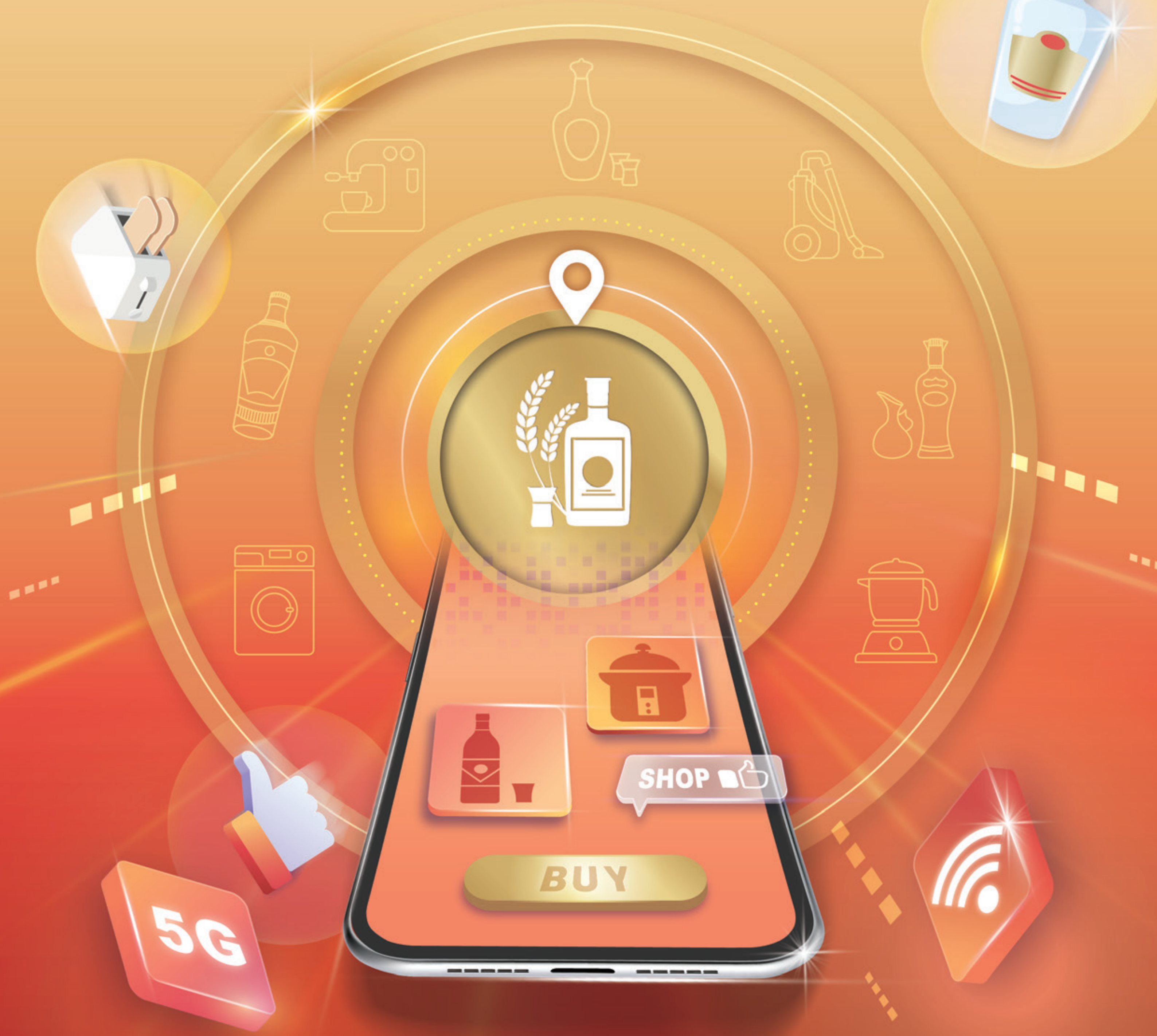
奇点国际有限公司

Qidian International Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280



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The English names of the PRC entities mentioned in this annual report marked "" are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

Corporate Information

EXECUTIVE DIRECTORS
Mr. Yuan Li (Chairman & Interim Chief Executive Officer)
Mr. Xu Xinying (Vice-chairman)

NON-EXECUTIVE DIRECTOR
Ms. Xu Honghong

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Zhang Yihua
Mr. Chen Rui
Mr. Fung Tak Choi

COMPANY SECRETARY
Ms. Wong Yuen Ki, ACG, HKACG

AUDIT COMMITTEE
Mr. Zhang Yihua (Chairman)
Mr. Chen Rui
Mr. Fung Tak Choi

REMUNERATION COMMITTEE
Mr. Zhang Yihua (Chairman)
Mr. Yuan Li
Mr. Chen Rui

NOMINATION COMMITTEE
Mr. Chen Rui (Chairman)
Mr. Zhang Yihua
Mr. Fung Tak Choi

AUTHORISED REPRESENTATIVES
Mr. Yuan Li
Ms. Wong Yuen Ki

REGISTERED OFFICE
The offices of Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN CHINA
6/F, Huiyin Building
No. 539 Wenchang Zhong Road
Yangzhou City
Jiangsu Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS
Bank of China (Yangzhou Branch)
No. 541 Wenchang Middle Road
Yangzhou City
Jiangsu Province
PRC

Agricultural Bank of China (Wenchang Branch)
No. 334 Wenchang West Road
Hanjiang District
Yangzhou City
Jiangsu Province
PRC

China Construction Bank (Yangzhou Branch)
No. 398 Wenchang Middle Road
Yangzhou City
Jiangsu Province
PRC

China Citic Bank (Yangzhou Branch)
No. 171 Weiyang Road
Yangzhou City
Jiangsu Province
PRC

STOCK CODE
1280

WEBSITE OF THE COMPANY
www.hyjd.com
(information on the website does not form part of this annual report)

Financial and Operational Highlights

01

Revenue for 2022 was approximately RMB262.3 million, representing a decrease of 12.9% from approximately RMB301.2 million for 2021, mainly attributable to the continuous COVID-19 pandemic, implementation of lockdown measures in the major business area in Anhui, strict management and control in Yangzhou region, adjustment of income structure, quality improvement of income and a reduction in income items with lower profits.

02

Gross profit margin for 2022 was 14.6%, while that for 2021 was 12.1%.

03

Operating loss for 2022 was approximately RMB112.9 million, while there was an operating loss of approximately RMB38.7 million for 2021.

04

Loss for 2022 was approximately RMB137.8 million, while there was loss of approximately RMB62.2 million for 2021. The asset impairment was approximately RMB55.7 million for the 2022, and the provisions increased by approximately RMB16.0 million, representing a larger loss amount as compared to 2021.

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Qidian International Co., Ltd. (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2022.

Chairman's Statement

In 2022, under the impact of various factors including complex external environment and continuous wide spread of domestic pandemic in multiple areas, China's economy faces tremendous pressure on recovery. The main characteristics of which included the significant impact of pandemic on consumption, declining investment growth, continuous decrease in import and export growth rates and significant pressure on labor market. The retail industry in which the Company operated was also affected, with a relatively low prosperity.

Confronted with the intricate economic environment, the Company adhered to new consumption strategy, adopted offline and online retail channels in a coordinated way, enhanced the experience and satisfaction of customers at offline stores, strengthened the construction of the three elements: people, product and place, explored various marketing methods such as live commerce, word-of-mouth platforms and WeChat Mini Programs, and improved the diversification and fragmentation degree of retail channels, which constantly increased sales volume.

The Company made efforts to unfold the layout of Maotai-flavor liquor business in liquor industry. According to the Report on the Status and Development of Wine Merchants in 2022, as the growth of national economy led to an increase in national consumption level and upgrade of consumption structure, customers were more willing to purchase higher-quality products. The data indicated that 44% of customers currently were drinking liquors with higher quality. Through collaborations with mighty Maotai-flavor liquor enterprises, the Company built exclusive brands of Guofeng Liquor, enhanced its influence, increased Maotai-flavor liquor products and continuously expanded its current business in retail industry to improve its general profitability in the future.

With the termination of the prevention and control measures of category A infectious disease caused by COVID-19 pandemic since 8 January 2023, the adverse impact of the pandemic on the consumption market will be diminished gradually in 2023 and beyond, which will improve the domestic consumption environment and lead to a rebound in consumption growth rate.

Chairman's Statement

The Annual Report on Analysis and Forecast of China's Macroeconomic Situation (2022-2023) said, "In 2023, with the gradually unleashed effects of a series of policies to stabilize the economy and the gradually strengthened new forces for economic growth, China's economy will release enormous growth potential and the speed of economic growth rate throughout the year is expected to have a considerable increase".

The Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035), issued by the Central Committee of CPC and the State Council, indicated that the enforcement of the Plan was necessary to cope with the intricate international environment, which set out the goal to fully promote consumption, accelerate an upgrade of consumption, strengthen the consumption on intelligent appliances and better meet with the consumption needs of middle and high-end consumer goods.

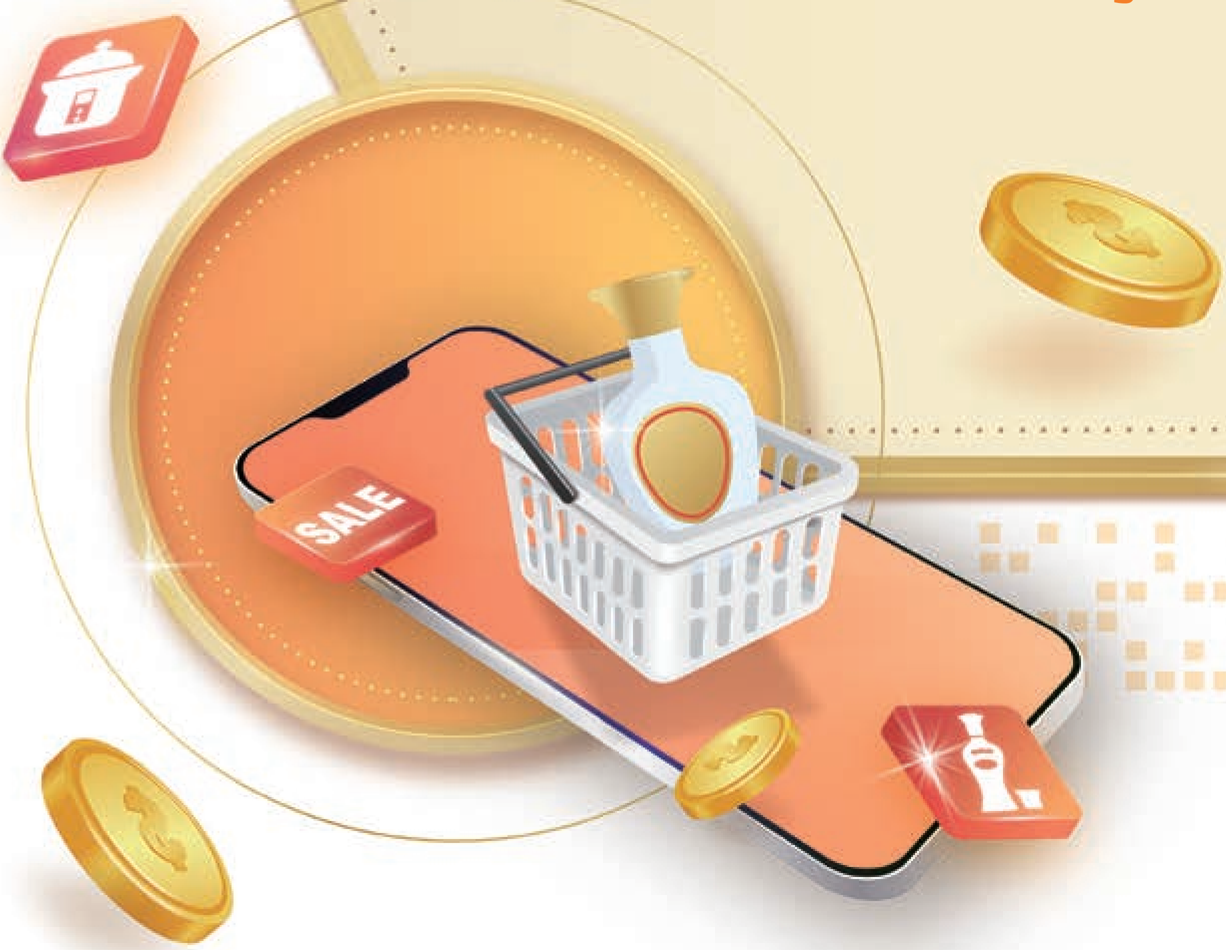
Through the past years of economic recession brought by external environment and global stagflation, compensatory and retaliatory consumption and generally loose macroeconomic policies have become the crucial elements for China's economic growth ahead. The recovery of consumption demand and the consumption upgrading strategy will definitely benefit the diversified retail business of the Company.

Finally, on behalf of the Board, I would like to express my wholehearted thanks to all shareholders and investors who have shown their care and support to the Company. The continuous efforts of all staff members of the Group are highly respected and appreciated, and we would also like to extend our sincere gratitude to different sectors of the community for their support. We will continue to balance the interests of shareholders, employees and customers, and pursue long-term and sustainable development for the Company.

I am very confident in leading all employees of the Group to overcome all challenges and further advance the Company's new consumption strategy with technological empowerment.

Yuan Li
Chairman
Hong Kong, 15 March 2023

Management Discussion and Analysis



MARKET REVIEW

In 2022, under the impact of various factors including complex external environment and continued sporadic domestic resurgences of COVID-19 pandemic, the PRC's economy faced tremendous pressure on recovery. In general, the macroeconomic environment was relatively weak as affected by the significant impact of COVID-19 pandemic on the consumption, the slow down of investment growth and the continuous drop in growth rate of both imports and exports.

BUSINESS REVIEW

During the year ended 31 December 2022 (the "**reporting period**" or the "**year**"), in the complex international and domestic environment with the general trend of weak development of macroeconomy, the growth rate of per capita disposable income and per capita consumption expenditure of the PRC residents recorded a decrease as compared with last year, accompanied by fading of their consumer appetites. The performance of home appliance end sales missed the expectations, the relief of demand was slowed down, and the whole industry was under a gloomy atmosphere.

Management Discussion and Analysis

However, thanks to the improvement of Guizhou Xijiu (貴州習酒) brand, the Maotai-flavor liquor has showed its brand value in the Maotai-flavor liquor industry that the Company entered into. The Maotai-flavor liquor maintains a high speed of growth in recent years despite the macroenvironment that the general liquor market scale tends to be stable. According to the statistics of the China Alcoholic Drinks Association, in the next decade, the market share of Maotai-flavor liquor will continue increasing and it is expected to reach 30%.

As a diversified retail sales enterprise, the Group continuously promotes optimization and improvement in various aspects such as alliance with different industries, aftersales and logistics support, enterprise culture, informatization system, digitalization and internal control system. The Group continuously promotes work in the aspects below:

1. UNDER DIFFERENTIATION OF DOMESTIC DEMAND, FOCUS ON MARKETING AND PAY ATTENTION TO MARKETING BONUS OF EMERGING CHANNELS

Under the macroenvironment of the slowdown of economic growth and complex international situation, consumer goods companies are facing greater challenges, which brings larger demand for differentiated and refined operations. Channels under the COVID-19 pandemic normalization are changing obviously. In terms of online channels, traditional shelves' flow is decreasing, while channels like Douyin are increasing rapidly and in the process of the development dividend period, and the content platform of Xiaohongshu has become the recommendation blue ocean of home appliances category. In terms of offline channels, despite pressures during the COVID-19 pandemic, there is an integration tendency of home appliance channel front-loading with home construction materials, constantly refining and expanding lower tier markets.

The Group, as a home appliance chain retailer in the third- and fourth-tier cities, on the one hand, further explores fragmented channels for marketing, and on the other hand, places more efforts to promote the transformation of various channels. In particular, the Group enhances offline customer experience through redecorating all stores, with comfortable, cozy offline experience as a breakthrough point, which speeds up the integration of multiple channels such as live, short video, WeChat community and the like, so as to improve the Group's retail performance.

2. DEPLOY MAOTAI-FLAVOR LIQUOR FIELD AND STEADILY EXPAND THE MAOTAI-FLAVOR LIQUOR SALES MARKET

According to the China Industry Information Network (中國產業信息網), with the improvement of Guizhou Xijiu brand, most of the domestic major Maotai-flavor liquor brands showed their prominent brand value and ranked top 50 in brand value of liquor. The capacity of Maotai-flavor liquor was still inefficient under the macro background of "capacity reduction" in the general liquor market; market volume therefore will further expand, bringing market opportunities for Maotai-flavor liquor brand.

Based on the current situation of home appliances retail industry, the Company kept exploring and researching new industries and fields. After a period of frequent investigations and on-site visits, the management of the Company considers that the Maotai-flavor liquor industry, a subdivision field of liquor industry, with compound growth rate of 16% during 2010 to 2020 which is much higher than the average growth rate of liquor industry of 1.78%, has its unique development advantages as compared with liquor industry. In addition, according to the public statistics, the number of drinkers in China is over 500 million, and the number of liquor drinkers is over 200 million. Such a demand with high frequency pushes consumption.

As disclosed in the voluntary announcement of the Company dated 13 October 2022 in respect of the establishment of a subsidiary of liquor business and the voluntary announcement of the Company dated 28 November 2022 in respect of the liquor cooperation agreement, the Company aims to open new retail business line on top of home appliances retail business, diversify its retail business and develop a secondary growth curve for business growth, thus steadily enhancing the profitability of the Company. Guizhou Renhuai Guofeng Liquor Company Limited (貴州仁懷國峰酒業有限公司) ("Guizhou Guofeng"), a subsidiary of the Company in liquor industry, launched the exclusive Guofeng Maotai-flavor Liquor (國峰醬酒), which aims at mid-to-high-end market. Being overseen by various China liquor consultants in production technology processes, the Guofeng Maotai-flavor Liquor has guaranteed quality and higher value of collection and tasting. Currently, the Guofeng Maotai-flavor Liquor has been put on the market and sealed. The Company will grasp the development potential of Maotai-flavor liquor to increase its sales revenue and steadily enhance its financial performance.

3. GEARING UP THE MARKET SHARE OF DIVERSIFIED HOME APPLIANCES RETAIL UNDER THE INCREASING SUPPLY-AND-DEMAND

In terms of policy, the PRC government encouraged that local areas shall conduct activities in promoting green and smart home appliances to the countryside and renewal of home appliances, and held a supportive attitude towards the home appliances industry. Meanwhile, the CPC Central Committee and the State Council promoted comprehensive comsumption to speed up the quality enhancement and upgrade of consumption. In terms of demand, there were 180 million new middle-class consumers in the PRC, and the number of middle-class families reached 33.20 million. In respect of technology, with the rapid development of 5G and the Internet of Things, the penetration of high-end home appliances has accelerated. Under various favorable policies, potential customers are being gradually attracted to consume mid-to-high-end home appliances.

