024, the total expenses recognized in the consolidated statement of profit or loss for the above transactions are RMB31,252,000 (2023: RMB24,972,000).

Employee Share Purchase Plan (the "ESPP")

In 2022, the Group adopted an ESPP, pursuant to which, a partnership established in the PRC, of which the general partner is one of the senior management and the limited partners consisted of employees of the Group, invested in Company's subsidiary Huitone Datatech Smart Technology Co., Ltd. (the "Target Company") by way of acquiring equity interests from the Group. All participants of the ESPP have purchased equity interests in respective partnership at amounts specified in the respective partnership agreement.

The ESPP contains a service condition. Senior management and employees participating in the plan have to transfer out their equity interests if their employments with the Group were terminated within the vesting period, to a person or a party nominated by the general partner of the partnership or by the Company at a price no higher than the amounts specified in the respective partnership agreement. The fair value of the ESPP at the grant date, being the difference between the consideration and the fair value of the equity interests subscribed shall be spread over the vesting period and recognized as staff costs in the profit or loss.

The fair value of the equity interests subscribed was measured by reference to the third party valuer's valuation report.

For the year ended December 31, 2024, the total expenses recognized in the consolidated statement of profit or loss for the above transactions are RMB1,687,000 (2023: RMB2,819,000).

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(Expressed in Renminbi unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

				Reserves		
The Company	*Note*	**Share capital RMB'000**	**Treasury shares RMB'000**	**Capital reserve RMB'000**	**Accumulated losses RMB'000**	**Total RMB'000**
Balance at January 1, 2023		562,570	–	9,530,046	(2,299,061)	7,793,555
Changes in equity for 2023:						
Profit for the year		–	–	–	154,521	154,521
Purchase of own shares		–	(92,903)	–	–	(92,903)
Business combination under common control		–	–	(311,906)	–	(311,906)
Equity settled share-based transactions		–	–	24,972	–	24,972
Balance at December 31, 2023 and January 1, 2024		562,570	(92,903)	9,243,112	(2,144,540)	7,568,239
Changes in equity for 2024:						
Profit for the year		–	–	–	79,084	79,084
Purchase of own shares		–	(138,745)	–	–	(138,745)
Equity settled share-based transactions		–	–	31,252	–	31,252
Vesting of restricted shares		–	6,725	(6,725)	–	–
Balance at December 31, 2024	37	**562,570**	**(224,923)**	**9,267,639**	**(2,065,456)**	**7,539,830**

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the years ended December 31, 2024 and 2023.

(c) Share capital

	Number of shares	RMB'000
Ordinary shares, issued and fully paid:		
At December 31, 2023, January 1, 2024 and December 31, 2024	562,569,837	562,570

(d) Treasury shares

During the year, the Company repurchased its own shares through a trust, on The Stock Exchange of Hong Kong Limited pursuant to the RSU Scheme (Note 33) as follows:

Trading month	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price HK$
January 2024	4,868,500	31.05	27.10	145,797,236
April 2024	10,000	30.90	30.80	308,605
May 2024	30,000	27.10	26.50	804,470
September 2024	190,300	20.55	18.52	3,707,900
October 2024	23,500	18.96	17.98	440,134
Total				151,058,345
Equivalent to RMB				138,745,000

The total amount paid on the repurchased shares of HK$151,058,345 (equivalent to RMB138,745,000) was recognized as treasury shares.

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital reserve

The capital reserve represents: (i) the difference between consideration received for ordinary shares subscription net of any transaction costs directly attributable to the subscription and the par value of the ordinary shares subscribed; (ii) the amount arises from the purchasing or disposing the interests in subsidiaries from or to non-controlling shareholders while the Group retains the control of subsidiaries; (iii) the amount arises from the reclassification of redeemable capital contributions as equity; (iv) the difference between the carrying value of the net assets acquired and the consideration paid for the acquisition of subsidiaries under common control; and (v) the portion of the grant date fair value of unvested equity instruments granted that has been recognized in accordance with the accounting policy set out in Note 2(r)(ii).

