中国奇点国峰控股有限公司

China Qidian Guofeng Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1280


ONLINE SHOPPING

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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)
Mr. Zhuang Liangbao (Appointed on 28 August 2023)

NON-EXECUTIVE DIRECTORS
Mr. Gu Changchao (Appointed on 21 January 2024)
Ms. Xu Honghong (Removed on 21 January 2024)

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
Room 3602,
Jingxing Sea Building,
No. 3125, Linhai Avenue, Nanshan Street,
Qianhai Shenzhen-Hong Kong Cooperation Zone,
Shenzhen, 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 2023 was approximately RMB319.8 million, representing an increase of 21.9% from approximately RMB262.3 million for 2022, mainly attributable to the increased revenue from liquor sales and education-related training services with our active business expansion.

02

Gross profit margin for 2023 was 19.3%, while that for 2022 was 14.6%.

03

Operating profit for 2023 was approximately RMB85.4 million, while there was an operating loss of approximately RMB112.9 million for 2022.

04

Profit for 2023 was approximately RMB53.7 million, while there was loss of approximately RMB137.8 million for 2022.

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of China Qidian Guofeng Holdings Limited (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 2023.

Chairman's Statement

In 2023, the Company faced various challenges and difficulties in its overall development due to the changing situations, on both international and domestic fronts. Judging from the international perspective, the external environment became more complex, severe and uncertain with rapidly evolving global landscape, ongoing geopolitical crises, high global inflation, and mounting unilateralism and protectionism. In China, it turned out to be more challengeable for economic development as natural disasters occurred in several places and economic recovery was just undergoing the first year after a three-year period of the pandemic prevention and control.

Confronted with the intricate economic environment, the Company has actively adjusted and diversified its development strategies. Being true to our new consumption strategy, we adopted both offline and online retail channels and explored other marketing methods such as live commerce, word-of-mouth platforms and WeChat Mini Programs, to improve the diversification and fragmentation degree of retail channels in terms of home appliances and Maotai-flavor liquor. In addition, great efforts in our training business helped create a "three-legged" development situation.

Statistics from "2023 McKinsey China Consumer Report" show that high-income households maintain a robust consumption growth. Among high-income households, 26% consumers choose to spend 5% more than the previous year, and 60% consumers remain unchanged in their spending. As household income goes down, the proportion of consumers who spend less for themselves increases. This demonstrates a clear trend among consumers: high-income consumers have the strongest consumer resilience, and thus their purchasing power would gradually recover; meanwhile, middle-income consumers, whose spending tendencies are most vulnerable to macroeconomic fluctuations, would opt for more prudent consumption in the currently subdued economic environment. As for home appliances with better merchantability, there will be growth potential for high-end products if product upgrades take place due to the intensifying polarization of consumption. Promoting high-end home appliances and attracting more high-spending customers are also included in the development route for home appliances of the Company.

Chairman's Statement

The "White Paper on Baijiu Consumption Insight of China's New Entrepreneurs in 2023"(《2023年中國新銳企業家白酒消費洞察白皮書》) released by iiMedia Research shows that as one of the three major flavors of liquor, Maotai-flavor liquor has gained traction in recent years and got a rapid development in liquor industry. Especially since 2017, there has been a wave of Maotai-flavor liquor craze in China. Moreover, the compound annual growth rate of Maotai-flavor liquor sales revenue from 2019 to 2022 reached 15.9%. With the word-of-mouth effect and demonstration effect amplified among core consumers, the market capacity and consumers of Maotai-flavor liquor continue to expand and it has become a popular product in the industry. The Maotai-flavor liquor segment that the Company vigorously developed has achieved stable and sustained development, boosted by the rigid demand of the industry and the popularity with consumers.