In such context, during the reporting period, the Group focused on selecting healthy and smart home appliances, and placed particular emphasis on the integration and systematic construction of technical functions of home appliances, while adhering to the concept of a comfortable home and promoting the sale of green and environmental-friendly home appliances. Meanwhile, the Group adjusted its product selection strategy in a timely manner. Under the guidance of the policy of building a smart home ecosystem, the Group spent more effort in selecting healthy and smart home appliances with extra emphasis on the health and smart functions and product personalization demands. As a part of its diversified home appliance marketing strategy, the Group introduced mid-to-high-end products for white home appliances (such as refrigerators, washing machines and air-conditioners) and continuously introduced integrated stoves, dishwashers and embedded products for kitchen appliances.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue for 2022 was approximately RMB262.3 million, representing a decrease of 12.9% from approximately RMB301.2 million for 2021, which is mainly attributable to the continuous impact of COVID-19 pandemic and the sudden outbreak in Anhui area in 2022.

Turnover of the Group comprises revenues as follows:

	2022 RMB'000	2021 RMB'000
Types of goods and services		
Sales of goods		
– Traditional business	257,854	297,021
– New retail business	—	—
	257,854	297,021
Rendering of services		
– Maintenance and installation services	4,494	4,152
Total revenue	262,348	301,173

Cost of sales and services

For the year ended 31 December 2022, the cost of sales and service was approximately RMB224.1 million, decreased by 15.3% from that of approximately RMB264.7 million for the year ended 31 December 2021, which was due to the adjustment of income structure and gross margin improvement.

Gross profit

For the year ended 31 December 2022, the gross profit was approximately RMB38.2 million, increased by 4.7% from that of RMB36.5 million for the year ended 31 December 2021.

Other income

For the year ended 31 December 2022, other income recorded by the Group amounted to approximately RMB6.4 million, in comparison to other income of approximately RMB5.7 million for the year ended 31 December 2021.

Other net loss/gain

For the year ended 31 December 2022, the Group recorded other net loss of approximately RMB17.7 million, in comparison to other net gain of approximately RMB2.0 million for the year ended 31 December 2021.

Selling and marketing expenses

For the year ended 31 December 2022, the Group's total selling and marketing expenses amounted to approximately RMB36.8 million, representing a decrease by 25.4% from approximately RMB49.3 million for the year ended 31 December 2021.

Management Discussion and Analysis

Administrative expenses

For the year ended 31 December 2022, the Group's total administrative expenses amounted to approximately RMB46.9 million, increased by 44.8% from approximately RMB32.4 million for the year ended 31 December 2021.

Operating loss

For the year ended 31 December 2022, the operating loss amounted to approximately RMB112.9 million, increased by 191.7% from approximately RMB38.7 million for the year ended 31 December 2021, mainly due to impairment loss of assets and provision.

Net finance costs

For the year ended 31 December 2022, the net financial costs of the Group amounted to approximately RMB24.6 million, representing an increase by 5.1% in comparison to approximately RMB23.4 million for the year ended 31 December 2021.

Loss before tax

For the year ended 31 December 2022, the loss before income tax amounted to approximately RMB137.5 million, while the loss before income tax was approximately RMB62.1 million for the year ended 31 December 2021.

Income tax expense

For the year ended 31 December 2022, the income tax expense of the Group amounted to approximately RMB311,000, while the income tax expense was approximately RMB25,000 for the year ended 31 December 2021.

Loss attributable to equity holders of the Company

The loss of attributable to equity holders of the Company for the year ended 31 December 2022 was approximately RMB136.8 million, while the loss attributable to equity holders amounted to approximately RMB60.0 million for the year ended 31 December 2021.

Cash and cash equivalents

As at 31 December 2022, the Group's cash and cash equivalents were approximately RMB8.4 million, representing a decrease of 42.5% from approximately RMB14.6 million as at 31 December 2021.

Inventories

As at 31 December 2022, the Group's inventories amounted to approximately RMB41.6 million, representing a decrease of 19.2% from RMB51.5 million as at 31 December 2021.

Prepayments, deposits and other receivables

As at 31 December 2022, prepayments, deposits and other receivables of the Group amounted to approximately RMB38.9 million, representing a decrease of 18.4% from approximately RMB47.7 million as at 31 December 2021.

Management Discussion and Analysis

Trade receivables

As at 31 December 2022, trade receivables of the Group amounted to approximately RMB4.0 million, representing a decrease of 41.2% from approximately RMB6.8 million as at 31 December 2021.

Trade and bills payables

As at 31 December 2022, trade and bills payables of the Group amounted to approximately RMB123.8 million, in comparison approximately RMB127.7 million as at 31 December 2021.

Gearing ratio and the basis of calculation

As at 31 December 2022, gearing ratio of the Group was 297.4%, increased from that of 192.0% as at 31 December 2021. The gearing ratio is equal to total liabilities divided by the sum of total equity and total liabilities.

Liquidity and financial resources

For the year ended 31 December 2022, the Group's working capital, capital expenditure and investment cash were funded from cash on hand and borrowings. As at 31 December 2022, the borrowings of the Group amounted to RMB442.2 million, representing an increase of 9.0% from RMB405.7 million as at 31 December 2021.

Pledge of assets

As at 31 December 2022, certain right-of-use assets, buildings and investment properties with a total carrying amount of RMB68 million had been pledged (2021: RMB173 million).

Investment properties

The Group's investment properties as of 31 December 2022 and 31 December 2021 represent certain properties receiving rental income during the respective reporting periods. Details of the investment properties of the Group as at 31 December 2022 and 31 December 2021 are as follows:

Address	Existing Use	Term of Lease
Guangling Industrial Park, Building 6, West of Shawan Road on the south side of Yinyan Road in Guangling Industrial Park (Huiyin Home Appliances), Jiangsu, PRC	Shop and Warehouse	Medium-term lease
Building 6-10, No. 277 Wenchang Middle Road, Guangling District, Yangzhou, Jiangsu, PRC	Shop	Medium-term lease

Foreign currencies and treasury policy

All the income and the majority of expenses of the Group were denominated in Renminbi. During the year, the Group has not entered into any forward contracts to hedge its exposure to foreign exchange risk. The Group does not have a foreign currency hedging policy. However, the Directors closely monitor the Group's foreign exchange exposure and may, depending on the circumstances and trend of foreign currencies, consider adopting appropriate foreign currency hedging policy in the future.

Final dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

Employment and remuneration policy

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to our staff is fixed with reference to the prevailing market rates in the region and on the basis of the merit, qualifications and level of competence of its staff. Our management (including the Directors) receives a fixed sum of basic salary and a discretionary performance bonus after annual/monthly/quarterly assessments. The emoluments of the Directors are decided by the remuneration committee, having regard to the Company's operating results, their individual performance and comparable market statistics.

The remuneration of other employees of the Group comprises basic salary and an attractive sum of monthly performance bonuses. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, our Group participates in different social welfare plans for our employees.

Human resources

As at 31 December 2022, the Group had 267 employees, decreased by 11.6% from 302 employees as at 31 December 2021.

Remuneration of Directors and Senior Management

Please refer to note 14 to the consolidated financial statements for details of remuneration of the Directors for the year ended 31 December 2022.

Details of the remuneration by band of Directors and senior management of the Company, whose biographies are set out in the section headed "Directors' and Senior Management's Profile" on pages 35 to 38 of this annual report, for the year ended 31 December 2022 are set out below.

Remuneration bands (RMB)	Number of individuals (Note)
0 – 100,000	7
100,001 – 500,000	7

Note: Mr. Zhao Jinyong resigned as an Independent Non-executive Director on 23 August 2022, Mr. Zhang Yihua was appointed as an Independent Non-executive Director on 23 August 2022, and Ms. Liu Simei resigned as an Executive Director on 23 September 2022.

Management Discussion and Analysis

FUTURE OUTLOOK

2023 would be the turning point of internal and external demand. The internal demand will be the key factor of China's economy recovery. Meanwhile, the consumption is expected to recover rapidly after the optimization of pandemic prevention and control measures. The real estate industry is likely to be stable driven by policies, the growth rate of investment and sales is therefore expected to rebound, whereas that of infrastructure investment will maintain at high level.

Based on the research and judgment of the macroeconomic situation and the industry which continues to pick up with good momentum, with reference to the recent industry policies issued by the PRC government, the Group will focus on the following tasks:

1. THE MARGINAL EASING OF REAL ESTATE POLICY HAS BEEN RELEASED, WHICH STRENGHTHENS THE MARKETING OF HOME APPLIANCES

At the policy level, measures were released by the MOHURD, MOF, PBOC and other relevant ministries on 19 August 2022 which supported the construction and delivery of residential projects that have been sold and overdue and have difficulty in delivery by way of policy-backed special bank borrowings. On 8 November 2022, the NAFMII released policies to support private enterprises financing, with the supportive bond financing of approximately RMB250 billion. On 28 November 2022, the SFC resolved to adjust and optimize 5 measures in respect of supporting equity financing of real estate enterprises, and frequently rolled out stimulus policies on real estate industry.

Home appliances have strong decoration attributes and is a typical industry of the later stage in the real estate cycle. From the perspective of the transmission chain, large home appliance products such as kitchen appliances and white home appliances are more affected by real estate, while small home appliance products are relatively less affected. In general, the growth in the home appliance market can be divided into volume growth and price growth, of which volume growth is mainly derived from new demand and renewal demand. The performance of real estate mainly affects new housing demand in volume growth, as well as the increase in the household appliance ownership in existing homes and renewal demand.

In the future, the Group will, on the one hand, focus on analysing macroenvironment and relevant industry policies, and study the impact of policies on home appliance products. On the other hand, the Group will adjust its marketing strategies in a timely manner, and appropriately increase the sales of kitchen appliances, white appliances and other major home appliances according to the policies and increase sales.

2. STIMULATED BY TERMINAL DEMAND, CONTINUE STRENGTHENING ONLINE AND OFFLINE INTEGRATION

In 2022, it is encouraged in the Report on the Work of the Government that local areas shall conduct activities in promoting green and smart home appliances to the countryside and renewal of home appliances, improve product and service quality, strengthen consumer rights protection, make efforts to meet the needs of customers and increase their willingness to consume. At the same time, in response to the impacts brought by resurgences of COVID-19 pandemic against consumer confidence, vouchers have been issued for home appliances in many places. According to the incomplete statistics from China Business Daily, about 40 regions across the PRC issued vouchers, with a cumulative amount of over RMB5 billion, of which over RMB500 million were issued for the home appliance industry. Most of the supplementary discount rates are 10%-15%.

Stimulated by the demand for retail terminals, as a home appliance retailer in third- and fourth-tier cities, the Group will make fully utilize the policy dividends, and under the expansion of consumer demand, it will increase its efforts to promote channel reform, focus on the integration of online and offline channels, fully leverage on their own advantages in online and offline channels and are committed to improving the retail performance of home appliances.

3. CONSTANTLY INCREASE MARKET SHARE IN MAOTAI-FLAVOR LIQUOR AREA, CONTINUOUSLY IMPROVE RESULTS AND PROFITABILITY

According to the data from Lanjinger (藍鯨財經), the sales income of Maotai-flavor liquor industry will amount to RMB255.6 billion by 2026, with the average annual growth rate maintaining at 6.50%. As the Central Economic Work Conference held at the end of 2022 took the recovery of consumption as the primary development strategy, the Maotai-flavor liquor industry will embrace development opportunities under the economic recovery.

During the reporting period, based on the research and judgment on the unique development advantages of Maotai-flavor liquor, the Company has stepped into the Maotai-flavor liquor area through the establishment of liquor subsidiaries and entering into liquor cooperation agreement, with an aim to open new retail business lines and add Maotai-flavor liquor products on top of home appliance retail business, so as to carry out a diversified retail business. The brand influence and market penetration of Guofeng Maotai-flavor liquor is improved, and the secondary growth curve for business growth can be explored and the profitability of the Company can be steadily enhanced.

In view of the multiple opportunities and challenges in the sustainable development of Maotai-flavor liquor industry, by making best use of the special nature of Maotai-flavor liquor, such as high-end social occasions, strong demand, stable customer base and increasingly young customers, the Company will put efforts on, among others, reshaping consumption occasion, expanding customer source, innovating package design, brand operational ability and digital marketing, to steadily enhance the competitiveness of Maotai-flavor liquor.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

Recognizing the importance of a publicly-listed company's responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") that provides a framework and solid foundation for achieving, attracting and retaining the high standard and quality of the Group's management, promoting high standards of sound internal control, accountability and transparency to all shareholders and also meeting the expectations of the Group's various stakeholders. The Group is also committed to continuously improving these practices and inculcating an ethical corporate culture.

Throughout the reporting year, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from the code provision C.2.1 of the Code. Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. As at the date of this announcement, Mr. Yuan Li acted as an executive Director and the chairman of the Board, and assumed the interim duties and responsibilities of the chief executive following the resignation of Ms. Liu Simei on 23 September 2022. However, having considered the nature and extent of the Company's operations, and Mr. Yuan Li's in-depth knowledge and experience in the industry and familiarity with the operations of the Company, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board considers that the deviation from the code provision C.2.1 of the CG Code is appropriate in such circumstances thereby facilitating the execution of the Group's business strategies and boosting effectiveness of its operation, as well as enabling more effective planning and better execution of long-term strategies.

THE BOARD

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises six members, consisting of two executive Directors, one non-executive Director, and three independent non-executive Directors:

Executive Directors:
Mr. Yuan Li, Chairman, interim CEO and member of the Remuneration Committee
Mr. Xu Xinying, Vice-chairman

Non-executive Director:
Ms. Xu Honghong

Independent Non-executive Directors:
Mr. Zhang Yihua, Chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee
Mr. Chen Rui, Chairman of the Nomination Committee, member of the Audit Committee and the Remuneration Committee
Mr. Fung Tak Choi, member of the Audit Committee and the Nomination Committee

The biographical information of the Directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 35 to 38 of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Save as disclosed in the section headed "Directors' and Senior Management's Profile" on pages 35 to 38 of this annual report, there are no financial, business, family or other material/relevant relationships among members of the Board.

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board, and of whom at least one independent non-executive Director must possess appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a written annual confirmation of independence from each of its Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

The Company has established the Board Independence Evaluation Mechanism (the "Mechanism") during the year which set out the process and procedures to ensure independent views and input are available to the Board, with the following key features: (i) the Nomination Committee is established with clear terms of reference to identify suitable candidates, including independent non-executive directors, for appointment as Directors; (ii) the Nomination Committee will assess annually the independence of all independent non-executive directors; and (iii) the Directors are entitled to seek, at the Group's expense, independent professional advice reasonably necessary for discharging their duties as Directors. Such mechanisms are conducted on an annual basis by the Board. The Board has reviewed the implementation and effectiveness of the Mechanism and considered it to be effective for the year ended 31 December 2022.

Each of the non-executive Directors (including independent non-executive Directors) brings a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all the Non-executive Directors make various contributions to the strategic direction of the Company.

Appointment, Re-election and Removal of Directors

Code provision B.2.2 of the CG Code states that all directors, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the Executive Directors entered into a service contract with the Company for a term of three years commencing on the respective date of their appointment. Each of their appointment can be terminated by either party giving not less than three months' prior notice in writing to the other. Mr. Yuan Li entered into a service contract with the Company commencing on 26 August 2020. Mr. Xu Xinying is re-designated from Non-executive Director to Executive Director and entered into a service contract with the Company commencing on 29 December 2020.

Corporate Governance Report

Each of the Non-executive Directors (including Independent Non-executive Directors) entered into an appointment letter with the Company for a term of three years commencing on 8 March 2019 for Ms. Xu Honghong, Non-executive Director; on 23 August 2022 for Mr. Zhang Yihua, Independent Non-executive Director, on 4 July 2018 for Mr. Chen Rui, Independent Non-executive Director; and on 19 February 2019 for Mr. Fung Tak Choi, Independent Non-executive Director. The appointment of each of the Non-executive Directors (including Independent Non-executive Directors) can be terminated by either party giving not less than three months' prior notice in writing to the other.

In accordance with the Company's articles of association ("the "Articles of Association"), all Directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board by the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

According to article 16.18 of the Articles of Association, Mr. Xu Xinying and Mr. Chen Rui shall retire and offer themselves for re-election at the forthcoming annual general meeting. In addition, Mr Zhang Yihua who has been appointed by the Board on 23 August 2022 shall hold office until the forthcoming annual general meeting pursuant to article 16.2 of the Articles of Association. All of the above retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

Continuous Professional Development of Directors

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

Every newly-appointed Director has received induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant.

Records of training received by each existing Director are summarized below:

Directors	Types of Training
Mr. Yuan Li	B
Mr. Xu Xinying	B
Ms. Xu Honghong	B
Mr. Zhang Yihua	B
Mr. Chen Rui	B
Mr. Fung Tak Choi	B

A *Attending in-house briefing(s)*

B *Attending seminar(s) and training(s)*

C *Reading materials relating to directors' duties and responsibilities*

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely, the audit committee, remuneration committee and nomination committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out in the section headed "Corporate Information" on page 2.

Audit Committee

The Company established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditor, and arrangements to enable employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee comprises the independent non-executive directors, namely Mr. Zhang Yihua, Mr. Chen Rui and Mr. Fung Tak Choi, including one Independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise.

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only, with a minimum of three members with independent non-executive Directors in majority and at least one member with appropriate professional qualifications or accounting or related financial management expertise.

During the year, the Audit Committee held two meetings to review the 2021 annual financial results and 2022 interim results, all members of the Audit Committee had attended the meetings.

During the year, the Board did not hold a different view from the Audit Committee on the appointment, designation or dismissal of external auditors.

During the year, the Audit Committee also met the external auditor without the presence of the executive Directors.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive directors and senior management, the remuneration policy and structure for all directors and senior management; assessing the performance of Executive Directors; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee comprises one Executive Director, Mr. Yuan Li and two Independent Non-executive Directors, Mr. Zhang Yihua and Mr. Chen Rui. Mr. Zhang Yihua has been appointed as the chairman of the Remuneration Committee.

During the year, the Remuneration Committee held one meeting, to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Executive Directors and senior management.

Corporate Governance Report

Nomination Committee

The Company established the nomination committee (the "**Nomination Committee**") with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

The Nomination Committee consists of three members, Mr. Chen Rui, Mr. Zhang Yihua and Mr. Fung Tak Choi, all of whom are Independent Non-executive Directors. Mr. Chen Rui has been appointed as the chairman of the Nomination Committee.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would review the implementation of the Board diversity policy in achieving the objectives set for the benefits of the Company.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. External recruitment professionals might be engaged to carry out selection process when necessary.