During the reporting period, the Group acquired additional equity interests in certain subsidiaries, which were principally engaged in the merchandise sales in commerce business in the PRC, from the respective non-controlling interests and further increased its ownership in these subsidiaries while the Group retains the control. The acquisition of non-controlling interests resulted in a decrease in capital reserve of RMB151,769,000 (2023: RMB254,943,000) for the year ended December 31, 2024, being the difference between the cash consideration paid to non-controlling interests and the carrying amount of non-controlling interests acquired on the date of the acquisition.

(f) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, the Company and its PRC subsidiaries are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. The statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(g) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(w).

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(Expressed in Renminbi unless otherwise indicated)

34 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(h) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) less cash and cash equivalents and time deposits.

The Group's adjusted net debt-to-capital ratio as at December 31, 2024 and 2023 were as follows:

	Note	**2024 RMB'000**	2023 RMB'000
Current liabilities:			
Bank loans and other borrowings	24	**1,116,494**	368,605
Loans from non-controlling shareholders of subsidiaries	25	**15,095**	16,553
Lease liabilities	26	**32,148**	35,374
		1,163,737	420,532
Non-current liabilities:			
Bank loans and other borrowings	24	**181,200**	241,600
Lease liabilities	26	**51,432**	39,664
Total debt		**1,396,369**	701,796
Less: Cash and cash equivalents	23(a)	**(2,781,257)**	(3,748,938)
Time deposits	22(c)	**(1,240,000)**	(1,278,600)
Adjusted net debt		**(2,624,888)**	(4,325,742)
Total equity		**9,610,500**	9,495,029
Adjusted net debt-to-capital ratio		**N/A**	N/A

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits, time deposits and bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Credit risk arising from trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2024, 0.56% (2023: 1.21%) and 0.56% (2023: 10.04%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Credit risk arising from trade receivables (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2024		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.4%**	**1,348,697**	**4,972**
Less than 3 months past due	**4.3%**	**200,003**	**8,505**
More than 3 months but less than 12 months past due	**7.2%**	**205,605**	**14,717**
More than 12 months but less than 24 months past due	**19.7%**	**80,420**	**15,816**
More than 24 months but less than 36 months past due	**39.6%**	**26,655**	**10,548**
More than 36 months past due	**100.0%**	**13,752**	**13,752**
		1,875,132	**68,310**

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Credit risk arising from trade receivables (Continued)

	2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.5%	1,547,370	8,284
Less than 3 months past due	7.5%	108,653	8,167
More than 3 months but less than 12 months past due	9.3%	190,700	17,812
More than 12 months but less than 24 months past due	39.0%	85,298	33,259
More than 24 months but less than 36 months past due	65.4%	29,756	19,466
More than 36 months past due	100.0%	7,967	7,967
		1,969,744	94,955

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2024 RMB'000	2023 RMB'000
Balance at the beginning of the year	**94,955**	67,396
Impairment loss (reversed)/recognized	**(4,476)**	39,094
Amounts written off during the year	**(10,687)**	(6,138)
Disposal of interests in subsidiaries	**(11,482)**	(5,397)
Balance at the end of the year	**68,310**	94,955

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Credit risk arising from other receivables

For other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In order to minimize credit risk, the Group has tasked its operation management to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is drawn from the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Details of the ECLs in respect of the Group's other receivables during the year is disclosed in Note 21.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

	2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at December 31, 2024 RMB'000
Bank loans and other borrowings	**1,162,017**	**65,610**	**124,608**	**–**	**1,352,235**	**1,297,694**
Lease liabilities	**34,922**	**22,850**	**30,331**	**1,067**	**89,170**	**83,580**
Loans from non-controlling shareholders of subsidiaries	**15,141**	**–**	**–**	**–**	**15,141**	**15,095**
Trade and bills payables	**14,636,785**	**–**	**–**	**–**	**14,636,785**	**14,636,785**
Other payables and accruals	**515,936**	**–**	**–**	**–**	**515,936**	**515,936**
	16,364,801	**88,460**	**154,939**	**1,067**	**16,609,267**	**16,549,090**