In recent years, the government has introduced a series of policies to encourage and support the development of small and medium-sized enterprises in terms of capital subsidies, loan financing, taxation, rights and interests protection, etc., continuously invigorating market entities. The business entity data for the first three quarters released by the State Administration for Market Regulation on 7 November 2023 shows that the total number of business entities in China has reached a higher level. 124 million individually owned businesses had been registered in China by the end of 2023, accounting for 67.4% of the total business entities and providing employment for nearly 300 million people. About 22.582 million such businesses were newly registered in 2023, representing a year-on-year expansion of 11.4%. The sub-sector where the Company developed its training business presents great growth potential.

China's economy will face more opportunities than challenges and more favorable conditions than adverse ones in 2024, according to the Central Economic Work Conference held in Beijing on 11 and 12 December 2023. In general, the government will continue to act on the principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old. More policies will be introduced to help stabilize expectations, growth and employment.

Through the past years of economic recession brought by external environment and global inflation, compensatory and retaliatory consumption and the driving role of domestic demand promoted under 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 home appliances retail, liquor and training businesses 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, 17 March 2024

Management Discussion and Analysis

MARKET REVIEW

The year 2023 was the first year to fully implement the guiding principles of the 20th National Congress of the Communist Party of China. It was also the year for economic recovery after three years of COVID-19 prevention and control. The main projected targets have been successfully achieved with the economic operation generally characterized by higher growth rate, lower good prices, stable employment, and basically balanced international payment. The overall economy showed a "picking up" momentum.

BUSINESS REVIEW

During the reporting period, in the complex international and domestic environment with the general trend of weak recovery of macroeconomy, the home appliance industry, after experiencing a real estate dividend period and a rapid growth period, has encountered the almost saturated market penetration and slowing growth. According to data of All View Cloud, the total sales volume of home appliances has declined for two consecutive years, while the average price has shown a clear price increase since 2021, which implicates an obvious tendency of industrial structure upgrading.

Management Discussion and Analysis

In the Maotai-flavor liquor industry where the Company has developed business, Maotai-flavor liquor companies that possess Maotai as primary product have set off a consumption boom, based on the *White Paper on Baijiu Consumption Insight of China's New Entrepreneurs in 2023* (《2023年中國新銳企業家白酒消費洞察白皮書》) released by iiMedia Research. Upgrading consumption concepts and the unique mellow taste of Maotai-flavor liquor make it become a popular liquor category in recent years. In terms of liquor flavor preference, the relatively high product positioning and high-quality of Maotai-flavor liquor are in line with the needs of the current mainstream consumers, driving the further expansion of the consumer group and enabling itself to be the choice of 30.8% liquor consumers.

As for the training business the Company has engaged in, in recent years, the government has introduced a number of policies such as tax and fee reductions, and optimization of the business environment to encourage and support the development of small and medium-sized enterprises, and continuously invigorate market entities. The 2023 business entity data released by the State Administration for Market Regulation on 31 January 2024 shows that 124 million self-employed individuals had been registered in China by the end of 2023, accounting for 67.4% of the total business entities and providing employment for nearly 300 million people. About 22.582 million self-employed individuals were newly registered in 2023, representing a year-on-year expansion of 11.4%. The sub-sector where the Company developed its training business presents great growth potential.

As a diversified enterprise, the Group continues to develop the home appliance segment and actively deploys and promotes Maotai-flavor liquor and education-related training businesses. During the reporting period, the Group has promoted work in the aspects below:

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

Under the macro environment 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. Sales channels are changing obviously after the pandemic. In terms of online channels, traditional shelves' flow is decreasing, while channels like Douyin are rising 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, the front-end channels of home appliances are integrated with home construction materials, and the downward channels continue to be intensively cultivated and expanded, constantly refining and expanding lower-tier markets.

The Group's home appliance chain retailing mainly targets consumer groups in the third- and fourth-tier cities. On the one hand, it further explores fragmented channels for marketing, and on the other hand, places more efforts to accelerate the transformation of various channels. In particular, the Group enhances offline customer experience through redecorating all stores, with comfortable and 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.