During the year, the Nomination Committee held two meetings, to review the structure, size and composition of the Board and the independence of the independent non-executive directors. The Nomination Committee considers that an appropriate balance of diversity perspectives of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. As of the date of this annual report, 1 of 5 of the Company's senior management are female. As of 31 December 2022, the Group had a total of 150 female staff out of 267 employees, representing 56 % of the employees of the Group. As at 31 December 2022, the Board comprised 6 Directors, of whom 5 were male and 1 was female. The Board members are diverse in terms of gender, education background, professional experience, skills, knowledge and service term. The Board considers that the current composition of the Board, with core competencies in areas such as accounting and finance, legal profession, management and consulting is appropriate for the businesses of the Company. The Board and the Nomination Committee will review its composition from time to time taking into consideration of the specific needs for the overall Group's businesses and the Group will continue to take opportunities to increase the proportion of female board members and workforce over time as and when suitable candidates are identified. Further details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report of the Company.

The Board and the Nomination Committee have reviewed the implementation and effectiveness of the Board Diversity Policy and considered it to be effective for the year ended 31 December 2022.

Director Nomination Procedure

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a nomination procedure which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

	Attendance/Number of Meetings				
	Board Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Annual/ Extraordinary General Meetings
Executive Directors					
Mr. Yuan Li	8/8	N/A	1/1	N/A	1/1
Mr. Xu Xinying	8/8	N/A	N/A	N/A	1/1
Ms. Liu Simei (resigned on 23 September 2022)	4/8	N/A	N/A	N/A	1/1
Non-executive Directors					
Ms. Xu Honghong	6/8	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Zhang Yihua（appointed on 23 August 2022)	4/8	0/1	0/1	0/2	0/1
Mr. Zhao Jinyong (resigned on 23 August 2022)	4/8	1/1	1/1	2/2	1/1
Mr. Chen Rui	8/8	1/1	1/1	2/2	1/1
Mr. Fung Tak Choi	8/8	1/1	N/A	2/2	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of the other Executive Directors to discuss the business of the Company during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the reporting year.

Corporate Governance Report

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company and the Group's financial statements, which are put to the Board for approval.

Risk Management and Internal Controls

The Board has overall responsibility for the risk management and internal control systems of the Group and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate risk management and internal control systems to safeguard the interests of the shareholders and the assets of the Group.

The risk management and internal control systems of the Group are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established a "Anti-fraud and Whistleblowing Management System" to conduct and action of employees in daily operations. Through the annual self-reflection, the Company reviews the implementation of the code of ethics and related regulations to ensure that the code of ethics and related regulations are implemented in actual operations and management practices, and effectively eliminated bribery, extortion, fraud, money laundering, etc., to balance and maintain the interests of the Group and stakeholders and build long-term partnerships.

The Company will take different actions against the corruption. First, the Company has engaged an independent auditor to conduct an independent audit of the Company and prevented and controlled the Group's corruption or unethical conduct through internal monitoring and independent audit. Second, the Company provided an anti-fraud mailbox and an anti-fraud anonymous hotline to the internal and external parties of the Company, accepting complaints and whistleblowing from internal employees of the Company and related suppliers/agents/fixed customers of the Company with dedicated personnel to carry out proper recording and storage of the cases. The Company shall keep any complaints or whistleblowing confidential to prevent the personal interest and benefit of complainants or whistleblowers from being compromised.

From 1 January 2022 and up to the date of this report, the Company was not involved in any corruption cases concerning its employees or the Company.

An internal audit function is set up to examine key issues in relation to the financial and operational matters and practices and to provide the findings and any recommendations for improvement to the Audit Committee. In addition, the Audit Committee of the Board of Directors of the Company regularly receives reports from the internal audit department on the current internal control work and keeps abreast of the Company's integrity work to keeps abreast of the Group's integrity work.

With a view to identifying, handling and disseminating inside information, procedures have been implemented by the Group to ensure that unauthorized access and use of information are strictly prohibited.

The Board has conducted two reviews on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Areas of improvement have been identified and appropriate measures have been put in place to manage the risks. The improvement of the systems of risk management and internal control is an ongoing process and the Board will continue to assess the effectiveness of the Group's risk management and internal controls by considering reviews performed by the Audit Committee and executive management.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements is set out in the section headed "Independent Auditor's Report" on pages 39 to 42.

For the year ended 31 December 2022, the fees paid/payable with respect of audit and non-audit services provided by the Company's external auditor are approximately RMB1.966 million. Details of the service fees are set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	
Current year	1,786
Non-audit Services	180
Total	1,966

COMPANY SECRETARY

Ms. Wong Yuen Ki, a manager of corporate services of Tricor Services Limited, an external service provider, has been engaged by the Company as the company secretary. The primary contact person of the company secretary at the Company is Mr. Yuan Li, the Chairman of the Board of the Company.

Ms. Wong confirmed that she has taken no less than 15 hours of relevant professional training during the year ended 31 December 2022.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at www.hyjd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company or via email to ybx@sscy.cn for any enquiries.

The Board welcomes the view of shareholders and encourages them to attend general meetings to raise any concern they might have with the Board or the management directly. Board members (or their delegates as appropriate) and appropriate senior staff of the Group are available at the meetings to answer any questions raised by shareholders.

During the year, the Company has made certain amendments to its Articles of Association to conform with the changes to Appendix 3 of the Listing Rules regarding the core shareholder protection standards which became effective on 1 January 2022. The amendments to the Articles of Association were approved by the shareholders of the Company at the annual general meeting of the Company held on 19 May 2022. Please refer to the announcement and circular of the Company dated 21 April 2022 in relation to, among other things, the details of the proposed amendments to the Articles of Association. An up-to-date version of the Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles of Association for further details of their rights.

Corporate Governance Report

POLICY RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' Communication Policy to ensure the shareholders' views and concerns are appropriately addressed. During the year ended 31 December 2022, the Company has reviewed the Shareholders' Communication Policy and considered that the policy was effectively implemented with the measures as disclosed under the paragraphs headed "Communications with Shareholders and Investor Relations" and "Shareholders' Rights".

The Company has adopted a Dividend Policy on payment of dividends. The Board aims to declare and recommend dividends which would amount in total to not less than 15% of the annual net profit of the Company to its shareholders according to HKFRSs, subject to a basket of conditions and factors. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner and pay any dividend at all.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

Extraordinary general meetings may be convened by the Board on the written requisition of any two or more shareholders (or one shareholder which is a recognised clearing house) holding not less than one-tenth of the paid up capital of the Company or by such shareholder(s) who made the requisition (the "**Requisitionist(s)**") (as the case may be) pursuant to article 12.3 of the Articles of Association. The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the principal office of the Company in Hong Kong. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the Requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address:	6/F, Huiyin Building, No. 539 Wenchang Zhong Road, Yangzhou City, Jiangsu Province, PRC
Fax:	86-514-80926666
Email:	ybx@sscy.cn

Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) together with their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Any shareholder who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board of the Company in writing for the Board's consideration not less than 7 days prior to the date of a general meeting. Contact details of the Board are the same as set forth above in this section.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the Articles of Association and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hyjd.com) immediately after the relevant general meetings.

GOING CONCERN

There are no material uncertainties relating to events or conditions that would cast significant doubt upon the Company's and the Group's ability to continue as a going concern.

An analysis of the financial risk on liquidity of the Group is included in note 2 to the consolidated financial statements.

Report of the Directors

The Board of Directors of the Company is pleased to present this annual report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Group include the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance and the liquor business in the People's Republic of China (the "**PRC**").

BUSINESS REVIEW

The business review of the Group during the year and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Description of possible risks and uncertainties that the Group may be facing can be found in the section headed "Management Discussion and Analysis" section of this annual report. The financial risk management objectives and its valuation processes of the Group are set out in note 41(b) to the consolidated financial statements. The review forms part of this annual report.

ENVIRONMENTAL POLICY

The Group has endeavored to protect the environment by minimizing environmental adverse impacts in daily operations, such as investing in energy-efficient lighting and equipment, enhancing paper recycling to reduce consumption and waste, and raising the environmental awareness of our people. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organization.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company was incorporated in the Cayman Islands with its shares listed on the Main Board of Stock Exchange. The Group mainly carries out retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance and the liquor business in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations in the Cayman Islands, Hong Kong and the PRC during the year.

Report of the Directors

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the key relationships between the Company and its employees, customers and suppliers are set out in the paragraphs headed "Employment and Remuneration Policy", "Human Resources" and "Major Customers and Suppliers" in this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 43 to 117 of this annual report.

The Company has not declared any interim dividend during the year. The Directors do not recommend any payment of final dividend in respect of the year.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 46 and in note 32 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and Company are set out in Notes 32 and 46 to the consolidated financial statements.

Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

As at 31 December 2022, there are no reserves available for distribution to shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2022 are set out in note 45 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report have been:

Executive Directors

Mr. Yuan Li
Mr. Xu Xinying
Ms. Liu Simei (resigned on 23 September 2022)

Non-executive Director

Ms. Xu Honghong

Independent Non-executive Directors

Mr. Zhang Yihua (appointed on 23 August 2022)
Mr. Zhao Jinyong (resigned on 23 August 2022)
Mr. Chen Rui
Mr. Fung Tak Choi

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the annual general meeting has entered into or has proposed to enter into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical information of the Directors of the Company are set out in the section headed "Directors' and Senior Management's Profile" section on pages 35 to 38 of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022 and up to the date of this annual report, no Directors are considered to have interests, either directly or indirectly, in a business which competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules.

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION

On 23 August 2022 (after trading hours), the Company and the Vendors (as defined in the joint announcement of the Company dated 23 August 2022) entered into a conditional sale and purchase agreement (the "**Acquisition Agreement**") in relation to the proposed acquisition (the "**Acquisition**") of the entire issued share capital of Shengshang Entrepreneurial Services Co., Ltd. (the "**Target Company**"). The consideration for the Acquisition is HK$1,995,000,000, and will be settled by the allotment and issue of an aggregate of 3,990,000,000 new shares of the Company to the Vendors (or its nominee in accordance with the Acquisition Agreement) for full settlement of the consideration for the Acquisition (the "**Consideration Share(s)**"), representing (i) approximately 1,819.59% of the existing issued share capital of the Company as of the date of the Acquisition Agreement; and (ii) approximately 94.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, at the issue price of HK$0.50 per Consideration Share.

The Company has been loss-making in the past five years and intends to diversify the Group's overall revenue stream and improve its financial performance for the purpose of enhancing the shareholding value and return to the Shareholders. Although the business engaged by the Target Company and its subsidiaries (collectively, the "**Target Group**") is different from the current business of the Company, the Company considered the Acquisition a good opportunity, because (i) the business scope of the Target Group aligns with the current PRC national strategy; (ii) the Target Group has an established business with a solid track record of financial performance; and (iii) the Acquisition allows the diversification of scope of business and revenue stream of the Group.

The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules as (i) Mr. Yuan Li (through his interest in one of the Vendors) and Mr. Xu Xinying (through his interest in two of the Vendors), who as members of the Core Concerted Parties collectively control more than 30% of the issued share capital of the Target Company, are also executive Directors, and (ii) one of the Vendors, is wholly owned by Mr. Yuan Yang, brother of Mr. Yuan Li and a member of the Core Concerted Parties. Accordingly, the Acquisition is subject to the independent shareholders' approval at the EGM. The details were disclosed in the joint announcement of the Company dated 23 August 2022 and the application proof of the Company dated 30 September 2022.

Save as disclosed above, during the reporting period, there were no connected transactions or continuing connected transactions to be reviewed or disclosed.

RELATED PARTY TRANSACTIONS

The significant related party transactions are set out in note 43 to the consolidated financial statements. For those related party transactions that constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, the Company has disclosed such connected transactions in accordance with the disclosure requirements in Chapter 14A of the Listing Rules. Save as disclosed in this section, other related party transactions disclosed in note 43 to the consolidated financial statements are not considered as connected transactions, or are exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests or short positions of the Directors and chief executives of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "**SFO**") which are required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which was required, under Section 352 of the SFO, to be entered in the register referred to therein, or under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 14 in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares or underlying shares	Approximate percentage of interest in the corporation
Yuan Li (Note)	The Company	Interest of controlled corporation	65,001,624 shares (L)	29.64%

(L) denotes long position

Note:

The 65,001,624 shares were held by Noble Trade International* (聖行國際) (formerly known as聖商國際集團有限公司) as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 100% wholly-owned by Chongqing Saint Information Technology Co., Ltd.*(重慶聖商信息科技有限公司) in which Mr. Yuan Li, an executive Director, owned 40.44%.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND SECURITIES OF THE COMPANY

As at 31 December 2022, the interests or short positions of those persons (other than Directors or chief executives whose interests are disclosed above) in the ordinary shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Mogen Ltd. (Note 1)	The Company	Interest of controlled corporation	65,001,624 shares (L)	29.64%
Noble Trade International Holdings Limited* (聖行國際集團有限公司) (Note 1)	The Company	Beneficial owner	65,001,624 shares (L)	29.64%
Chongqing Saint Information Technology Co., Ltd. (重慶聖商信息科技有限公司) (Note 1)	The Company	Interest of controlled corporation	65,001,624 shares (L)	29.64%
Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) (Note 2)	The Company	Beneficial owner	23,755,306 shares (L)	10.83%
Shan Weiwei (Note 2)	The Company	Interest of controlled corporation	23,755,306 shares (L)	10.83%
Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) (Note 3)	The Company	Beneficial owner	23,400,210 shares (L)	10.67%
Sun Yan (Note 3)	The Company	Interest of controlled corporation	23,400,210 shares (L)	10.67%
Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) (Note 4)	The Company	Beneficial owner	17,679,604 shares (L)	8.06%
Chen Bo (Note 4)	The Company	Interest of controlled corporation	17,679,604 shares (L)	8.06%
Baoshi (Tianjin) E-commerce Company Limited (寶世(天津)電子商務有限公司) (Note 5)	The Company	Interest of controlled corporation	13,097,000 shares (L)	5.97%

Name	Name of corporation	Capacity and Nature of interest	Aggregate number of ordinary shares	Approximate percentage of interest in the corporation
Tianjin Bohai Commodity Exchange Corporation (天津渤海商品交易所股份有限公司) (Note 5)	The Company	Interest of controlled corporation	13,097,000 shares (L)	5.97%
BOCE(Hong Kong) Co., Limited (Note 5)	The Company	Beneficial owner	13,097,000 shares (L)	5.97%
China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司 (Note 6)	The Company	Beneficial owner	11,955,181 shares (L)	5.45%
Cao Kuanping (曹寬平) (Note 6)	The Company	Interest of controlled corporation	11,955,181 shares (L)	5.45%
Mao Shanzhen (茅善珍) (Note 6)	The Company	Spouse interest	11,955,181 shares (L)	5.45%

(L) Denotes long position

Notes:

(1) The 65,001,624 shares were held by Noble Trade International Holdings Limited* (聖行國際集團有限公司) (formerly known as聖商國際集團有限公司) ("Noble Trade International") as beneficial owner. Noble Trade International was 100% wholly-owned by Mogen Ltd. ("Mogen"). Mogen was 100% wholly owned by Chongqing Saint Information Technology Co., Ltd. (重慶聖商信息科技有限公司) which was owned by Mr. Yuan Li, an executive Director as to 40.44%.

(2) The 23,755,306 shares were held by Oupu Shanwei (International) Holdings Limited (歐普善偉(國際)控股有限公司) ("Oupu Shanwei") as beneficial owner. Oupu Shanwei was 100% wholly-owned by Mr. Shan Weiwei.

(3) The 23,400,210 shares were held by Hong Kong Ruihong Yixing International Co., Limited (香港瑞宏藝興國際有限公司) ("Ruihong Yixing") as beneficial owner. Ruihong Yixing was 100% wholly-owned by Ms. Sun Yan.

(4) The 17,679,604 shares were held by Hong Kong Teng Chun Tak Sing International Co., Limited (香港騰創德馨國際有限公司) ("Teng Chun Tak Sing") as beneficial owner. Teng Chun Tak Sing was 100% wholly-owned by Mr. Chen Bo.

(5) The 13,097,000 shares were held by BOCE (Hong Kong) Co., Limited ("BOCE") as beneficial owner. BOCE was wholly owned by Baoshi (Tianjin) E-commerce Company Limited which was owned by Tianjin Bohai Commodity Exchange Corporation as to 99%.

(6) The 11,955,181 shares were held by China Ruike Investment & Development Co., Ltd. (中華瑞科投資發展有限公司) ("Ruike") as beneficial owner. Mr. Cao Kuanping holds 100% interests of Ruike. Ms. Mao Shanzhen is the spouse of Mr. Cao Kuanping.

Report of the Directors

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

SHARE OPTION SCHEME

On 5 March 2010, the Company adopted a share option scheme (the "**Share Option Scheme**"), which has expired on 5 March 2020.

The 5,000,000 share options (adjusted pursuant to the share consolidation with effect from 7 January 2020 ("**Share Consolidation**")) granted at subscription price of HK$33.8 payable upon exercise of the same on 14 May 2015, among which 1,075,000 share options were outstanding as at 1 January 2020, had all lapsed on 13 May 2020.

The 7,284,000 share options (adjusted pursuant to the Share Consolidation) granted at subscription price of HK$19.0 payable upon exercise of the same on 22 December 2015, among which 569,000 share options were outstanding as at 1 January 2020, had all lapsed during the year of 2020.

During the year ended 31 December 2022, there was no outstanding share options under the Share Option Scheme and no share options were granted, exercised, canceled or lapsed under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the paragraph headed "Share Capital and Share Option Scheme" in this annual report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the reporting period, save as the transaction in the paragraph headed "VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION", there was no transaction, agreement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, subsisted, and in which a Director or his connected entity had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group was entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate insurance cover in respect of legal action against its directors of the Company.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 December 2022 are set out in note 34 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales to the five largest customers of the Group accounted for approximately 4.03% of the Group's total revenue and sales to the largest customer accounted for approximately 1.55% of the Group's total revenue for year 2022. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 46.82% of the Group's total purchases and purchases from the largest supplier accounted for approximately 16.54% of the Group's total purchases for year 2022.

None of the Directors, their close associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or the Group's five largest customers.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 13 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued share of the Company under the Listing Rules.

CHANGES IN DIRECTOR'S INFORMATION

Ms. Liu Simei, an Executive Director, and Mr. Zhao Jinyong, an independent non-executive director, resigned as Executive Director and independent non-executive director respectively on 23 September 2022 and 23 August 2022.

Report of the Directors

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three members, all of whom are Independent Non-executive Directors, Mr. Zhang Yihua, who possesses professional accounting qualifications, Mr. Chen Rui and Mr. Fung Tak Choi. Mr Zhang Yihua is the Chairman of the Audit Committee. As of the date of this annual report, the composition of the Audit Committee was complied with the relevant requirements of the Listing Rules. The Audit Committee has adopted the terms of reference in line with the CG Code issued by the Stock Exchange. The principal duties of the Audit Committee are to assist the Board in reviewing the internal audit function, financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Group for the year ended 31 December 2022 and the auditor's report thereon.