	2023					
	Contractual undiscounted cash outflow					
	Within 1 year or o n demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at December 31, 2023 RMB'000
Bank loans and other borrowings	379,701	67,814	190,218	–	637,733	610,205
Lease liabilities	37,769	15,660	21,814	5,711	80,954	75,038
Loans from non-controlling shareholders of subsidiaries	16,762	–	–	–	16,762	16,553
Trade and bills payables	15,516,038	–	–	–	15,516,038	15,516,038
Other payables and accruals	908,618	–	–	–	908,618	908,618
	16,858,888	83,474	212,032	5,711	17,160,105	17,126,452

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at December 31, 2024 are the cash at bank except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates as at December 31, 2024 and 2023 are fixed deposits, bank loans and other borrowing, loans from non-controlling shareholders of subsidiaries and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group's exposure to foreign currency risk is not significant during the years ended December 31, 2024 and 2023.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

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(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of financial instruments as at December 31, 2024 and 2023 are as follows:

	Fair value at December 31, 2024	Fair value measurement at December 31, 2024 categorized into		
	RMB'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Assets:				
Financial assets at FVOCI				
– Unlisted equity security	2,000	–	–	2,000
Financial assets at FVPL				
– Structured deposits and wealth management products	4,089,213	–	76,915	4,012,298
– Unlisted investments	386,308	–	74,259	312,049
Liabilities:				
Financial liabilities at FVPL				
– Future contracts	30	30	–	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at December 31, 2023 RMB'000	Fair value measurement at December 31, 2023 categorized into Level 1	Level 2	Level 3
Recurring fair value measurement				
Assets:				
Financial assets at FVOCI				
– Unlisted equity security	2,000	–	–	2,000
Financial assets at FVPL				
– Structured deposits and wealth management products	2,970,739	93,344	–	2,877,395
– Unlisted investments	361,834	–	51,839	309,995
– Future contracts	140	140	–	–

During the year ended December 31, 2024, there were no transfers between Level 1 and Level 2. During the year ended December 31, 2024, there were transfers of amount of RMB29,461,000 (2023: RMB309,995,000) from Level 2 to Level 3 and RMB71,656,000 (2023: RMB nil) form Level 1 to Level 3 due to significant unobservable inputs in 2024. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted investments in Level 2 is determined by recent comparable transaction price on the market.

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted equity securities and certain unlisted investments	Valuation multiples (Note i)	Changing trend of medium market multiples of comparable companies
Structured deposits and wealth management products	Discounted cash flow or Black-Scholes model (Note ii)	Expected return rate or expected volatility

Notes:

(i) The fair value of unlisted equity security and certain unlisted investments is determined using valuation multiples adjusted for changing trend of medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies. As at December 31, 2024, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's other comprehensive income by RMB75,000 (2023: RMB75,000) and profit for the year by RMB13,262,000 (2023: RMB13,175,000).

(ii) The fair value of structured deposits and wealth management products is calculated by discounting the expected future cash flows or using Black-Scholes model. The fair value measurement is negatively correlated to expected return rate or positively correlated to expected volatility. As at December 31, 2024, it is estimated that with all other variables held constant, an increase/decrease in fair value of structured deposits and wealth management products by 5% would have increased/decreased the Group's profit for the year by RMB170,523,000 (2023: RMB122,289,000).

The fair value of unlisted equity security and unlisted investment is determined using valuation multiples technique with comparable companies. The fair values of the structured deposits and wealth management products have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Financial assets at FVOCI RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
As at January 1, 2023	2,000	2,564,747	2,566,747
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	122,914	122,914
Purchases	–	6,758,400	6,758,400
Sales and settlements	–	(6,568,666)	(6,568,666)
Transfer from Level 2	–	309,995	309,995
As at December 31, 2023 and January 1, 2024	2,000	3,187,390	3,189,390
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	86,050	86,050
Purchases	–	10,850,229	10,850,229
Sales and settlements	–	(9,900,439)	(9,900,439)
Transfer from Level 1	–	71,656	71,656
Transfer from Level 2	–	29,461	29,461
As at December 31, 2024	**2,000**	**4,324,347**	**4,326,347**

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognized in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to accumulated losses.