Management Discussion and Analysis

2. ADOPT TO THE NEW SITUATION OF MAOTAI-FLAVOR LIQUOR AND STEADILY EXPAND SALES MARKET

The *2023 China Liquor Industry Development Annual Report* (《2023 中國白酒產業發展年度報告》) released by the China Alcoholic Drinks Association, the year 2023 has witnessed the turning to a new cycle and the polarization of domestic liquor industry. As a structural adjustment of the supply and demand ushered in the market, market and regional competition has intensified. But considering the more favorable conditions than adverse ones, the economy generally is still picking up and the fundamentals sustaining sound growth have not changed. Under the industry trend of "production decrease and prices increase", there is a promising prospect for Maotai-flavor liquor in the adjustment, given it has established a high-value product image among consumers by virtue of its scarce production capacity, and high quality and value.

During the reporting period, the Company paid close attention to and conducted research on the industry development trend, based on which to actively promote Maotai-flavor Liquor business line and diversify its retail business, thus developing a secondary growth curve for business growth and steadily enhancing the profitability of the Company. On one hand, 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 gradually formed a multi-channel sales model, which consists of offline distributors + online store, livestreaming, sales on social media communities and private e-commerce. It will grasp the development potential opportunities of Maotai-flavor liquor, attract related distributors, increase sales and steadily improve the Company's performance. Meanwhile, Guizhou Guofeng orderly organized 11 times of "Tour in Liquor City (酒都資本之旅)" and held 379 tasting investment fairs of "Maotai-flavor Storm from Guofeng Sweeping the Country (席捲全國醬香峰暴)". Making full use of the high socialized nature of liquor, step by step and with diligence and care, Guizhou Guofeng expanded the scale of distributors and market of Maotai-flavor Liquor, improved coverage at the point of sale, kept making efforts on offline sales to form favorable interaction with online marketing, thus giving a strong push on the Company's results. On the other hand, Yuanli Liquor (Shenzhen) Co., Ltd. (原力酒業 (深圳) 有限公司) (Yuanli Liquor), a subsidiary of the Company in liquor industry, completed the establishment of "Shenglao Pub Project (勝老酒館項目)" from beginning with a period of one quarter from September 2023. The tasting package of the project was released during the reporting period. Also, Yuanli Liquor kept optimizing the product design including logo and packages as well as cultivating and improving the operating and marketing capabilities in accordance with the market demand.

3. DEVELOP THE TRAINING BUSINESS AND INJECTING NEW GROWTH MOMENTUM

While steadily promoting home appliances and Maotai-flavor Liquor business, the Company actively explored new growth opportunities for its business. As set out in the announcement and circular published by the Company on 28 August 2023 and 24 October 2023, respectively, Shenzhen Qidian Education Technology Co., Ltd. (深圳奇點求學科技有限公司) (Shenzhen Co), a subsidiary owned as to 75% by the Company, entered into an agency agreement with Beijing Shengshang Entrepreneurial Technology Co., Ltd. (北京聖商創業科技有限公司) (Beijing Shengshang), pursuant to which Shenzhen Co acted as Beijing Shengshang's agent for sales and promotion of Beijing Shengshang's training courses and services for micro-, small- and medium-sized enterprises. Also, Shenzhen Co focuses on agency services for business management courses designed and delivered by course providers and sales, marketing and provision of training services including capital market investment and financing, which injected new growth momentum for the result development of the Company.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue for 2023 was approximately RMB319.8 million, representing an increase of 21.9% from approximately RMB262.3 million for 2022, which is mainly attributable to the increased revenue from liquor sales and education-related training services with our active business expansion.

Turnover of the Group comprises revenues as follows:

	2023 RMB'000	2022 RMB'000
Types of goods and services		
Sales of household appliances	239,848	262,348
Sales of liquor	52,380	—
Education-related training services	27,585	—
	319,813	262,348
Timing of revenue recognition		
A Point in Time	292,228	262,348
Over Time	27,585	—

Cost of sales and services

For the year ended 31 December 2023, the cost of sales and service was approximately RMB258.1 million, increased by 15.2% from that of approximately RMB224.1 million for the year ended 31 December 2022, which was due to the increased costs of liquor sales and education-related training businesses with the starting of new business of the Company.