AUDITOR

PricewaterhouseCoopers ("**PwC**"), the former auditor, retired upon expiration of its term of office at the annual general meeting of the Company held on 22 March 2019. Crowe (HK) CPA Limited ("**Crowe**") was appointed as the new auditor of the Company to fill the vacancy arising from the retirement of PwC at the conclusion of the said annual general meeting of the Company.

Crowe has since also retired upon expiration of its term of office at the annual general meeting of the Company held on 29 June 2020. Elite Partners CPA Limited ("**Elite Partners**") was appointed as the new auditor of the Company to fill the vacancy arising from the retirement of Crowe at the conclusion of the said annual general meeting of the Company.

The financial statements for the year ended 31 December 2022 were audited by Elite Partners. A resolution for the re-appointment of Elite Partners as auditors of the Company is to be proposed at the forthcoming annual general meeting.

MATTERS AFTER THE REPORTING PERIOD

Up to the date of this annual report, apart from the daily business activities of the Company, there has been no significant event after the reporting period.

On behalf of the Board
Yuan Li
Chairman

Hong Kong, 15 March 2023

Directors' and Senior Management's Profile

(1) MEMBERS OF THE BOARD OF THE COMPANY DURING THE YEAR AND UP TO THE DATE OF THIS ANNUAL REPORT ARE SET OUT BELOW:

Name	Position	Age	Term of office
Mr. Yuan Li	Chairman of the Board, Executive Director	41	26 August 2017-Now: Executive Director; 29 December 2017-Now: Chairman of the Board
Ms. Liu Simei	Chief Executive Officer, Executive Director, Chief Financial Officer	52	29 December 2017-27 April 2018, and 3 May 2018-23 September 2022; 15 November 2018-8 March 2020: Chief Financial Officer
Mr. Xu Xinying	Executive Director, Vice-chairman	42	26 August 2017-29 December 2017: Non-executive Director; 29 December 2017-Now: Executive Director; 27 November 2019-Now: Vice-chairman
Ms. Xu Honghong	Non-Executive Director	37	8 March 2019-Now
Mr. Zhang Yihua	Non-Executive Director	41	23 August 2022-Now
Mr. Zhao Jinyong	Independent Non-Executive Director	51	29 December 2017-23 August 2022
Mr. Chen Rui	Independent Non-Executive Director	48	4 July 2018-Now
Mr. Fung Tak Choi	Independent Non-Executive Director	64	19 February 2019-Now

(2) DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

(a) Executive Directors

Mr. Yuan Li (袁力先生), aged 41, was appointed to the Board on 26 August 2017 as an Executive Director of the Company, and was appointed as the Chairman of the Board of the Company and the member of the Remuneration Committee on 29 December 2017, and was appointed as interim Chief Executive Officer of the Company. Mr. Yuan received his bachelor's degree from Jilin University (吉林大學) and EMBA of Cheung Kong Graduate School of Business (長江商學院). He has over six years of experience in the entrepreneurship training industry. Mr. Yuan has been the chairman of the board of directors of Beijing Shengshang Venture Technology Co., Ltd.* (北京聖商創業科技有限公司) since September 2016. Mr. Yuan is currently a director of Noble Trade International Holdings Limited* (聖行國際集團有限公司), a substantial shareholder of the Company interested in 65,001,624 shares, representing 29.64% of the total issued share capital of the Company as at 31 December 2022. Mr. Yuan currently serves as a member of the Chinese People's Political Consultative Conference (中國人民政治協商會議), Chaoyang District, Beijing.

Mr. Xu Xinying (徐新穎先生), aged 42, was appointed as the Non-executive Director of the Company on 26 August 2017, and was re-designated as an Executive Director of the Company on 29 December 2017. Mr. Xu was appointed as Vice-chairman of the Company on 27 November 2019. Mr. Xu has over eight years of experience in business management, corporate governance and corporate training. He has been a director of Chongqing Saint Information Technology Co., Ltd.* (重慶聖商信息科技有限公司) and Beijing Shengshang Venture Technology Co., Ltd.* (北京聖商創業科技有限公司) since August 2014 and September 2017, respectively. From November 2016 to June 2022, Mr. Xu was the manager of Beijing Qi Dian New Technology Group Co., Ltd.* (北京奇點新科技集團有限公司). He received his bachelor's degree from Jilin University (吉林大學).

Directors' and Senior Management's Profile

(b) Non-executive Directors

Ms. Xu Honghong (徐紅紅女士), aged 37, was appointed as the Non-executive Director of the Company since 8 March 2019. From April 2016 to April 2018, Ms. Xu was under the employment of the Tianjin High People's Court, the highest judicial organ in Tianjin. During that period, she once served as an assistant judge, where she mainly adjudicated commercial disputes. Since May 2018, Ms. Xu has served as the director of legal affairs of Tianjin Bohai Commodity Exchange Corporation* (天津渤海商品交易所股份有限公司), a company primarily engaged in provision of intermediary services for commodity transactions, where she is primarily responsible for managing legal affairs of the company.

Ms. Xu obtained a bachelor's degree in laws from Shandong University of Finance and Economics (山東財經大學) (formerly known as Shandong University of Finance (山東財政學院))in July 2007 and a master degree in economic laws from Shandong University (山東大學) in July 2010. Ms. Xu obtained the legal professional qualification certificate issued by the Ministry of Justice of the PRC in February 2009.

(c) Independent Non-executive Directors

Mr. Zhang Yihua (張軼華先生), aged 41, was appointed as an independent non-executive Director, the chairman of each of the audit committee and remuneration committee of the Company and a member of the nomination committee of the Company on 23 August 2022. Mr. Zhang has over 16 years of experience in finance and accounting. From August 2005 to August 2014, Mr. Zhang was employed by Ernst & Young, a firm principally engaged in the provision of financial auditing and consulting services, where his last position was senior manager in the assurance department and where he was primarily responsible for providing accounting services. From September 2014 to August 2017, Mr. Zhang was employed by China Greenland Broad Greenstate Group Company Limited (中國綠地博大綠澤集團有限公司) (formerly known as Broad Greenstate International Company Limited (博大綠澤國際有限公司)), a company principally engaged in the provision of landscape design services and listed on the Stock Exchange (Stock Code: 1253). In August 2015, he became the vice president and the chief financial officer of China Greenland Broad Greenstate Group Company Limited (中國綠地博大綠澤集團有限公司), where he was primarily responsible for the daily financial operation and compliance matter of the company. Since February 2018, Mr. Zhang has served as an independent non-executive director of Dook Media Group Limited* (讀客文化股份有限公司), a publishing agent listed on the Shenzhen Stock Exchange (Stock Code: 301025), where he is primarily responsible for providing independent opinions to the board of the company. Since December 2021, Mr. Zhang has served as the vice president and chief financial officer of Lihe Flavor (Qingdao) Food Co., Ltd.* (利和味道（青島）食品產業股份有限公司), a company principally engaged in the production and sales of foods and food additives, where he is primarily responsible for the daily financial operation and compliance matter of the company.

Mr. Zhang obtained a bachelor's degree in professional accounting from Shanghai University (上海大學) in July 2005 and a master's degree in business administration from Shanghai Jiaotong University (上海交通大學) in June 2018. Mr. Zhang is a member of The Chinese Institute of Certified Public Accountants, a certified internal auditor and a holder of the independent director qualification certificate of a listed company on the Shenzhen Stock Exchange.

Mr. Chen Rui (陳睿先生), aged 48, was appointed as the Independent Non-Executive Director of the Company, member of Audit Committee and Remuneration Committee and a chairman of Nomination Committee on 4 July 2018. Since October 2013, Mr. Chen has served as the chairman of Zhenglue Junce Group Co., Ltd.* (正略鈞策集團股份有限公司) (formerly known as Beijing Zhenglue Junce Consulting Co., Ltd.* (北京正略鈞策諮詢股份有限公司)), a company principally engaged in management consulting and has approximately 8 years of experience in management and investment consulting. Mr. Chen obtained a master's degree in business administration from the University of Leeds in the United Kingdom in December 2003.

Mr. Fung Tak Choi (馮德才先生), aged 64, was appointed as the Independent Non-executive Director, member of Audit Committee and Nomination Committee on 19 February, 2019. Mr. Fung has over 23 years of experience in risk management. From July 1998 to November 1999, Mr. Fung served as the general manager of Brink's Cash Solutions (Hong Kong) Limited (布林克金融物流(香港)有限公司) (formerly known as Securicor Hong Kong Limited (怡和保安香港有限公司)), a company principally engaged in commercial security in Hong Kong, where he was responsible for managing the budget and operation of the company. From July 2000 to June 2003, Mr. Fung worked as the head of security in Hutchison Telecommunications (Hong Kong) Limited (和記電訊(香港)有限公司), a telecom company where he was responsible for managing the security of the company. From October 2004 to May 2011, Mr. Fung worked as a manager in the money laundering and fraud investigation department of Hang Seng Bank, where he was responsible for ensuring that the company complied with the relevant laws and regulations. Since September 2013, Mr. Fung has served as a solicitor in Kwok, Ng & Chan Solicitors & Notaries.

Mr. Fung obtained a bachelor's degree in social science from the Chinese University of Hong Kong in December 1983 and a master's degree in business administration from Oklahoma City University in Oklahoma City, the United States of America, in May 1992. He obtained a bachelor's degree in laws from the Manchester Metropolitan University, the United Kingdom, in July 2009, the postgraduate certificate in laws from the City University of Hong Kong in July 2011 and a master's degree in laws (equity and trust laws) through long distance learning from the University of London in August 2012. He was qualified as an information systems auditor in November 2001and was admitted as a solicitor to the High Court of Hong Kong in August 2013.

Directors' and Senior Management's Profile

(d) Senior Management

Mr. Gao Qiang (高强先生), 53 years old, is the Deputy Director of Audit of the Group. He joined the Group in 2009 and served as settlement manager, financial manager and deputy director of finance successively. He has been involved in the financial management and audit work of the Group for a long time and is able to audit the operation of the Company at all levels and provides consulting services for important economic activities and investment decisions. He also checks and evaluates the implementation effect of various decisions.

Mr. Jin Zhenlin (靳真林先生), aged 56, now is the Chairman of Anhui Sihai, a holding subsidiary of the Group. He has more than 30 years of working experience in the home appliances industry. He has fine management, global thinking ability and strong team charisma. He can effectively lead the team to achieve the set goals.

Mr. Li Yongqiang (李永強先生), aged 46, is CFO of Anhui Sihai now. He served as the Director of Financial Management Center and Marketing Director in Jiangsu Hengzetang Health Food Chain Co., Ltd* (江蘇恒澤堂保健食品連鎖股份有限公司) and China Senyu Holding Group Co., Ltd* (中國森宇控股集團有限公司). He joined the Group in 2013. He has rich experience in financial control of group companies. He is also proficient in the establishment and improvement of financial management system and process, and good at data analysis. He has rigor and meticulous thinking, with strong strategic decision-making, capital operation and risk assessment ability, with excellent management ability, organization and coordination ability and team spirit.

Ms. Ma Lirong (馬麗蓉女士), aged 51, is currently the Business Director of the Group. She joined the Group in October 2002 and served successively as store manager of the Group stores and head of the home appliances business division. She has more than 17 years of experience in the home appliances industry. With strong business ability and team cohesion, she has achieved the first in the home appliances sales of the Group stores' historical performance.

Mr. Fu Youli (付友利先生), aged 50, is the Deputy General Manager and Marketing and Sales Director of Anhui Sihai from 2010 up to now. In September 1999, he joined Anhui Sihai, and in 2002, he served as the head of the business of Anhui Sihai stores, and was responsible for all purchasing business of Anhui Sihai in 2003. He was responsible for the purchase and marketing business of Anhui Sihai in 2007. He has more than 20 years experience in the home appliances industry. He has strong charisma and execution, and can effectively lead the team to achieve the set goals.

Mr. Chen Guangzao (陳廣早先生), aged 50, is currently the Operations Director of Anhui Sihai. He used to be an expert member of Huainan Consumer Protection Committee, director of Huainan Home Appliance Industry Association and vice president of Huainan Bird Love Association. He has more than 20 years of working experience in home appliances industry. He has strong charisma and execution, and can effectively lead the team to achieve the set goals.

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF QIDIAN INTERNATIONAL CO., LTD.
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Qidian International Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 117, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The 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 the matter.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and right-of-use assets	
At 31 December 2022, the carrying amounts of the Group's property, plant and equipment and right-of-use assets were RMB87,472,000 and RMB15,693,000 respectively. These non-current assets were relate to the cash generating units ("CGUs") of the retail of household appliance, mobile phones and computers in the People's Republic of China. For the Impairment assessment, the Group appointed an independent external valuer to assess the recoverable amounts of property, plant and equipment and right-of-use assets. We identified the impairment assessment of property, plant and equipment and right-of-use assets as a key audit matter due to the significance of the balance to the consolidated financial statements combined with the significant judgements and estimations involved in the determination of the recoverable amounts.	Our audit procedures in relation to the management's impairment assessment of property, plant and equipment and right-of-use assets included the following: • Discussing and evaluating management's identification of indicators of potential impairment; • Obtaining and reviewing the valuation reports prepared by the external valuer engaged by the Group; • Assessing an independent external valuer's qualifications, experience and expertise and considered its objectivity and independence; • Assessing the valuation methodologies applied, appropriateness of key assumptions, inputs and estimates used in the valuation such as market comparables, and compared them to market information and our industry knowledge; and • Checking the arithmetical accuracy of the fair value less to costs to disposal calculations.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRSs issued by the HKICPA 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— 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.

— 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.

Independent Auditor's Report

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

(Continued)

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Siu Jimmy with Practising Certificate Number P05898.

Elite Partners CPA Limited
Certified Public Accountants
10/F., 8 Observatory Road
Tsim Sha Tsui, Kowloon
Hong Kong
15 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
		Year ended 31 December	
Revenue	6	**262,348**	301,173
Cost of sales and services		**(224,123)**	(264,714)
Gross profit		**38,225**	36,459
Other income	8	**6,432**	5,695
Other net (loss)/gain	9	**(17,673)**	1,996
Impairment losses on trade receivables		**(497)**	(1,131)
Impairment loss on property, plant and equipment and right-of-use assets		**(55,728)**	—
Selling and marketing expenses		**(36,789)**	(49,329)
Administrative expenses		**(46,869)**	(32,403)
Operating loss		**(112,899)**	(38,713)
Finance income	10	**274**	156
Finance costs	10	**(24,889)**	(23,597)
Net finance costs		**(24,615)**	(23,441)
Loss before tax		**(137,514)**	(62,154)
Income tax expenses	11	**(311)**	(25)
Loss for the year	12	**(137,825)**	(62,179)
Attributable to:			
– Owners of the Company		**(136,767)**	(60,036)
– Non-controlling interests		**(1,058)**	(2,143)
		(137,825)	(62,179)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
– Basic	17	**(0.624)**	(0.294)
– Diluted		**(0.624)**	(0.294)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**87,472**	128,893
Right-of-use assets	19	**15,693**	65,707
Investment properties	20	**33,035**	33,064
Intangible assets	21	**718**	1,037
Equity investment designated at fair value through other comprehensive income	22	**600**	600
Total non-current assets		**137,518**	229,301
Current assets			
Inventories	25	**41,647**	51,466
Trade receivables, net	23	**3,956**	6,772
Prepayments, deposits and other receivables	24	**38,899**	47,716
Restricted bank deposits	26	**8,058**	10,600
Cash and cash equivalents	27	**8,359**	14,619
Total current assets		**100,919**	131,173
Total assets		**238,437**	360,474
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	31	**29,174**	29,174
Reserves	32	**(517,676)**	(380,909)
		(488,502)	(351,735)
Non-controlling interests		**17,786**	18,844
Total equity		**(470,716)**	(332,891)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	34	**433,345**	270,626
Lease liabilities	35	**8,433**	28,113
Provision for reinstatement costs	37	**311**	486
Total non-current liabilities		**442,089**	299,225
Current liabilities			
Trade and bills payables	28	**123,821**	127,717
Accruals and other payables	29	**38,488**	40,365
Contract liabilities	30	**19,115**	19,277
Lease liabilities	35	**10,577**	16,781
Borrowings	34	**8,886**	135,053
Other current liabilities	36	**53,560**	53,560
Provision for litigations	37	**12,280**	1,225
Provision for reinstatement costs	37	**337**	162
Total current liabilities		**267,064**	394,140
Total liabilities		**709,153**	693,365
Total equity and liabilities		**238,437**	360,474
Net current liabilities		**(166,145)**	(262,967)

The consolidated financial statements on page 43 to 117 were approved and authorised for issue by the board of directors on 15 March 2023 and are signed on its behalf by:

YUAN LI
Director

XU XINYING
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company							
	Share capital RMB'000 (Note 31)	Share premium RMB'000 (Note 32)	Statutory reserves RMB'000 (Note 32)	Other reserves RMB'000 (Note 32)	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	24,512	1,855,155	28,007	55,395	(2,289,523)	(326,454)	20,987	(305,467)
Loss and total comprehensive expense for the year	—	—	—	—	(60,036)	(60,036)	(2,143)	(62,179)
Total comprehensive expense for the year	—	—	—	—	(60,036)	(60,036)	(2,143)	(62,179)
Issue of shares	4,662	30,093	—	—	—	34,755	—	34,755
At 31 December 2021 and 1 January 2022	29,174	1,885,248	28,007	55,395	(2,349,559)	(351,735)	18,844	(332,891)
Loss and total comprehensive expense for the year	**—**	**—**	**—**	**—**	**(136,767)**	**(136,767)**	**(1,058)**	**(137,825)**
Total comprehensive expense for the year	**—**	**—**	**—**	**—**	**(136,767)**	**(136,767)**	**(1,058)**	**(137,825)**
At 31 December 2022	**29,174**	**1,885,248**	**28,007**	**55,395**	**(2,486,326)**	**(488,502)**	**17,786**	**(470,716)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(137,514)**	(62,154)
Adjustments for:		
– Net foreign exchange changes	**2,314**	(972)
– Amortisation of right-of-use assets	**16,203**	24,435
– Depreciation of property, plant and equipment	**7,661**	5,417
– Depreciation of investment properties	**942**	923
– Amortisation of intangible assets	**319**	154
– Losses on disposal of property, plant and equipment and right-of-use assets	**89**	135
– Finance income	**(274)**	(156)
– Interest expenses	**22,575**	24,569
– Write down of inventories	**3,558**	961
– Impairment losses on trade receivables	**497**	1,131
– Impairment losses on prepayments, other receivables and deposit	**926**	4,753
– Impairment loss on property, plant and equipment and right-of-use assets	**55,728**	—
– Loss on deregistration of subsidiaries	**201**	—
– Gain on early termination of lease agreement	**(862)**	—
– Provision/(reversal) of litigations	**12,320**	(5,358)
Operating cash flows before movements in working capital	**(15,317)**	(6,162)
– Decrease in inventories	**6,261**	3,636
– Decrease in trade and bills receivables	**2,319**	2,795
– Decrease in prepayments, deposits and other receivables	**7,690**	1,943
– Decrease in restricted bank deposits	**2,542**	3,838
– (Decrease)/increase in trade and bills payables	**(3,896)**	519
– (Decrease)/increase in accruals and other payables	**(2,933)**	10,034
– Decrease in contract liabilities	**(162)**	(6,853)
Cash (used in)/ generated from operations	**(3,496)**	9,750
Interest paid	**(28,087)**	(3,517)
Income taxes paid	**(311)**	(25)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(31,894)**	6,208

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(43)**	(811)
Interest received	**274**	156
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**231**	(655)
FINANCING ACTIVITIES		
Advance from third parties and related parties and other borrowings	**139,222**	56,415
Proceed from loan from a shareholder	**—**	8,356
Proceed from bank borrowings	**—**	2,000
Proceed from issuance of ordinary shares	**—**	775
Repayment of bank borrowings	**(2,000)**	(4,000)
Repayment of other borrowings	**(95,509)**	(64,594)
Repayment of lease liabilities	**(16,310)**	(26,343)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**25,403**	(27,391)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,260)**	(21,838)
CASH AND CASH EQUIVALENTS AT BEGINING OF YEAR	**14,619**	36,457
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,359**	14,619

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL INFORMATION

Qidian International Co., Ltd (the "Company") was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 25 March 2010. The address of its registered office is the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding. The principal activities of the Company and its subsidiaries (the "Group") include the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance and the liquor business in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION

For the year ended 31 December 2022, the Group incurred loss for the year of RMB137,825,000 (2021: RMB62,179,000) and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB166,145,000 (2021: RMB262,967,000) and the Group's total liabilities exceeded its total assets by approximately RMB470,716,000 (2021: RMB332,891,000).