The gains arising from the remeasurement of the Group's unlisted investment and the structured deposits and wealth management products are presented in the "Other net gain" line item in the consolidated statement of profit or loss.

All financial instruments carried at cost or amortized cost are at amounts not materially different from their values as at December 31, 2024 and 2023.

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**10,949**	13,938
Contributions to defined contribution retirement plans	**264**	251
Equity settled share-based payment expenses	**8,274**	6,179
	19,487	20,368

Total remuneration is included in "staff costs" (see Note 6(b)).

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(Expressed in Renminbi unless otherwise indicated)

36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Names and relationships of the related parties that had other material transactions with the Group during the year:

Name of related party	Relationship
Mr. Wang Jianguo	Single largest shareholder of the Group
Mr. Xu Xiuxian	Executive director of the Company
Five Star Holdings Group Co., Ltd. ("Five Star") and its affiliates	Company and its affiliates controlled by the single largest shareholder of the Group
Nanjing Qingying Technology Co., Ltd. ("Qingying") and its affiliates	Company and its affiliates controlled by the single largest shareholder of the Group
Alibaba (China) Network Technology Co., Ltd. ("Alibaba China") and its affiliates	The Group's significant shareholder and its affiliates
Nanjing Shumei Health Technology Co., Ltd. ("Nanjing Shumei")	Associate of the Group

(c) Guarantees issued by related parties

Certain bank facilities granted to the Group were guaranteed issued by related parties. An analysis of the carrying value of these liabilities is as follows:

	2024 RMB'000	2023 RMB'000
Net exposure on:		
Bank loans (Note 24)	**–**	89,150
Bills payable (Note 28)	**2,873,870**	7,609,259

At December 31 2023, certain bank facilities granted to the Group for bank loans were guaranteed by Mr. Wang Jianguo as the single largest shareholder of the Group and Five Star Holdings Group Co., Ltd. There are no Guarantees issued by related parties for bank loans at December 31, 2024.

At December 31, 2024 and 2023, certain bank facilities granted to the Group for issuance of bills payable were guaranteed by Mr. Wang Jianguo as the single largest shareholder of the Group, Mr. Xu Xiuxian as the executive director of the Company and Five Star Holdings Group Co., Ltd. Guarantees issued by related parties for bills payable at December 31, 2024 will be fully released by December 16, 2025 at the latest.

(Expressed in Renminbi unless otherwise indicated)

36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Other significant related party transactions

During the years ended December 31, 2024 and 2023, the Group had following transactions with related parties:

	2024 RMB'000	2023 RMB'000
Purchase of goods		
Five Star and its affiliates	**4,420**	159,603
Alibaba China and its affiliates	**89,230**	65,914
Nanjing Shumei	**–**	127
	93,650	225,644
Purchase of services		
Five Star and its affiliates	**–**	124
Alibaba China and its affiliates	**14,900**	7,042
Nanjing Shumei	**24**	–
	14,924	7,166
Sales of goods		
Five Star and its affiliates	**136**	5,314
Alibaba China and its affiliates	**107,567**	163,140
Nanjing Shumei	**48**	14
	107,751	168,468
Acquisition of interests in subsidiaries under common control		
Five Star and its affiliates	**–**	504,300
Decrease in advances from related parties		
Five Star and its affiliates	**–**	(92,632)

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(Expressed in Renminbi unless otherwise indicated)

36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Significant related party balances

At December 31, 2024 and 2023, the Group had following balances with related parties:

Trade in nature	2024 RMB'000	2023 RMB'000
Trade receivables		
Five Star and its affiliates	**–**	–
Alibaba China and its affiliates	**2,317**	910
Qingying and its affiliates	**–**	495
	2,317	1,405
Prepayments, deposits and other receivables		
Five Star and its affiliates	**3,341**	6,927
Alibaba China and its affiliates	**32,233**	45,854
Qingying and its affiliates	**23,125**	24,015
Nanjing Shumei	**277**	–
	58,976	76,796

(Expressed in Renminbi unless otherwise indicated)

36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Significant related party balances (Continued)