Gross profit

For the year ended 31 December 2023, the gross profit was approximately RMB61.8 million, increased by 61.5% from that of RMB38.2 million for the year ended 31 December 2022.

Other income

For the year ended 31 December 2023, other income recorded by the Group amounted to approximately RMB5.9 million, in comparison to other income of approximately RMB6.4 million for the year ended 31 December 2022.

Other net gain/loss

For the year ended 31 December 2023, the Group recorded other net gain of approximately RMB5.0 million, in comparison to other net loss of approximately RMB17.7 million for the year ended 31 December 2022.

Selling and marketing expenses

For the year ended 31 December 2023, the Group's total selling and marketing expenses amounted to approximately RMB62.3 million, representing an increase by 69.3% from approximately RMB36.8 million for the year ended 31 December 2022.

Administrative expenses

For the year ended 31 December 2023, the Group's total administrative expenses amounted to approximately RMB29.0 million, decreased by 38.1% from approximately RMB46.9 million for the year ended 31 December 2022.

Operating profit/loss

For the year ended 31 December 2023, the operating profit amounted to approximately RMB85.4 million, in comparison of other operating loss of approximately RMB112.9 million for the year ended 31 December 2022.

Net finance costs

For the year ended 31 December 2023, the net finance costs of the Group amounted to approximately RMB31.7 million, representing an increase by 28.6% in comparison to approximately RMB24.6 million for the year ended 31 December 2022.

Profit/loss before tax

For the year ended 31 December 2023, the profit before income tax amounted to approximately RMB53.8 million, while the loss before income tax was approximately RMB137.5 million for the year ended 31 December 2022.

Income tax expense

For the year ended 31 December 2023, the income tax expense of the Group amounted to approximately RMB79,000, while the income tax expense was approximately RMB311,000 for the year ended 31 December 2022.

Profit/loss attributable to equity holders of the Company

The profit of attributable to equity holders of the Company for the year ended 31 December 2023 was approximately RMB55.9 million, while the loss attributable to equity holders amounted to approximately RMB136.8 million for the year ended 31 December 2022.

Cash and cash equivalents

As at 31 December 2023, the Group's cash and cash equivalents were approximately RMB162.3 million, an increase of 18.4 times from approximately RMB8.4 million as at 31 December 2022.

Inventories

As at 31 December 2023, the Group's inventories amounted to approximately RMB56.4 million, representing an increase of 35.4% from RMB41.6 million as at 31 December 2022.

Prepayments, deposits and other receivables

As at 31 December 2023, prepayments, deposits and other receivables of the Group amounted to approximately RMB40.0 million, representing an increase of 2.9% from approximately RMB38.9 million as at 31 December 2022.

Trade receivables

As at 31 December 2023, trade receivables of the Group amounted to approximately RMB3.8 million, representing a decrease of 5.0% from approximately RMB4.0 million as at 31 December 2022.

Trade and bills payables

As at 31 December 2023, trade and bills payables of the Group amounted to approximately RMB36.6 million, in comparison to approximately RMB123.8 million as at 31 December 2022.

Management Discussion and Analysis

Gearing ratio and the basis of calculation

As at 31 December 2023, gearing ratio of the Group was 232.7%, decreased from that of 297.4% as at 31 December 2022. 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 2023, the Group's working capital, capital expenditure and investment cash were funded from cash on hand and borrowings. As at 31 December 2023, the borrowings of the Group amounted to RMB471.2 million, representing an increase of 6.6% from RMB442.2 million as at 31 December 2022.

Pledge of assets

As at 31 December 2023, certain right-of-use assets, buildings and investment properties with a total carrying amount of RMB32 million had been pledged (2022: RMB68 million).

Investment properties

The Group's investment properties as of 31 December 2023 represent certain properties receiving rental income during the reporting period. Details of the investment properties of the Group as at 31 December 2023 are as follows:

Address	Existing Use	Term of 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 2023 (2022: 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 2023, the Group had 300 employees, increased by 12.36% from 267 employees as at 31 December 2022.