In preparing these consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the ongoing availability of finance to the Group, including the financial support from the parent company of a substantial shareholder of the Company. Notwithstanding the above, the Directors considered that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

The Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the foreseeable future after taking into consideration of the following:

(a) On 17 January 2023, the Company entered into the equity transfer agreement in relation to disposal of 100% equity interest in 揚州來泰商貿集團有限公司 and its subsidiaries (the "Disposal"). Upon the completion of the Disposal, the net current liabilities of the Group will be reduced by approximately RMB180,620,000.

(b) On 19 January 2023, the Group entered into disposal agreement in relation to disposal of properties in PRC at consideration of RMB82,580,000 inclusive of tax payables in cash.

(c) On 27 February 2023 and 14 March 2023, the Group was granted loans with an aggregate principal amount of RMB7,600,000 carrying an interest rate of 4.5% per annum from Noble Trade International Holdings Limited ("Noble Trade"), the substantial shareholder, available for the Group's working capital and its financial obligations. Such credit facilities will be matured after thirty-six months from 27 February 2023 and 14 March 2023 respectively.

(d) On 14 March 2023, the Group was granted a loan with principal amount of RMB 2,100,000 carrying an interest rate of 4.5% per annum from Chongqing Saint Information Technology Co. Ltd.* (重慶聖商信息科技有限公司) ("Chongqing Saint"), the parent company of a substantial shareholder, available for the Group's working capital and its financial obligations. Such credit facility will be matured after thirty-six months from 14 March 2023.

2. BASIS OF PREPARATION AND PRESENTATION *(Continued)*

(e) On 30 December 2022, Chongqing Saint has given an irrevocable undertaking that it would provide financial support (including financial support provided) to the Group to meet its financial obligations for a maximum amount of RMB400,000,000 for a period of 18 months from the date of approval of these consolidated financial statements.

(f) The Group will continue to carry out cost control measurement in forthcoming years, including but not limited to reduce discretionary expenses and administrative costs

Based on the Group's cash flow projections, which cover a period of twelve months from the date of the approval of these consolidated financial statements and taken into account the available financial resources, the Directors of the Company are of the opinion that, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the Directors consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

2. BASIS OF PREPARATION AND PRESENTATION *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS	Annual Improvements to HKFRSs 2018 - 2020
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework

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

New and amendments to HKFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKFRS16	Lease liabilities in a sales and leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 8	Accounting Estimates	1 January 2023
Amendments to HKAS 12	Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a single Transaction	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

(a) Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investees if facts and circumstances indicate that there are change to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of return

For a sale of products with a right of return for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned/exchanged);

(b) a refund liability/contract liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

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

(a) Sales of goods - Bulk distribution

Revenue from the sales of goods (household appliances and merchandise) by bulk distribution directly to the customers (other retailers and distributors) is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the goods by the customers. The customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The Group collects cash or bank acceptance notes from the customers before or upon deliveries of goods through banks. Cash or bank acceptance notes collected from the customers before goods delivery is recognised as contract liabilities. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with the market practice.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Sale with a right of return *(Continued)*

(b) Sales of goods - Retail

The Group operates a chain of retail stores for selling household appliances and import and general merchandises. Revenue from the sales of goods (household appliances and merchandise) directly to the customers is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the goods by the customers. The customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Revenue from retail sales are usually settled in cash or by credit or payment card. Cash or credit/payment settlement collected from the customers before goods delivery is recognised as contract liabilities.

(c) Sales of goods – Online sales

Revenue from the sales of goods (household appliances and merchandise) directly to the customers is recognised at the point that the control of the inventory have passed to the customers, which is primarily upon the acceptance of the goods by the customers. The customers have full discretion over the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Revenue from online sales are usually settled in cash or by credit or payment card. Cash or credit/payment settlement collected from the customers before goods delivery is recognised as contract liabilities.

(d) Provision of services

The Group renders maintenance and installation services to end customers. Revenue from such services is recognised when services have been provided and the collectability of the related service receivables is reasonably assured.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19- related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Employee benefits

(a) Short term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations (defined contribution plan)

A defined contribution plan is a pension plan under which the Group pays contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due.

The employee of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's employer's contributions vest fully with the employees when contributed in the central pension scheme. The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 December 2021, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

(c) Share-based payments

The Group operates equity-settled Share Option Schemes, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When the share option are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in other receivables will continue to be held in other reserve.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

If a property becomes an investment property because its use has changed as evidenced by end of owneroccupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

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

	Estimated useful lives	Residual value
Buildings	40 years or unexpired term of the leases, which is shorter	5%
Motor vehicles	5 years	5%
Electronics and office equipment	5 years	5%
Leasehold improvements	5 to 8 years or the remaining term of any non-renewable lease, whichever is shorter	—

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

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 40 years or unexpired term of the leases, if shorter, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

(a) Computer software

Acquired computer software licences have finite useful lives and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years on a straight line basis.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the of cash-generating unit to which the asset belongs.

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories – merchandise held for resale

Inventories comprise merchandise purchased for resale, and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost of merchandise, representing its purchase cost, is determined by using the first-in-first-out basis for household appliance merchandise.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liability

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or for the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset, the Group may irrevocably elect to present subsequent change in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other reserves; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses. Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, other receivables, deposits, prepayments, amount due from a director, restricted bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of the reporting period as well as the forecast of future conditions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iv) Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group 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 recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bills receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including other borrowings, bonds payables, trade and bills payables, other payables, other current liabilities and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient. When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result m a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accruals of rebates from suppliers and provision for supplier rebate receivables

Accruals of rebates from suppliers

The Group enters into agreements with various suppliers whereby the Group is entitled to inventory purchase rebates primarily upon achievement of specified volume purchasing levels. The Group assesses the entitled supplier rebates as earned, and adjusts them by taking into consideration of the estimated recoverability based on the historical rebates settlement record and the future purchase plan of the Group from these suppliers. The accruals of supplier rebates receivable will be made after such adjustments, and initially recorded as a deduction in inventories and subsequently reflected them as a reduction in cost of sales when the related merchandise is sold.

Provision for supplier rebate receivables

Slowdown in the markets in which the Group operates, or a significant change in the credit quality of suppliers may result in the rebates actually received varying from that accrued in the consolidated financial statements.

Impairment of supplier rebate receivables is made, if necessary, taking into consideration of changes in the economic conditions, the credit quality and financial position of the suppliers.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group will reassess the estimations by each reporting date.

Estimated impairment of non-financial assets other than goodwill

The Group follows HKAS 36 to determine whether non-financial assets have suffered any impairment. The recoverable amount of an asset is determined based on the higher of the asset's fair value less cost of disposal and value in use. The value in use calculations require the use of estimates. In case the recoverable amount is determined with reference to the fair value less costs of disposal, when the fair value less cost of disposal are less than expected or there are unfavourable events and changes in facts and circumstances which result in revision of fair value less costs of disposal, a material impairment may arise.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Provision of expected credit loss ("ECL") for trade receivables and financial assets at amortised cost included in prepayments, deposits and other receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At the end of reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, financial assets at amortised cost included in prepayments, deposits and other receivables with significant balances and credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL are disclosed in note 41(b)(ii).

6. REVENUE

(a) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Types of goods and services		
Sales of goods		
– Traditional business		
– Household appliance	**257,854**	297,021
– New retail business	**—**	—
	257,854	297,021
Provision of services		
– Maintenance and installation services	**4,494**	4,152
Total revenue	**262,348**	301,173
Timing of revenue recognition		
A point in time	**262,348**	301,173

(b) Performance obligations for contracts with customers

Sales of goods

The performance obligation is satisfied upon delivery of goods and payment is made in cash, by credit cards, by means of electronic payments or settled indirectly through retail malls, except for corporate clients, where payment is due within 30 to 90 days from delivery.

Provision of services

The performance obligation is satisfied when the maintenance and installation of household appliance is completed and payment is due immediately and made in cash, by credit cards and by means of electronic payments.

6. REVENUE *(Continued)*

(c) Information about major customers

None of customers over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021.

7. OPERATING SEGMENTS

The chief operating decision-maker ("CODM"), being the Executive Directors of the Company, reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments from a business line perspective based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Traditional business, including the results from sales of household appliance, mobile phones and computers.
- New retail business, including the results from sales of imported and general merchandise.
- All other segments including the results from rendering maintenance and installation services.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended 31 December 2022

Segment results	Traditional business RMB'000	New retail business RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	257,854	—	4,494	—	262,348
Operating loss	(62,559)	—	(66)	(50,274)	(112,899)
Net finance costs					(24,615)
Loss before tax					(137,514)
Income tax expense					(311)
Loss for the year					(137,825)
Other segment items are as follows:					
Depreciation charge	7,654	—	7	—	7,661
Amortisation charge	16,203	—	—	—	16,203
Write down of inventories	3,558	—	—	—	3,558
Impairment losses on trade receivables	497	—	—	—	497
Impairment losses on prepayments, other receivables and deposits	926	—	—	—	926
Impairment losses property, plant and equipment and right of use assets	55,728	—	—	—	55,728
Loss on disposal of property, plant and equipment and right-of-use assets	89	—	—	—	89
Gain on early termination of lease agreement	(862)	—	—	—	(862)

7. OPERATING SEGMENTS *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2021

Segment results	Traditional business RMB'000	New retail business RMB'000	All other segments RMB'000	Unallocated RMB'000	Group RMB'000
Segment revenue	297,021	—	4,152	—	301,173
Operating loss	(27,723)	—	(424)	(10,566)	(38,713)
Net finance costs					(23,441)
Loss before tax					(62,154)
Income tax expense					(25)
Loss for the year					(62,179)
Other segment items are as follows:					
Depreciation charge	5,407	—	10	—	5,417
Amortisation charge	24,435	—	—	—	24,435
Write down of inventories	961	—	—	—	961
Impairment loses on trade receivables	1,131	—	—	—	1,131
Impairment losss on prepayments, other receivables and deposits	4,753	—	—	—	4,753
Loss on disposal of property, plant and equipment and right-of-use assets	135	—	—	—	135

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For the year ended 31 December 2022

7. OPERATING SEGMENTS *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

At 31 December 2022

Segment assets and liabilities	Traditional business RMB'000	New retail business RMB'000	All other segments RMB'000	Group RMB'000
Segment assets	**227,375**	**—**	**1,758**	**229,133**
Unallocated assets				**9,304**
Total assets				**238,437**
Segment liabilities	**620,034**	**—**	**520**	**620,554**
Unallocated liabilities				**88,599**
Total liabilities				**709,153**

At 31 December 2021

	Traditional business RMB'000	New retail business RMB'000	All other segments RMB'000	Group RMB'000
Segment assets	354,809	—	2,376	357,185
Unallocated assets				3,289
Total assets				360,474
Segment liabilities	611,351	—	1,024	612,375
Unallocated liabilities				80,990
Total liabilities				693,365

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, intangible assets, inventories, trade and bills receivables, prepayments, deposits and other receivables and operating cash and exclude investment holding companies.

Segment liabilities comprise operating liabilities and exclude items such as provision for litigation, other current liabilities, corporate liabilities of the management companies and investment holding companies.

8. OTHER INCOME

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Rental income from investment properties	**3,513**	4,960
Construction income	**68**	63
Rental income from subletting stores	**2,851**	672
	6,432	5,695

9. OTHER NET (LOSS)/GAIN

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Loss on disposal of property, plant and equipment and right-of-use assets	**(89)**	(135)
Write back of expired contract liabilities	**—**	2,543
Gain on early termination of lease agreement	**862**	—
Write down of invertories	**(3,558)**	(961)
Impairment loss on prepayment, other receivables and deposits	**(926)**	(4,753)
(Provision)/Reversal of provision of litigation	**(12,320)**	5,358
Loss on deregistration of subsidiaries	**(201)**	—
Compensation expenses	**(1,441)**	—
Others	**—**	(56)
	(17,673)	1,996

10. NET FINANCE COSTS

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Finance costs		
– Interest on discounting of bills receivable	**586**	1,050
– Interest on lease liabilities	**2,221**	4,383
– Interest on bank borrowings	**77**	123
– Interest on other borrowings/advances from Independent third parties	**2,724**	4,314
– Interest on loans from entities controlled by the Chairman	**4,933**	2,632
– Interest on shareholder loans	**11,686**	11,570
– Interest on bonds payables	**348**	497
– Loss/(gain) foreign exchange cash and cash equivalents borrowings and bonds payable	**2,314**	(972)
	24,889	23,597
Finance income		
– Interest income on bank deposits	**(274)**	(156)
Net finance costs	**24,615**	23,441

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For the year ended 31 December 2022

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
PRC enterprise income tax ("EIT")		
Provision for the year	**(311)**	(25)
	(311)	(25)

(a) Hong Kong profits tax

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the year (2021: Nil).

(b) PRC enterprise income tax

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before tax	**(137,514)**	(62,154)
Tax at domestic income tax rates	**(34,379)**	(15,539)
Tax effects of expenses not deductible for tax purpose	**24,561**	6,255
Tax effects of unused tax losses not recognised	**9,171**	7,513
Tax effect of deductible temporary difference not recognised	**958**	1,796
Income tax expenses for the year	**311**	25

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of inventories sold	**223,644**	264,109
Cost of services rendered	**479**	605
Cost of sales and services	**224,123**	264,714
Taxes and levies on main operations (note)	**479**	605
Employee benefit expenses (including directors' emoluments)	**19,851**	22,022
Amortisation of right-of-use assets	**16,203**	24,435
Depreciation of property, plant and equipment	**7,661**	5,417
Depreciation of investment properties	**942**	923
Provision/(reversal of provision) of litigation	**12,320**	(5,358)
Amortisation of intangible assets	**319**	154
Write down of inventories	**3,558**	961
Impairment losses on trade receivables	**497**	1,131
Impairment losses on prepayments, other receivables and deposit (including VAT)	**926**	4,753
Auditor's remuneration		
– Audit services	**1,786**	1,634
– Non-audit services	**180**	170
Lease payment not included in the measurement of lease liabilities	**1,507**	1,499
Loss on disposal of property, plant and equipment and right-of-use assets	**89**	135

Note: Included in cost of sales

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For the year ended 31 December 2022

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 RMB'000	2021 RMB'000
Salaries and other allowances	**16,615**	18,666
Social security costs	**2,634**	2,573
Other benefits	**602**	783
	19,851	22,022

(a) The employees of the subsidiaries of the Group in the PRC participated in defined contribution retirement benefit plans organised by the relevant local governments. For the year ended 31 December 2022, these subsidiaries were required to make monthly defined contributions to these plans at rates ranging from 23.9% to 34.3% of their total salaries subject to certain ceilings (2021: 23.9% to 34.3%).

(b) The Group has no other obligations for the payment of retirement and other post-retirement benefits of its employees or retirees other than the defined contribution payments as disclosed above.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	For the year ended 31 December 2022					
	Salaries, allowances and benefit in kind RMB'000	Discretionary bonuses RMB'000	Social security costs RMB'000	Share Option Scheme expense RMB'000	Directors' fees RMB'000	Total RMB'000
Executive directors						
– Mr. Yuan Li (Chairman)	—	—	—	—	—	—
– Mr. Xu Xinying	—	—	—	—	—	—
– Ms. Liu Simei (note (a))	250	—	—	—	—	250
Independent non-executive directors						
– Mr. Zhang Yihua (note (b))	37	—	—	—	—	37
– Mr. Zhao Jinyong (note (c))	57	—	—	—	—	57
– Mr. Chen Rui	89	—	—	—	—	89
– Mr. Fung Tak Choi	89	—	—	—	—	89
Non-executive directors						
– Ms. Xu Honghong	—	—	—	—	—	—
	522	—	—	—	—	522

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2021

	Salaries, allowances and benefit in kind RMB'000	Discretionary bonuses RMB'000	Social security costs RMB'000	Share Option Scheme expense RMB'000	Directors' fees RMB'000	Total RMB'000
Executive directors						
– Mr. Yuan Li (Chairman)	—	—	—	—	—	—
– Mr. Xu Xinying	—	—	—	—	—	—
– Ms. Liu Simei	300	—	—	—	—	300
– Mr. Sun Lejiu (note (d))	—	—	—	—	—	—
Independent non-executive directors						
– Mr. Zhao Jinyong	81	—	—	—	—	81
– Mr. Chen Rui	81	—	—	—	—	81
– Mr. Fung Tak Choi	81	—	—	—	—	81
Non-executive directors						
– Ms. Xu Honghong	—	—	—	—	—	—
	543	—	—	—	—	543

Note:

(a) Ms. Liu Simei was resigned as executive director and the chief executive officer on 23 September 2022.

(b) Mr. Zhang Yihua was appointed as an independent non-executive director on 23 August 2022.

(c) Mr. Zhao Jinyong was resigned as an independent non-executive director on 23 August 2022.