Trade in nature	**2024** **RMB'000**	2023 RMB'000
Trade payables		
Five Star and its affiliates	**26,618**	27,012
Alibaba China and its affiliates	**380**	380
Nanjing Shumei	**120**	–
	27,118	27,392
Other payables and accruals		
Five Star and its affiliates	**5,271**	5,287
Alibaba China and its affiliates	**2,004**	982
Qingying and its affiliates	**582**	532
Nanjing Shumei	**17**	–
	7,874	6,801
Contract liabilities		
Five Star and its affiliates	**208**	415
Alibaba China and its affiliates	**85**	1,782
Qingying and its affiliates	**317**	452
Nanjing Shumei	**10**	4
	620	2,653

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36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Applicability of the Listing Rules relating to connected transactions

Apart from purchase of goods from and sales of goods to Nanjing Shumei, the related party transactions during the year ended December 31, 2024 mentioned in Notes 36(c) and (d) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Guarantees and pledges issued, purchase of goods from Five Star and its affiliates, purchase of services from Alibaba China and its affiliates and sales of goods to Five Star and its affiliates during the year ended December 31, 2024 are continuing connected transactions but are exempted from these disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) or they are financial assistance under Rule 14A.90. Purchase of goods from Alibaba China and its affiliates and sales of goods to Alibaba China and its affiliates mentioned in Note 36(d) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the section "Continuing Connected Transactions" in the Report of Directors.

Apart from these transactions, none of the other related party transactions during the year ended December 31, 2024 mentioned in Note 36 fall under the definition of a connected transaction or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2024 RMB'000**	2023 RMB'000
Non-current assets			
Property, plant and equipment		**13,345**	20,218
Right-of-use assets		**33,104**	28,055
Investment property		**6,655**	7,267
Interests in subsidiaries		**3,329,318**	2,985,084
Interests in a joint venture		**14,020**	14,700
Financial assets at fair value through profit or loss		**948,685**	888,163
Pledged deposits		**780,000**	20,000
Time deposits		**320,000**	280,000
Deferred tax assets		**83,565**	55,588
		5,528,692	4,299,075

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37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**2024** **RMB'000**	2023 RMB'000
Current assets			
Financial assets at fair value through profit or loss		**3,516,166**	2,434,410
Inventories		**2,575**	2,745
Trade and bills receivables		**1,723,804**	1,337,065
Prepayments, deposits and other receivables		**4,382,028**	5,434,587
Restricted deposits		**160,395**	1,789
Pledged deposits		**3,706,435**	4,810,186
Time deposits		**770,000**	820,000
Cash and cash equivalents		**2,230,723**	3,274,854
		16,492,126	18,115,636
Current liabilities			
Bank loans and other borrowings		**630,735**	60,732
Lease liabilities		**3,132**	6,214
Trade and bills payables		**12,758,953**	13,554,854
Other payables and accruals		**827,851**	936,788
Contract liabilities		**9,847**	9,534
Taxation payable		**21,857**	301
		14,252,375	14,568,423
Net current assets		**2,239,751**	3,547,213
Total assets less current liabilities		**7,768,443**	7,846,288

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**2024 RMB'000**	2023 RMB'000
Non-current liabilities			
Bank loans and other borrowings		**181,200**	241,600
Lease liabilities		**30,413**	19,449
Deferred income		**17,000**	17,000
		228,613	278,049
NET ASSETS		**7,539,830**	7,568,239
CAPITAL AND RESERVES	34(a)		
Share capital		**562,570**	562,570
Treasury shares		**(224,923)**	(92,903)
Reserves		**7,202,183**	7,098,572
TOTAL EQUITY		**7,539,830**	7,568,239

38 SUBSEQUENT EVENTS

Subsequent to December 31, 2024, there is no significant subsequent event.

39 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2024, the directors consider the immediate and ultimate controlling party of the Group is Mr. Wang Jianguo, Chairman of the Group.

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40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2024

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended December 31, 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	January 1, 2025
Amendments to IFRS 9, Financial instruments and IFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	January 1, 2026
Annual improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18, *Presentation and disclosure in financial statements*	January 1, 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	January 1, 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.