Management Discussion and Analysis

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 2023.

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 38 to 41 of this annual report, for the year ended 31 December 2023 are set out below.

Remuneration bands (RMB)	Number of individuals (Note)
0 – 100,000	6
100,001 – 2,000,000	7

Note: Mr. Zhuang Liangbao was appointed as an executive Director on 28 August 2023, Ms. Xu Honghong was removed as a non-executive Director on 21 January 2024, and Mr. Gu Changchao was appointed as a non-executive Director on 21 January 2024.

FUTURE OUTLOOK

Looking forward to 2024, the trend toward recovery of China's economy is still solidified and strengthened under active factors such as expected improvement of society, continuous recovery of consumption, and stabilized and improved investment and foreign trade.

Based on our projection for the macro economy situation and industry recovery trend and combined with the development status of each business segment, the Group will make efforts with focus on the following aspects:

1. STRENGTHEN DIFFERENTIATION OF HOME APPLIANCE PRODUCTS UNDER DIVERSIFIED CONSUMPTION

Based on the Company's projection on the development trend of home appliance industry consumption, with weak recovery in consumption, changing preference of consumers and the impact brought by market backlog of home appliance, resulting domestic substitutes with high-end feature as well as higher cost performance will become two major development trends of current home appliance industry. On the one hand, the high end market of home appliances still leaves a large improvement space, with the proportion of high end products of only four types of home appliances (i.e. refrigerator, clothes dryer, gas stove and dish-washing machine) representing more than 30% in domestic market currently. On the other hand, the major performance of pursuing cost efficiency in home appliance industry is purchasing domestic substitutes that are the products have higher effect and lower price.

Under the new situation of above diversified consumption, in future, the Group will not only pay attention to the importance of high-end home appliance market, strengthen the promotion effort and marketing of high end home appliance products, targeting at mid-high end consumers; but expand consumption group, listen to the demand of mid-low end consumers, focus on improvement of product effect and sales of high-quality and cost-effective home appliance products that recognized by the market. In general, the Group will provide different products and services targeting at special demand of different consumers under diversified consumption, to meet the market subdivision trend. The Group will also provide comprehensive and high-quality service from pre-sale stage to after-sale stage, to improve the purchasing experience of consumers.

Management Discussion and Analysis

2. STRENGTHEN DIGITALIZED OPERATION AND DEVELOPMENT OF MAOTAI-FLAVOR LIQUOR UNDER DIGITALIZATION

According to the *2023 China Liquor Industry Development Annual Report* released by the China Alcoholic Drinks Association,, which considers that, as for future development trend of liquor, in 2024, the digitalized and industrialized development of liquor is being transformed from expansion in quantity to improvement in quality. In response to the changes brought by the upgrade of market environment and consumption, liquor industry follows the trend and taps into the trend of digitalized transformation actively. The comprehensive application of digitalized technology will effectively improve the effectiveness of industry operation, lower the cost, enhance experience, and entirely expedite the transformation and upgrade of industry chain, which is also a huge opportunity for future innovation-driven development of liquor industry.

The Maotai-flavor Liquor business of the Group is also affected by the digitalized trend of liquor industry. In future, the Group will take full advantage of digitalization, pay attention to merger of consumption scenario and digitalization (i.e. digitalized products, operation and marketing), connect with consumers through means such as public and private operation, scenario marketing and member center management, and realize the digitalized process from user connecting, user retaining to user operating, thus continuously expanding our scale and improving the Company's results.

3. CONTINUOUSLY IMPROVE THE PROFITABILITY OF MAOTAI-FLAVOR LIQUOR BUSINESS UNDER CONSUMPTION UPGRADE

According to the *White Pater on Insight into Consumption of Baijiu by China's New Entrepreneurs in 2023* released by the iiMedia Research, the growth stage of domestic liquor industry has advanced from general growth to squeezing growth. Driven by the upgrade trend of consumption, the second-tier high end liquor enterprises show more and more strong growth momentum. According to the *2023 China Liquor Industry Development Annual Report* released by the China Alcoholic Drinks Association,, as to liquor industry aspect, with upgrade in quality, price and consumption concepts of liquor, consumption upgrade becomes the mainstream and leads the diversified consumption demand.