(d) Mr. Sun Lejiu was resigned as executive director on 26 August 2021.

During the years ended 31 December 2022 and 2021, none of the directors or the chief executive (i) received any emolument from the Group as an inducement to join or upon joining the Group; or (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or agreed to waive any remuneration.

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15. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included one directors (2021: one director), details of whose remuneration are set out in note 14 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other allowances	**825**	762
Social security costs	**40**	17
	865	779

The number of the highest paid employees who are not Directors whose remuneration fell within the following bands is as follows:

	2022	**2021**
	No. of employees	No. of employees
Nil to HK$1,000,000	**4**	4

No emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the year ended 31 December 2022 (2021: Nil).

17. LOSS PER SHARE

Basic

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

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (RMB'000)	**(136,767)**	(60,036)
Weighted average number of ordinary shares in issue ('000)	**219,280**	204,060
Basic loss per share (RMB)	**(0.624)**	(0.294)

Diluted

The computation of diluted loss per share for the years ended 31 December 2022 and 2021 do not assume the exercise of share options and settlement in ordinary shares for the other liabilities arising from the contingent consideration arrangements in prior years as their assumed exercise would result in a decrease in loss per share for both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Electronics and office equipment RMB'000	Motor vehicle RMB'000	Leasehold improvement RMB'000	Total RMB'000
At 1 January 2021					
Cost	173,093	22,761	4,836	21,529	222,219
Accumulated depreciation	(46,187)	(20,818)	(3,983)	(4,219)	(75,207)
Accumulated impairment	(5,237)	(17)	—	(17,310)	(22,564)
Net carrying amount	121,669	1,926	853	—	124,448
At 1 January 2021	121,669	1,926	853	—	124,448
Additions	—	802	9	—	811
Disposals	—	(3)	(119)	—	(122)
Depreciation	(4,605)	(637)	(175)	—	(5,417)
Reclassification to investment properties (note 20)	9,173	—	—	—	9,173
At 31 December 2021	126,237	2,088	568	—	128,893
At 31 December 2021					
Cost	182,266	23,503	2,465	21,529	229,763
Accumulated depreciation	(50,792)	(21,398)	(1,897)	(4,219)	(78,306)
Accumulated impairment	(5,237)	(17)	—	(17,310)	(22,564)
Net carrying amount	126,237	2,088	568	—	128,893
At 1 January 2022					
Cost	182,266	23,503	2,465	21,529	229,763
Accumulated depreciation	(50,792)	(21,398)	(1,897)	(4,219)	(78,306)
Accumulated impairment	(5,237)	(17)	—	(17,310)	(22,564)
Net carrying amount	126,237	2,088	568	—	128,893
At 1 January 2022	126,237	2,088	568	—	128,893
Additions	—	8	35	—	43
Disposals	—	(25)	(15)	—	(40)
Depreciation	(6,987)	(559)	(115)	—	(7,661)
Impairment	(33,349)	—	—	—	(33,349)
Reclassification to investment properties (note 20)	(414)	—	—	—	(414)
At 31 December 2022	85,487	1,512	473	—	87,472
At 31 December 2022					
Cost	181,852	10,672	2,280	21,529	216,333
Accumulated depreciation	(57,779)	(9,160)	(1,807)	(4,219)	(72,965)
Accumulated impairment	(38,586)	—	—	(17,310)	(55,896)
Net carrying amount	85,487	1,512	473	—	87,472

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18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation charges were included in the following categories in the consolidated income statement:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Selling and marketing expenses	**5,745**	3,943
Administrative expenses	**1,916**	1,474
	7,661	5,417

The Group resulted a segment loss on tradition business of approximately RMB 62,559,000 (2021: RMB27,723,000) during the year ended 31 December 2022. The directors of the Group considered an impairment indicator existed and carried out an impairment assessment on the CGU of tradition business.

At 31 December 2022, the recoverable amount of the certain buildings have been determined based on their fair value less cost of disposal. The Group uses direct comparison estimate the fair value less cost of disposal of the assets which is based on the recent transaction prices for similar properties adjusted for nature, location and conditions of the property. During the year ended 31 December 2022, the Group was recognised impairment losses of property, plant and equipment approximately RMB33,349,000 (2021: Nil).

At 31 December 2022, the buildings with an aggregate carrying amount of RMB7,465,000 (2021: RMB103,241,000) were pledged to Party A for other borrowings granted to the Group (note 34(b)(i)) and RMB24,208,000 (2021: RMB22,996,000) were pledged to Jiangsu Ruihua Investment Holding Group CO., Ltd. ("Ruihua") as disclosed in note 37. The buildings of RMB24,208,000 (2021: RMB22,996,000) have also been frozen by a PRC court for a legal proceedings as disclosed in note 37.

19. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leasehold properties RMB'000	Total RMB'000
At 31 December 2022			
Carrying amount	15,693	—	15,693
At 31 December 2021			
Carrying amount	18,971	46,736	65,707
For the year ended 31 December 2022			
Addition	—	605	605
Disposals	—	(11,538)	(11,538)
Reclassified to investment properties	(499)	—	(499)
Amortisation	(1,024)	(15,179)	(16,203)
Impairment	(1,755)	(20,624)	(22,379)
	(3,278)	(46,736)	(50,014)
For the year ended 31 December 2021			
Addition	—	21,034	21,034
Disposals	—	(4,089)	(4,089)
Reclassified from investment properties	7,505	—	7,505
Amortisation	(1,306)	(23,129)	(24,435)
	6,199	(6,184)	15

19. RIGHT-OF-USE ASSETS *(Continued)*

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Expense relating to short-term leases	**1,507**	1,499
Total cash outflow for leases	**16,310**	26,343
Additions to right-of-use assets	**605**	21,034

The Group resulted a segment loss on tradition business of RMB62,559,000 (2021: RMB27,723,000) during the year ended 31 December 2022. The directors of the Group concluded an impairment indicator existed and carried out an impairment assessment on the CGU of tradition business.

At 31 December 2022, the recoverable amount of certain leasehold land have been determined based on their fair value less cost of disposal. The Group uses direct comparison estimate the fair value less cost of disposal of the assets which is based on the recent transaction prices for similar properties adjusted for nature, location and conditions of the property. During the year ended 31 December 2022, the Group was recognised impairment loss of approximately RMB1,755,000 (2021: Nil).

At 31 December 2022, the recoverable amount of certain leasehold properties have been determined based on their value in use. The Group estimates the value in use of the leasehold properties using a pre-tax discount rate of 9.13%. During the year ended 31 December 2022, the Group was recognised impairment loss of approximately RMB20,624,000 (2021: Nil).

The Group leases land in the PRC for own use. The leases are held between 27 to 40 years. At 31 December 2022, the leasehold land of RMB664,000 (2021: RMB11,457,000) has been pledged as collaterial to Party A for other borrowings granted to the Group (note 34(b)(i)) and RMB2,910,000 (2021: RMB2,285,000) has been pledge to Ruihua as disclosed in note 37. The leasehold land of RMB2,285,000 (2021: RMB2,285,000) has also been frozen by a PRC court for a legal proceedings as disclosed in note 37.

For both years, the Group leases retail shops and office for its operations. Lease contracts are entered into for fixed term of 1 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

20. INVESTMENT PROPERTIES

	2022	2021
	RMB'000	RMB'000
At 1 January	**33,064**	50,665
Reclassified from property, plant and equipment (note 18)	**414**	(9,173)
Reclassified from right-of-use assets (note 19)	**499**	(7,505)
Depreciation	**(942)**	(923)
At 31 December	**33,035**	33,064
Cost	**37,807**	36,894
Accumulated depreciation	**(4,772)**	(3,830)
Net carrying amount	**33,035**	33,064

Investment properties are located in the PRC and are held on medium term leases.

20. INVESTMENT PROPERTIES *(Continued)*

Depreciation of the investment property

Depreciation of investment properties has been charged to profit or loss and included in administrative expenses.

The fair value of the Group's investment properties as at 31 December 2022 was approximately RMB49,211,000 (2021: RMB40,931,000). The fair value has been arrived at based on a valuation carried out by an independent valuer not connected with the Group.

The fair value was determine based on income approach where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

The fair value measurement falls under level 3 of the fair value hierarchy. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Pledge of the investment property

As at 31 December 2022, investment properties of RMB25,762,000 (2021: RMB23,276,000) have been pledged as collateral to Party A for the other borrowings granted to the Group (note 34(b)(i)) and RMB7,273,000 (2021: RMB9,788,000) have been pledged to Ruihua as disclosed in note 44. The investment properties of RMB7,273,000 (2021: RMB9,788,000) have also been frozen by a PRC court for a legal proceedings as disclosed in note 44.

21. INTANGIBLE ASSETS

	Computer software RMB'000
At 1 January 2021	
Cost	9,604
Accumulated amortization	(8,413)
Net carrying amount	1,191
At 1 January 2021	1,191
Amortisation	(154)
At 31 December 2021	1,037
At 31 December 2021	
Cost	9,604
Accumulated amortisation	(8,567)
Net carrying amount	1,037
At 1 January 2022	
Cost	**9,604**
Accumulated amortization	**(8,567)**
Net carrying amount	**1,037**
At 1 January 2022	**1,037**
Amortisation	**(319)**
At 31 December 2022	**718**
At 31 December 2022	
Cost	**9,604**
Accumulated amortisation	**8,886**
Net carrying amount	**718**

The amortisation charge for the year is included in “administrative expenses” in the consolidated income statement.

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22. EQUITY INVESTMENT DESIGNATED AT FVTOCI

	2022 RMB'000	2021 RMB'000
Unlisted equity investment:		
– 南京雲澤網絡科技有限公司	**600**	600
	600	600

The above unlisted equity investment represents the Group's 12% of equity interest in a private entity established in the PRC. The company is engaged in network technology, technical consulting services, and trading products business. The Directors have elected to designated these investments in equity investment as at FVTOCI as they believe that the investment to be strategic in nature.

The Group has determined the fair value of the equity investment designated at fair value through other comprehensive income by discounted cash flow approach of the income method.

No dividend was received from the equity investment during the year (2021: RMB Nil).

23. TRADE RECEIVABLES, NET

	2022 RMB'000	2021 RMB'000
Trade receivables	**24,460**	26,779
Less: Allowance for credit loss	**(20,504)**	(20,007)
Trade receivables, net	**3,956**	6,772

The credit terms granted to customers by the Group ranges from 30 days to 90 days.

The ageing analysis of trade receivables based on invoice date, before allowance for credit loss as at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
0 - 90 days	**3,668**	5,074
91 - 365 days	**271**	1,394
Over 1 year - 2 years	**480**	638
Over 2 years - 3 years	**766**	671
Over 3 years	**19,275**	19,002
Total	**24,460**	26,779

All bills received by the Group are with a maturity period of less than one year.

23. TRADE RECEIVABLES, NET *(Continued)*

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB20,792,000 (2021: RMB21,705,000) which are past due as at the reporting date. None of them is considered as in default.

All trade and bills receivables are denominated in RMB and their carrying amounts approximate their fair values as at the reporting period.

The maximum exposures of the Group to credit risk from trade and bills receivables as at the end of the reporting period were the carrying value of trade and bills receivables mentioned above. The Group does not hold any collatered as security.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2022 RMB'000	2021 RMB'000
Prepayments to suppliers		**36,062**	24,557
Deposits		**855**	650
Value added tax recoverable		**4**	19,151
Other receivables from third parties, net of provision	(a)		
– Staff advances		**261**	1,180
– Others		**1,717**	2,178
		38,899	47,716

Notes:

(a) During the year ended 31 December 2022, an impairment losses of RMB926,000 (2021: RMB4,753,000) on prepayments and other receivables were recognised, taking into account of the ECL on these prepayments and other receivables. At 31 December 2022, the accumulated impairment losses on prepayments and other receivables amounted to RMB24,852,000 (2021: RMB23,926,000).

Reversal of impairment/recognised of impairment losses on prepayments, deposit and other receivables were included in the line item of "administrative expenses".

25. INVENTORIES

	2022 RMB'000	2021 RMB'000
Merchandise held for resale	**48,130**	54,391
Write-down of inventories for obsolescence	**(6,483)**	(2,925)
	41,647	51,466

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26. RESTRICTED BANK DEPOSITS

At 31 December 2022, bank deposits of RMB108,000 (2021: RMB711,000) were frozen by courts for certain legal proceedings against the Group. The details of the legal proceedings were disclosed in note 37. The remaining amount had been pledged as collateral for the Group's bills payable.

27. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash on hand		
– denominated in RMB	**5**	37
Cash at bank		
– denominated in RMB	**6,697**	13,791
– denominated in HK$	**1,601**	771
– denominated in US$	**56**	20
	8,354	14,582
Total cash and cash equivalent	**8,359**	14,619

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with credit worthy bank with no recent history of default.

28. TRADE AND BILLS PAYABLES

	Notes	2022 RMB'000	2021 RMB'000
Trade payables	(a)	**115,871**	117,117
Bills payable	(b)	**7,950**	10,600
		123,821	127,717

Notes:

(a) At 31 December 2022, the trade payables included outstanding balances of RMB58,911,000 (2021: RMB58,911,000) arising from purchases of goods from Yangzhou Suohai Electronics Co. Limited ("Suohai") and Jiangsu Zhipu Electronics Appliance Co. Ltd. ("Zhipu") made in previous years.

(b) At 31 December 2022 and 2021, the bills payable were secured by bank deposits.

Most of the principal suppliers require prepayment for goods purchase. The credit period granted by the Group's principal suppliers ranges from 15 to 60 days.

	2022 RMB'000	2021 RMB'000
0 - 30 days	**6,009**	5,138
31 - 90 days	**1,794**	833
91 - 365 days	**3,062**	7,725
Over 1 year - 2 years	**1,730**	4,595
Over 2 years -3 years	**4,473**	2,303
Over 3 years	**98,803**	96,523
	115,871	117,117

29. ACCRUALS AND OTHER PAYABLES

	Notes	2022 RMB'000	2021 RMB'000
Salary and welfare payables		**2,018**	2,068
Accrued expenses		**13,369**	15,542
Deposits		**3,885**	3,468
VAT and other tax payables		**14,159**	12,663
Amount due to a shareholder	(a)	**5,057**	5,057
Others		**—**	1,409
Amount due to Chongqing Saint		**—**	158
		38,488	40,365

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29. ACCRUALS AND OTHER PAYABLES *(Continued)*

Notes:

(a) At 31 December 2022 and 2021, the amount due to a shareholder represented an advance made from a shareholder, China Ruike Investment & Development Co. Ltd. ("China Ruike") in 2017, China Ruike is a company connected with the former director, Mr. Cao Kuanping. The amount is unsecured, interest free and repayable on demand.

30. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Traditional business		
– Receipts in advance of delivery of products	**16,303**	16,456
– Prepaid card	**2,812**	2,821
	19,115	19,277

Receipts in advance of delivery of products

Advances from customers include the non-refundable payment received from customers, for which the Group has obligation to transfer goods or services to customers.

	2022 RMB'000	2021 RMB'000
Movements in contract liabilities		
At 1 January	**19,277**	26,130
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities	**(33,236)**	(21,221)
Increase in contract liabilities as a result of receiving consideration in advance from the customers	**33,046**	14,365
Increase in contract liabilities as a result of receiving consideration in advance from the customers by prepaid card	**28**	3
At 31 December	**19,115**	19,277

Prepaid card

The prepaid card is a kind of cash advance from customers for redeeming of goods. The prepaid card has no expiry date and the prepaid card holder can only redeem the money stored in the prepaid card by purchase of goods.

31. SHARE CAPITAL OF THE COMPANY

	Par value	Number of ordinary shares	Nominal value of ordinary shares US$	Equivalent nominal value of Ordinary Share RMB'000
Authorised:				
As at 1 January 2021	US$0.02	200,000,000	4,000,000	24,147
Increase of authorised share (Note a)	US$0.02	400,000,000	8,000,000	48,297
As at 31 December 2021, 1 January 2022 and 31 December 2022		600,000,000		72,444
Issued and fully paid:				
As at 1 January 2021		182,733,120	3,654,662	24,512
Issue of shares (Note b)	US$0.02	36,546,624	730,932	4,662
As at 31 December 2021, 1 January 2022 and 31 December 2022		**219,279,744**		**29,174**

Notes:

(a) On 31 May 2021, the Company has increased the authorised shares capital of the Company from US$4,000,000 divided into 200,000,000 shares to US$12,000,000 divided into 600,000,000 shares.

(b) On 2 June 2021, the Company has allotted and issued 36,546,624 new shares to the subscriber at the subscription price of HK$1.14 per subscription share. All the subscription shares of approximately HK$41,663,000 payable by subscriber to settle the shareholders' loan of approximately HK$40,734,000 and the remaining balance of approximately HK$929,000 settled by cash.

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32. RESERVES

	Note	Share premium RMB'000	Statutory reveres RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021		1,855,155	28,007	55,395	(2,289,523)	(350,966)
Loss and total comprehensive expenses for the year		—	—	—	(60,036)	(60,036)
Issue of shares		30,093	—	—	—	30,093
At 31 December 2021 and 1 January 2022		1,885,248	28,007	55,395	(2,349,559)	(380,909)
Loss and total comprehensive expenses for the year		**—**	**—**	**—**	**(136,767)**	**(136,767)**
At 31 December 2022		**1,885,248**	**28,007**	**55,395**	**(2,486,326)**	**(517,676)**

Notes:

(a) Share premium

Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

(b) Statutory reserves

Statutory reserves represent reserves of the PRC incorporated companies which are set aside for future development purpose in accordance with the regulations in the PRC. The allocation is based on certain percentages of these companies' profit for the year, as reported in their statutory financial statements.

(c) Other reserves

Other reserves mainly represents reserve arising from issuance of share option schemes in prior years, lapse of share options expired and the difference between the amounts of net consideration/contribution from non-controlling interests and the carrying value of non-controlling interests acquired or disposed of.

33. DEFERRED TAX ASSETS/LIABILITIES

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB459,463,000 (2021: RMB886,538,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses expire from 2023 to 2027.

At 31 December 2022, the Group has deductible temporary differences mainly in respect of impairment of certain assets in aggregate of approximately RMB180,492,000 (2021: RMB123,341,000). No deferred tax asset has been recognised in relation to the deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Group has no significant unrecognised deferred tax liabilities at 31 December 2022 and 2021.

34. BORROWINGS

	Notes	2022 RMB'000	2021 RMB'000
Non-current			
Bonds payables	(a)	—	8,525
Other borrowings	(b)	433,345	262,101
		433,345	270,626
Current			
Bonds payables	(a)	8,886	—
Bank borrowings	(c)	—	2,000
Other borrowings		—	133,053
		8,886	135,053
		442,231	405,679

(a) Bonds payables

In 2015, the Company placed 2 bonds of HK$5,000,000 each for a total nominal value of HK$10,000,000 to certain third party individuals. These bonds are unsecured, interest bearing at 6% per annum and with a term of 8 years.

The bonds of HK$5,000,000 are due for repayment on 21 April 2023 and the remaining bonds of HK$5,000,000 are due for repayment on 27 May 2023.

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34. BORROWINGS *(Continued)*

(b) Other borrowings

		2022			2021		
	Notes	Principal RMB'000	Accrued interest RMB'000	Total RMB'000	Principal RMB'000	Accrued interest RMB'000	Total RMB'000
Independent third parties	(i)	**54,826**	**10,554**	**65,380**	81,145	26,915	108,060
Entities controlled by the Chairman	(ii)	**100,000**	**4,933**	**104,933**	52,082	8,886	60,968
Two shareholders	(iii)	**236,699**	**26,333**	**263,032**	211,557	14,569	226,126
		391,525	**41,820**	**433,345**	344,784	50,370	395,154
Secured		**9,826**	**364**	**10,190**	56,766	25,869	82,635
Unsecured		**381,699**	**41,456**	**423,155**	288,018	24,501	312,519
		391,525	**41,820**	**433,345**	344,784	50,370	395,154

At 31 December 2022 and 2021, the other borrowing were repayable as follows:

	2022			2021		
	Principal RMB'000	Accrued interest RMB'000	Total RMB'000	Principal RMB'000	Accrued interest RMB'000	Total RMB'000
Within 1 year or on demand	—	—	—	115,207	17,846	133,053
After 1 year but within 2 years	—	—	—	184,500	21,002	205,502
After 2 years but within 5 years	**391,525**	**41,820**	**433,345**	45,077	11,522	56,599
	391,525	**41,820**	**433,345**	344,784	50,370	395,154

Notes:

(i) Independent third parties

	2022 RMB'000	2021 RMB'000
Party A	**10,190**	82,635
Party B	—	3,804
Party C	—	1,380
Party D	—	82
Party E	—	16,833
Party F	—	3,326
Party G	**55,190**	—
	65,380	108,060

34. BORROWINGS *(Continued)*

(b) Other borrowings *(Continued)*

Notes: (Continued)

(i) Independent third parties (Continued)

Party A

Party A is Mr. Wu Jipeng who is a friend of the chairman. The Directors after the consultation of a legal advisor, considered that Party A is an independent third party of the Group.

During the year ended 31 December 2022, the subsidiary made loan repayments of RMB78,572,000 (2021: RMB58,694,000). At 31 December 2022, the amount due to Party A comprised of outstanding balance of RMB9,826,000 (2021: RMB56,766,000) and accrued interest of RMB364,000 (2021: RMB25,869,000). The outstanding balance of RMB10,190,000 (2021: RMB82,635,000) were secured by certain assets held by the Group as disclosed in note 44. The loans bearing interests at fixed rates of 5.5% per annum.

On 20 August 2022, Party A agreed to extend the outstanding loans principal and interest which are due for repayment on or before 29 September 2025.

Party B

At 15 August 2019, Party B entered into a loan agreement with a subsidiary of the Group pursuant to which Party B granted a loan of RMB4,000,000 to the Group for a period of 18 months. The loan is unsecured and bearing interest at 5.5% per annum.

On 14 February 2021, Party B agreed to extend the outstanding loans and interest which are due for repayment on or before 30 June 2023.

During the year ended 31 December 2022, the Group settled all outstanding loan and interest.

Party C

On 16 January 2019, Party C entered into a loan agreement with a subsidiary of the Group pursuant to which Party C granted a loan of RMB22,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum to Party C. During the year ended 31 December 2022, the Group settled all outstanding loan and interest.

Party D

On 16 January 2019, Party D entered into a loan agreement with a subsidiary of the Group pursuant to which Party D granted a loan of RMB20,000,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum. As at 31 December 2021, the balance represented outstanding accrued interest. During the year ended 31 December 2022, the Group settled all outstanding interest.

Party E

On 2 November 2021, Party E entered into a loan agreement with a subsidiary of the Group, pursuant to which Party E granted a loan of RMB16,700,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum. During the year ended 31 December 2022, the Group settled all outstanding loan and interest.

Party F

On 2 November 2021, Party F entered into a loan agreement with a subsidiary of the Group pursuant to which Party F granted a loan of RMB3,300,000 to the Group for a period of two years. The loan is unsecured and bearing interest at 5% per annum. During the year ended 31 December 2022, the Group settled all outstanding loan and interest.

Party G

On 25 October 2022, Party G entered into a loan agreement with subsidiary of the Group amounted to RMB45,000,000. The loan is unsecured and bearing interest at 5% per annum, and repayment on 13 June 2024. On 26 December 2022, Party G agreed to extend the outstanding loans principal and interest which are due for repayment on or before 13 June 2025.

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34. BORROWINGS *(Continued)*

(b) Other borrowings *(Continued)*

Notes: (Continued)

(ii) Entities controlled by the chairman

	2022 RMB'000	2021 RMB'000
廣東聖融金服控股有限公司 ("廣東聖融")	—	52,941
北京聖商創業科技有限公司 (formerly known as 北京聖商教育科技股份有限公司) ("北京聖商")	104,933	—
北京奇點新科技集團有限公司 (formerly known as 聖行(北京)控股集團有限公司) ("北京奇點")	—	8,027
	104,933	60,968

As at 31 December 2022, 北京聖商 is controlled by Mr. Yuan Li, the Chairman of the Company.

As at 31 December 2022 and 2021, 北京奇點 entered into a loan agreement with a subsidiary of the Group amounted to RMB8,000,000 to the Group. The loan is unsecured and bearing interest at 5% per annum. The outstanding loan and interest is settled during the year ended 31 December 2022.

On 4 January 2022, 北京聖商 entered into a loan agreement with subsidiaries of the Group amounted to RMB100,000,000. The loan is unsecured and bearing interest at 5% per annum, and repayment on 3 January 2024. On 21 August 2022, 北京聖商 agreed to extend the outstanding loans principal and interest which are due for repayment on or before 3 January 2026.

As at 31 December 2021, 廣東聖融 entered into a loan agreement with subsidiaries of the Group amounted to RMB45,000,000. The loan is unsecured and bearing interest at 5% per annum, and repayment from May 2022 to October 2022 according to extension agreement dated on 16 April 2020.

(iii) Two shareholders

	2022 RMB'000	2021 RMB'000
Chongqing Saint	239,879	226,126
Noble Trade	23,153	—
	263,032	226,126

During the year ended 31 December 2022, Chongqing Saint entered into a loan agreement with subsidiaries of the Group pursuant to which Chongqing Saint granted a number of loans with an aggregate amount of RMB14,080,000 (2021: RMB23,527,000) to the Group for a period ranging from 1 to 3 years. The loans are unsecured and bearing interest ranging from 5% to 6.5% per annum.

During the year ended 31 December 2022, Noble Trade international Holdings Limited entered into a loan agreement with the Group amounted to RMB22,332,000. The loan is unsecured and bearing interest at 4.5% per annum. The repayment term is from January 2025 to October 2025 according to extension agreement dated on 20 August 2022.

34. BORROWINGS *(Continued)*

(c) Bank borrowings

During the year ended 31 December 2021, a subsidiary of the Group obtained a new loan of RMB2,000,000, repayable within one year. The borrowing is unsecured, carried variable interest rate at RMB Loan Prime Rate. The effective interest rate on the bank borrowings is 3.65% per annum for the year ended 2021.

During the year ended 31 December 2022, the Group fully settled the bank borrowing of RMB2,000,000.

35. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current:

	2022 Present value of the minimum lease payments RMB'000	2021 Present value of the minimum lease payments RMB'000
Within 1 year	**10,577**	16,781
After 1 year but within 2 years	**6,240**	12,153
After 2 years but within 5 years	**2,193**	14,185
More than 5 years	**—**	1,775
	19,010	44,894
Less: Amount due for settlement with 12 months show under current liabilities	**(10,577)**	(16,781)
Amount due for settlement show under non-current liabilities	**8,433**	28,113

The weighted average incremental borrowing rates applied to lease liabilities range from 5.39% to 10.96% (2021: from 7.09% to 10.11%).

36. OTHER CURRENT LIABILITIES

	2022 RMB'000	2021 RMB'000
Payable to the former owner of acquired subsidiary	**53,560**	53,560

The other liabilities arising from the contingent consideration arrangements represented payable to the former owner of an acquired subsidiary, Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd ("Anhui Four Seas") in 2010. The contingent period was passed and the estimated consideration was at RMB53,560,000. The consideration payables are still subject to final negotiation with the former owner, which might be further adjusted when agreed. On 22 May 2020, the Company entered into an equity pledge agreement to pledge 65% of the equity interest of the Anhui Four Seas against the consideration to the former owner.

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37. PROVISIONS

	Litigation (Note (a), (b)) RMB'000	Provision for reinstatement costs (Note (c)) RMB'000	Total RMB'000
At 1 January 2021	9,972	732	10,704
Provision for the year	172	—	172
Paid for the year	(3,389)	—	(3,389)
Reversal for the year	(5,530)	(84)	(5,614)
At 31 December 2021	1,225	648	1,873
Provision for the year	12,448	205	12,653
Paid for the year	(1,265)	—	(1,265)
Reversal for the year	(128)	(205)	(333)
At 31 December 2022	**12,280**	**648**	**12,928**

	2022 RMB'000	2021 RMB'000
Analysed for reporting purposes as:		
Non-current liabilities	**311**	486
Current liabilities	**12,617**	1,387
	12,928	1,873

Notes:

(a) Litigations made by subsidiaries to recover shareholders' capital contribution

(i) In May 2020, a subsidiary of the Group was ordered to accept bankruptcy liquidation by Nanjing Pukou Court (南京浦口法院), which required settlement of aggregate debt and bankruptcy expenses of approximately RMB9,000,000. According to the court order issued by Pukou District People's Court of Nanjing (南京市浦口區人民法院), 揚州來泰商貿集團有限公司 ("揚州來泰"), the subsidiary's shareholder, shall jointly pay the above RMB9,000,000 within the capital contribution amount of RMB45,000,000. Given the above mentioned, a provision of RMB9,000,000 has been made in full as of 31 December 2022.

37. PROVISIONS *(Continued)*

Notes: (Continued)

(a) Litigations made by subsidiaries to recover shareholders' capital contribution (Continued)

(ii) A supplier made a litigation with the court, claiming that the shareholder 揚州來泰 shall assume supplementary compensation liability for the unpaid-in portion in respect of insolvent part of the loan owned by a subsidiary of the Group. According to the judgement made by Hanjiang People's Court of Yangzhou (揚州市邗江區人民法院), 揚州來泰 shall assume approximately RMB272,000 within its capital contribution amount of RMB24,600,000. Given the above mention, a provision of RMB272,000 has been made in full as of 31 December 2022.

(iii) As of 31 December 2022, certain right-of-use assets of RMB2,910,000 (2021: RMB 2,285,000), buildings of RMB24,208,000 (2021: RMB22,996,000) and investment properties of RMB7,273,000 (2021: RMB9,788,000) with a total carrying amount of RMB34,391,000 (2021: RMB35,069,000) held by Yangzhou Huiyin Household Appliance Co., Ltd. were frozen for a period of three years. The aforesaid right-of-use assets, buildings and investment properties were pledged to Ruihua Enterprises as disclosed in note 44 to the consolidated financial statements.

(b) Litigations made by other parties against the Group

A company made a litigation with the court, claiming that a subsidiary of the Group shall assume joint and several liability for the lease and other expenses incurred by leasing of its premises. According to the Intermediate People's Court of Nanjing (南京市中級人民法院) in January 2022, the subsidiary of the Group shall take joint and several liability of RMB2,444,000, the provision of which has been made in full.

The Group has contingent liabilities arising from the ordinary course of business relating to claims from suppliers, employees and other parties. Judgements for certain cases were made by courts in the PRC against the Group. The Group made an aggregate provision of RMB733,000 for the year ended 31 December 2022. The directors considered that sufficient provision had been made in the consolidated financial statements according to the judgements. In addition, bank deposits of RMB108,000 were frozen by courts for certain of these legal proceedings. The directors have made estimates for potential litigation costs and claims based upon consultation with PRC lawyers. Actual results could differ from these estimates. In the opinion of the directors, such litigations and claims will not have a material adverse effect on the Group's financial condition, financial performance or cash flows. During the year ended 31 December 2022, such subsidiary has fully settled RMB1,265,000.

(c) The provision for the reinstatement costs represents the Directors need estimate of the liabilities associated with the removal and disposal of lease hold improvements at the end of lease terms when the Group is contractually obliged to restore the rented premises to the condition specified in the lease agreements.

38. SHARE-BASED PAYMENT TRANSACTIONS

On 5 March 2010, the Company adopted a share option scheme (the "Scheme"). The purpose of the share option scheme is to provide the Company with a flexible means of giving incentive to, rewarding, compensating and/or providing to the participants and for such other purposes as the board of directors may approve from time to time. The Directors may, at its discretion, invite any executive, non-executive or independent non-executive directors or any employees of the Company, or any of its subsidiaries or associated companies to take up share options.

No share option of the Company has been granted under the Scheme during the years ended 31 December 2022 and 2021.

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39. OPERATING LEASING RECEIVABLES

The Group leases out investment properties to other parties under operating leases. The leases typically run for an initial period of 1 to 5 years, with certain leases having an option to renew the lease after that date at which time all terms are renegotiated. None of the leases included contingent rentals.

Undiscounted lease payments receivable on leases are as follows:

	2022 RMB'000	2021 RMB'000
Not later than 1 year	**1,089**	2,871
Later than 1 year and not later than 5 years	**336**	3,075
Over 5 years	**3,101**	—
	4,526	5,946

40. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

At 31 December 2022, the capital structure of the Group consists of cash and cash equivalents of RMB8,359,000 (2021: RMB14,619,000) and negative balance of equity attributable to owners of the Company of RMB488,502,000 (2021: RMB351,735,000).

The Directors review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with its capital.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at fair value		
– Equity investment designated at FVTOCI	**600**	600
Financial assets at amortised cost		
– Trade receivables, net	**3,956**	6,772
– Other receivables	**1,978**	3,358
– Restricted bank deposits	**8,058**	10,600
– Cash and bank balances	**8,359**	14,619
	22,351	35,349
	22,951	35,949

	2022 RMB'000	2021 RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
– Bank borrowings	**—**	2,000
– Other borrowings	**433,345**	395,154
– Bonds payables	**8,886**	8,525
– Trade and bills payable	**123,821**	127,717
– Accruals and other payable	**20,444**	24,234
– Other current liabilities	**53,560**	53,560
– Lease liabilities	**19,010**	44,894
	659,066	656,084

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For the year ended 31 December 2022

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices

The Group's major financial instruments include borrowings, trade and bills receivables, other receivables, restricted bank deposits, cash and bank balances, trade and bills payables, lease liabilities, accruals and other payable, other current liabilities and bond payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(i) Market risk

Currency risk

The Group operates mainly in the PRC and is exposed to currency risk with respect to primarily HK$ and US$. Foreign exchange risk arises from recognised assets and liabilities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2022 and 2021.

At 31 December 2022 and 2021, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	2022		2021	
	HK$ RMB'000	**US$ RMB'000**	HK$ RMB'000	US$ RMB'000
Cash and bank balances	**1,601**	**56**	771	20
Accruals and other payables	**(17,755)**	**—**	(16,830)	—
Borrowings	**(33,342)**	**—**	(13,497)	—
	(49,496)	**56**	(29,556)	20

Sensitivity analysis

At 31 December 2022, if RMB had weakened/strengthened by 5% (2021: 5%), against HK$ with all other variables held constant, pre-tax loss for the year would have been approximately RMB2,475,000 higher/lower (2021: pre-tax loss for the year of RMB1,478,000) higher/lower), mainly as a result of foreign exchange gains/losses on translation of HK$ denominated cash and bank balances, accruals and other payables, and borrowings.

At 31 December 2022, if RMB had weakened/strengthened by 5% (2021: 5%), against US$ with all other variables held constant, pre-tax loss for the year would not be material (2021: Nil), mainly as a result of foreign exchange gains/losses on translation of US$ denominated cash and bank balances, accruals and other payables and borrowings.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(i) Market risk *(Continued)*

Interest rate risk

Other than bank deposits with stable interest rate (Notes 26 and 27), the Group has no other significant interest-bearing assets. The Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, as the interest rates of bank deposits are not expected to change significantly.

The Group's interest-rate risk mainly arises from borrowings. At 31 December 2022, no borrowings at fixed rates comprise bank borrowings (2021: RMB2,000,000) and other borrowings/advances of RMB442,231,000 (2021: RMB405,679,000). Borrowings at fixed rates exposed the Group to fair value interest rate risk. The Group did not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 34.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2021: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates have been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately RMB113,000 (2021: RMB117,000).

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, finance lease receivables, restricted bank deposits, bank balances, prepayments, other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Restricted bank deposits/Bank balances

Credit risk on restricted bank deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for restricted bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank deposits/bank balances is considered to be insignificant and therefore no loss allowance was recognised.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Receivables

Trade receivables are due from wholesale customers with an appropriate financial strength. The Group grants the average credit term to these customers ranging from 30 days to 90 days, and the balances exceeding the credit term are monitored by the Group.

Other receivables also comprise the rental deposits. Rental deposits are placed with various landlords in the PRC and are due upon the expiry of the tenancy agreements and handover of the leased premises.

The Group assess the credit quality of other receivables by taking into account various factors including their financial position, past experience and other factors.

The carrying amount of receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to these financial assets.

Trade receivables

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.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022:

At 31 December 2022	Current (not past due) RMB'000	1-9 months past due RMB'000	10-21 months Past due RMB'000	22 months or over past due RMB'000	Total RMB'000
Provision on individual basis					
Lifetime ECL rate	100%	100%	100%	100%	
Gross carrying amount of certain debtor(s)	—	—	766	19,275	20,041
Loss allowance of certain debtor(s)	—	—	(766)	(19,275)	20,041
Provision on collective basis					
Lifetime ECL rate	4.6%	27.6%	45.6%	100%	
Gross carrying amount excluding certain debtor(s)	3,668	271	480	—	4,419
Loss allowance excluding certain debtor(s)	(168)	(75)	(220)	—	(463)
Total gross amount	3,668	271	1,246	19,275	24,460
Total loss allowance	(168)	(75)	(986)	(19,275)	(20,504)
Total net amount	3,500	196	260	—	3,956

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41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Trade receivables (Continued)

At 31 December 2021	Current (not past due) RMB'000	1-9 months past due RMB'000	10-21 months Past due RMB'000	22 months or over past due RMB'000	Total RMB'000
Provision on individual basis					
Lifetime ECL rate	100%	100%	100%	100%	
Gross carrying amount of certain debtor(s)	—	—	671	19,002	19,673
Loss allowance of certain debtor(s)	—	—	(671)	(19,002)	(19,673)
Provision on collective basis					
Lifetime ECL rate	2.3%	2.3%	29.3%	100%	
Gross carrying amount excluding certain debtor(s)	5,074	1,394	638	—	7,106
Loss allowance excluding certain debtor(s)	(116)	(31)	(187)	—	(334)
Total gross amount	5,074	1,394	1,309	19,002	26,779
Total loss allowance	(116)	(31)	(858)	(19,002)	(20,007)
Total net amount	4,958	1,363	451	—	6,772

ECL rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period 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.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Trade receivables (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (Credit-impaired)	
	2022 RMB'000	2021 RMB'000
At 1 January	**20,007**	18,876
Impairment losses recognised	**497**	1,131
At 31 December	**20,504**	20,007

Changes in loss allowance for trade receivables are mainly due to increase in trade receivables with aging over 1 year resulted in an increase in loss allowance.

Prepayment, other receivables and deposits

Other receivables, deposits and other financial assets are measured at amortised cost. To measure the ECL of financial assets at amortised cost as included in prepayments, deposits and other receivables have been grouped based on credit risk characteristics and internal credit risk assessment.

The Group's internal assessment in respect of other receivables, deposits and other financial assets at amortised cost comprises the following categories:

Internal credit assessment	Description	Other receivables, deposits and other financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past due amounts	12 month ECL
Medium risk	Debtors frequently repay after due date but usually settle after due date	12 month ECL
Watch list	There have been significant increase in credit risk since initial recognition through internal or external resources	Lifetime ECL – not credit impaired
Doubtful	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and litigation, and the Group has no realistic prospect of recovery	Amount is written off

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41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(ii) Credit risk and impairment assessment *(Continued)*

Prepayment, other receivables and deposits (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for financial assets at amortised cost as included in prepayments, deposits and other receivables as at 31 December 2022.

	Average loss rate		Gross carrying amount		Loss allowance	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Over 1 year (Medium risk)	**100%**	100%	**24,852**	23,926	**24,852**	23,926
			24,852	23,926	**24,852**	23,926

The following tables show reconciliation of loss allowances that has been recognised for prepayments, deposits and other receivables.

	Total RMB'000
At 1 January 2021	**19,173**
Prepayment, impairment loss on other receivable	**4,753**
At 31 December 2021 and 1 January 2022	**23,926**
Prepayment, impairment loss on other receivables	**926**
At 31 December 2022	**24,852**

(iii) Liquidity risk

Management of the Group aims to maintain sufficient cash through internally generated sales proceeds and external sources of funds through committed credit facilities from bank or other borrowings from individual third parties and related parties of the Company to meet the operation needs. Actions taken by management of the Group to meet immediate liquidity needs are also described in Note 4.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-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 end of the reporting period) and the earliest date the Group can be required to pay.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial Risk Management Objectives and Polices *(Continued)*

(iii) Liquidity risk *(Continued)*

		Contractual undiscounted cash flow					
	Weighted average interest rate %	Within 1 year or 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 RMB'000
At 31 December 2022							
Financial liabilities							
Other borrowings	5.26%	—	—	472,364	—	472,364	433,345
Bonds payables	12.6%	10,005	—	—	—	10,005	8,886
Trade and bills payables	—	123,821	—	—	—	123,821	123,821
Accruals and other payables	—	20,444	—	—	—	20,444	20,444
Other current liabilities	—	53,560	—	—	—	53,560	53,560
Lease liabilities	8.96%	11,682	6,597	2,389	—	20,668	19,010
		219,512	6,597	474,753	—	700,862	659,066
At 31 December 2021							
Financial liabilities							
Other borrowings	5.33%	98,904	290,450	50,567	—	439,921	395,154
Bonds payables	12.6%	505	9,110	—	—	9,615	8,525
Bank borrowings	3.65%	2,073	—	—	—	2,073	2,000
Trade and bills payables	—	127,717	—	—	—	127,717	127,717
Accruals and other payables	—	24,234	—	—	—	24,234	24,234
Other current liabilities	—	53,560	—	—	—	53,560	53,560
Lease liabilities	8.78%	18,254	14,381	19,862	2,704	55,201	44,894
		325,247	313,941	70,429	2,704	712,321	656,084

(c) Fair value measurement of financial instruments

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The following table gives information about how the fair values of equity investment designated at FVTOCI are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 2022 RMB'000	Fair value as at 2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity investment designated at fair value through other comprehensive income	**600**	600	Level 3	Discounted cash flow approach of income approach	Growth rate: 5% (2021 5%)	The higher the growth rate, the higher the fair value of the unlisted equity investment.
					Discount rate: 8% (2021: 8%)	The higher the discount rate, the lower the value of the unlisted equity investment.

There were no transfers between Level 1, 2 and 3 during the year (2021: Nil).

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42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings RMB'000 (Note 34)	Bonds payables RMB'000 (Note 34)	Other borrowings RMB'000 (Note 34)	Lease liabilities RMB'000 (Note 35)	Loan from a shareholder RMB'000	Total RMB'000
At 1 January 2021	4,000	8,532	388,074	51,364	25,445	477,415
Proceed from bank borrowing	2,000	—	—	—	—	2,000
Advance from third parties and related parties and other borrowings	—	—	56,415	—	—	56,415
Repayment of bank borrowing	(4,000)	—	—	—	—	(4,000)
Proceed from loan from a shareholder	—	—	—	—	8,356	8,356
Repayments of other borrowings	—	—	(64,594)	—	—	(64,594)
Proceed from issue of ordinary shares	—	—	—	—	775	775
Repayment of lease liabilities	—	—	—	(26,343)	—	(26,343)
Total changes from financing activities	(2,000)	—	(8,179)	(26,343)	9,131	(27,391)
Non-cash measurements						
Exchange adjustment	—	(7)	16	—	179	188
Accrued interest	—	—	15,243	—	—	15,243
Newly entered rental agreement during the year	—	—	—	21,034	—	21,034
Termination of rental agreement	—	—	—	(1,161)	—	(1,161)
Transfer to share capital and share premium upon issue of shares	—	—	—	—	(34,755)	(34,755)
At 31 December 2021 and 1 January 2022	2,000	8,525	395,154	44,894	—	450,573
Advance from third parties and related parties and other borrowings	**—**	**—**	**139,222**	**—**	**—**	**139,222**
Repayment of bank borrowing	**(2,000)**	**—**	**—**	**—**	**—**	**(2,000)**
Repayments of other borrowings	**—**	**—**	**(95,509)**	**—**	**—**	**(95,509)**
Repayment of lease liabilities	**—**	**—**	**—**	**(16,310)**	**—**	**(16,310)**
Total changes from financing activities	**(2,000)**	**—**	**43,713**	**(16,310)**	**—**	**25,403**
Non-cash measurements						
Exchange adjustment	**—**	**13**	**2,110**	**—**	**—**	**2,123**
Accrued interest	**—**	**348**	**(7,632)**	**—**	**—**	**(7,284)**
Newly entered rental agreement during the year	**—**	**—**	**—**	**605**	**—**	**605**
Termination of rental agreement	**—**	**—**	**—**	**(10,179)**	**—**	**(10,179)**
At 31 December 2022	**—**	**8,886**	**433,345**	**19,010**	**—**	**461,241**

43. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Balance with related parties

	Notes	2022 RMB'000	2021 RMB'000
Amount due to a shareholder	29(a)	**5,057**	5,057
Amounts due to Chongqing Saint		**—**	158
Loans from entities controlled by the Chairman	34(b)(ii)	**104,933**	60,968
Loans from Chongqing Saint	34(b)(iii)	**239,879**	226,126
Loan from Noble Trade International	34(b)(iii)	**23,153**	—

Transactions with related parties

During the year, the Group entered into the following transactions with related parties:

	Notes	2022 RMB'000	2021 RMB'000
Interest expenses on loans from entities controlled by the chairman	10	**4,933**	2,632
Inerest expenses on loans from shareholders	10	**11,686**	11,570

In the opinion of the Directors, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the related parties.

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43. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and other benefits in kind	**1,624**	1,636
Social security costs	**40**	42
	1,664	1,678

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

44. PLEDGE OF ASSETS

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	Note	2022 RMB'000	2021 RMB'000
Right-of-use assets	19	**3,574**	13,742
Investment properties	20	**33,035**	33,064
Buildings	18	**31,673**	126,237
Current net assets		**68,282**	173,043

At 31 December 2022, the above assets of RMB33,891,000 (2021: RMB137,974,000) were pledged to Party A for other borrowings granted to the Group and RMB34,391,000 (2021: RMB35,069,000) were pledged to Ruihua. The assets of RMB34,391,000 (2021: RMB35,069,000) were also frozen by a PRC court for a legal proceedings as disclosed in note 37(a)(ii).

45. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation/ registration and operations	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company Indirectly 2022	2021	Principal activities	note
Directly owned						
China Yinrui (HK) Investment Holding Company Limited	Hong Kong	HK$1	**100%**	100%	Investment holding	
Fuhua Investment Holding Co., Ltd	BVI	US$1	**100%**	100%	Investment holding	
Indirectly owned						
Yangzhou Huiyin Household Appliance Co., Ltd (formerly known as "Yangzhou Huiyin Technology Group Co., Ltd.") 揚州來泰商貿集團有限公司 (前稱「揚州匯銀科技集團有限公司」)	The PRC	US$147,000,000	**100%**	100%	Bulk distribution sales and provision of after-sales services of household appliances	
Jiangsu Huiyin Lehu Commercial Chain-Stores Co., Ltd (formerly known as "Jiangsu Huiyin Lehu Commercial Chain-Stores Co., Ltd") 企智(江蘇)零售業有限公司 (前稱「江蘇匯銀樂虎商業連有限公司」)	The PRC	RMB62,500,000	**100%**	100%	Retail sales and provision of after-sales services of household appliances	
Yangzhou Hengjin Air-conditioner Sales Co., Ltd. 揚州恒金銷售有限公司	The PRC	RMB 50,000,000	**100%**	100%	Bulk distribution sales of Daikin air conditioners	
Yangzhou Huide Electronics Distribution Co., Ltd. 揚州滙德電器營銷有限公司	The PRC	RMB 50,000,000	**100%**	100%	Bulk distribution sales of Midea air-conditioners	
Yangzhou Huiyin Logistic Co., Ltd 揚州滙銀物流有限公司	The PRC	US$5,000,000	**100%**	100%	Bulk distribution sales of Midea air-conditioners	
Yangzhou Huiyin Household Appliances Sales Co., Ltd 揚州滙銀電器銷售有限公司	The PRC	US$4,100,000	**100%**	100%	Retail sales of household appliances	
Anhui Four Seas Huiyin Household Appliances Sales Co., Ltd. 安徽四海滙銀家電銷售有限公司	The PRC	RMB50,000,000	**65%**	65%	Retail sales of household appliances	
Wuxi Huiyin Household Appliances Sales 無錫匯銀家電銷售有限公司	The PRC	RMB1,800,000	**100%**	100%	Bulk distribution sales of household appliances	
Nanjing Chaoming Technology Development Co., Ltd. 南京潮明科技發展有限公司	The PRC	RMB10,000,000	**100%**	100%	Retail and bulk distribution sales of household appliances	
Jiangsu Huiyin Electronics (Anhui) Co., Ltd. 合肥企智電器有限公司 (前稱「江蘇匯銀電器(安徽)有限公司」)	The PRC	RMB2,000,000	**100%**	100%	Bulk distribution sales of household appliances	
Jiangsu Kuanrui Trade Logistics Development Co.,Ltd. 江蘇寬瑞物流貿易發展有限公司	The PRC	EUR2,000,000	**100%**	100%	Logistic and warehouse services	
Jiangsu Huiyin Electronics Commerce Co., Ltd 江蘇匯銀電子商務有限公司	The PRC	RMB17,333,333	**75%**	75%	Sales of household appliances and other merchandise	(b)

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45. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Paid up issued/ registered capital	Proportion of ownership interest and voting power held by the Company Indirectly 2022	2021	Principal activities	note
Indirectly owned						
Nanjing Huiyin Lehu Logistic Management Co., Ltd. 南京匯銀樂虎供應鏈管理有限公司	The PRC	RMB30,000,000	**82%**	82%	Logistic and Warehouse Service	
Yangzhou Huiyin Commercial Chain Co., Ltd 揚州匯銀商業連鎖有限公司	The PRC	HKD40,200,000	**100%**	100%	Bulk distribution sales	
Yangzhou Jiuhao Electrical Trading Co., Ltd 揚州久好電器商貿有限公司	The PRC	RMB50,000,000	**100%**	100%	Investment holding	
Yangzhou Laihao Electrical Trading Co., Ltd 揚州來好電器商貿有限公司	The PRC	RMB40,000,000	**100%**	100%	Investment holding	
Shanghai Jingjian Dongkang Trading Co., Ltd 上海靜健動康貿易有限公司	The PRC	RMB2,000,000	**100%**	100%	Bulk distribution sales	
Nangjing HaiHuitong Supply Chain Services 南京海滙通供應鏈服務公司	The PRC	RMB300,000,000	**15%**	15%	Logistic and Warehouse Service	(a)
Beijing Qidian New Business Technology Co., Ltd 北京奇點新商業科技有限公司	The PRC	HKD10,000,000	**100%**	100%	Retail and Bulk distribution sales	
揚州滙銀倉儲管理有限公司	The PRC	HKD78,500,000	**100%**	100%	Logistic and Warehouse Service	
揚州盛世欣興電器銷售有限公司	The PRC	RMB10,000,000	**100%**	100%	Retail and Bulk distribution sales	
上海匯銀海虎電子商務有限公司	The PRC	RMB50,000,000	**80%**	80%	Retail sales of household appliances	
Guizhou Renhuai Guofeng Liquor Company Limited (貴州仁懷國峰酒業有限公司)	The PRC	RMB10,000,000	**100%**	—	Operation of liquors	

Note:

(a) On 12 December 2016, Yangzhou Huiyin, together with Yangzhou Yinhua Investment Consultation Co., Ltd. (揚州銀華企業投資諮詢有限公司, a company wholly owned by Mr. Cao Kuanping, a former director of the Company at that date), Nanjing Jingjiandongkang Trading Co.,Ltd. (南京靜健動康貿易有限公司) and Yangzhou Maikensu Investment Partnership ("Yangzhou Maikensu") (揚州麥肯蘇投資合夥企業, a company owned by certain employees of the Group),set up Nanjing Haihuitong Supply Chain Services Co.,Ltd. (南京海滙通供應鏈服務有限公司)("Haihuitong"). Haihuitong is economically dependent on the Group due to the facts that (i) the Group was its primary customer and 99% of the sales of Haihuitong were made to the Group; (ii) it relied on the Group to provide funding for its operations as all the registered shareholders had not yet contributed any capital to Haihuitong at the end of the reporting period; and (iii) the core management team members of Haihuitong were employees of the Group and 4 out of 7 members of the directors of Haihuitong were also employees of the Group. Therefore, Haihuitong is regarded as a subsidiary of the Group and its assets, liabilities and financial results is consolidated in the financial statements of the Group.

(b) None of the subsidiaries had issued any debt securities at the end of the year.

45. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests ("NCI"):

Anhui Four Seas

	2022 RMB'000	2021 RMB'000
NCI percentage	35%	35%
Current assets	80,470	65,225
Current liabilities	(28,561)	(14,113)
Net current assets	51,909	51,112
Non-current assets	10,401	17,845
Non-current liabilities	(8,433)	(12,611)
Net non-current assets	1,968	5,234
Equity attributable to owners of the Company	35,020	36,625
Accumulated NCI	18,857	19,721

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	256,979	252,462
Loss for the year	(2,468)	(6,811)
Total comprehensive expense for the year	(2,468)	(6,811)
Loss for the year attributable to NCI	(864)	(2,384)
Cash outflows from operating activities	(9,579)	(5,555)
Cash outflows from investing activities	5,000	—
Cash outflow from financing activities	(2,020)	(2,000)
Net cash outflow	(6,599)	(3,555)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000
ASSETS		
Non-current Assets		
Investments in subsidiaries	—	—
Current Assets		
Cash and cash equivalents	1,768	791
Other receivables	109	314
	1,877	1,105
TOTAL ASSETS	1,877	1,105
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	29,174	29,174
Share premium	1,885,248	1,885,248
Other reserves	119,475	119,475
Accumulated losses	(2,074,775)	(2,063,119)
Total Equity	(40,878)	(29,222)
Non-current Liabilities		
Borrowings	33,342	8,525
Current Liabilities		
Accruals and other payables	527	16,830
Borrowings	8,886	4,972
Total Current Liabilities	9,413	21,802
Total Liabilities	42,755	30,327
Net current liabilities	(7,536)	(20,697)
Total Equity and Liabilities	1,877	1,105

The Company's statement of financial position were approved and authorised for issue by the board of directors on 15 March 2023 and are signed on its behalf by:

Yuan Li
Director

Xu Xinying
Director

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium RMB'000 (Note 32)	Other reserves RMB'000 (Note 32)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	1,855,155	119,475	(2,000,887)	(26,257)
Loss and total comprehensive expenses for the year	—	—	(62,232)	(62,232)
Issue of shares	30,093	—	—	30,093
At 31 December 2021 and 1 January 2022	1,885,248	119,475	(2,063,119)	(58,396)
Loss and total comprehensive expenses for the year	**—**	**—**	**(11,656)**	**(11,656)**
At 31 December 2022	**1,885,248**	**119,475**	**(2,074,775)**	**(70,052)**

47. EVENT AFTER THE END OF THE REPORTING PERIOD

(a) On 17 January 2023, 揚州來好電器商貿有限公司, a wholly-owned subsidiary of the Group, entered into the Equity Transfer Agreement to disposal of the entire equity interest of 揚州來泰商貿集團有限公司 and its subsidiaries (the "Target Group") at consideration of RMB1. The disposal of the Target Group was completed in January 2023.

(b) On 19 January 2023, 江蘇寬瑞物流貿易發展有限公司 and 揚州久好電器商貿有限公司, a wholly-owned subsidiaries of the Group, entered into the Disposal Agreement to disposal of assets at consideration of RMB 82,580,000. The considerations are receivable upon completion of disposal and the directors expected that the disposal will be completed in September 2023.

Financial Summary

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					Restated
Results					
Revenue	**262,348**	301,173	351,727	470,731	920,807
Loss attributable to equity holders of the Company	**(136,767)**	(60,036)	(83,214)	(108,837)	(160,731)
Assets and liabilities					
Total assets	**238,437**	360,474	414,664	475,661	601,885
Total liabilities	**709,153**	693,365	720,131	755,459	772,784
Total equity	**(470,716)**	(332,891)	(305,467)	(279,798)	(170,899)
Non-controlling interests in equity	**17,786**	18,844	20,987	22,725	22,787