Under consumption upgrade, the Group continuously improves the brand influence and market penetration for Guofeng Maotai-flavor liquor, explore the secondary growth curve for business growth and steadily enhance the profitability of the Company. The Group enhances the product positioning of Guofeng Maotai-flavor liquor and Yuanli Maotai-flavor liquor and controls the quality of Maotai-flavor liquor, meets the current demand of major consumers and further expands the consumption group. Based on the projection that new entrepreneurs are the major consumers of high-quality liquor, the Company focuses on expanding the group of new entrepreneurs and increasing sales income. According to our research data: there are increasing demand from consumers for high-quality and personalized customization. Preferred by more consumers gradually and possessing abundant development space, the sealing jar liquor gradually becomes the new trend of liquor. The Group will fully develop sealing jar liquor and enhance the quality, to increase the scope of consumption group.

4. GRASP THE DEVELOPMENT POTENTIAL OF TRAINING MARKET AND STEADILY PROMOTE TRAINING BUSINESS

In 2024, the economy recovery may appear a feature of "develop and advance with fluctuation" with the structural adjustment of national economy, gradual recovery of endogenous momentum and refreshed economy vitality. The development vitality and service demand of small- and medium-sized enterprises will also be gradually released due to the gradual resuscitation of domestic economy.

The Group will grasp the favorable opportunity with improving macro economy and recovering small- and medium-sized enterprises' vitality, continue to expand the Group's training business by relying on Shenzhen Co, our subsidiary. The Group will steadily develop training agency business of small- and medium-sized enterprises, take full advantage of its self-course research and development and agent training business course model, and deeply engage in five training businesses (i.e. investment and financing in capital market, family education, sinology, study tour and new media). Meanwhile, the Group will enhance marketing strategy such as "precision marketing", aiming at special target student and customer, adopt targeted marketing strategies in the aspects of marketing strategies, means, ways and price, so as to improve the market shares and the brand influence of the Company when meeting personalized demand of student and customers.

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 C1 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 CG 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 annual report, 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 seven members, consisting of three 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
Mr. Zhuang Liangbao (appointed as executive Director of the Company with effect from 28 August 2023)

Corporate Governance Report

Non-executive Directors:

Mr. Gu Changchao (appointed as non-executive Director of the Company with effect from 21 January 2024)

Ms. Xu Honghong (removed as non-executive Director of the Company with effect from 21 January 2024)

Independent Non-executive Directors:

Mr. Zhang Yihua, Chairman of the audit committee of the Company ("**Audit Committee**") and the remuneration committee of the Company ("**Remuneration Committee**") and member of the nomination committee of the Company ("**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

Mr. Zhuang Liangbao and Mr. Gu Changchao were appointed as the executive Director and non-executive Director on 28 August 2023 and 21 January 2024 respectively. Mr. Zhuang Liangbao and Mr. Gu Changchao have obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 28 August 2023 and 20 January 2024, respectively, and they have confirmed that they understood their obligations as a director of a listed issuer.

The biographical information of the Directors are set out in the section headed "Directors' and Senior Management's Profile" on pages 38 to 41 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 38 to 41 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 2023, 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. 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 2023.

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 2023. Mr. Xu Xinying entered into a service contract with the Company commencing on 29 December 2023. Mr. Zhuang Liangbao entered into a service contract with the Company commencing on 28 August 2023.

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 21 January 2024 for Mr. Gu Changchao, 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.

Ms. Xu Honghong was removed as the non-executive Director of the Company with effect from 21 January 2024 due to (i) the management style and philosophy of Ms. Xu is substantially different from that of the other members of the Board; and (ii) during her term as a non-executive Director, Ms. Xu repeatedly failed to observe her obligation to diligently review the pertinent documents preceding the Board meetings citing the inconvenience of accessing her emails as an excuse, which resulted in meetings of the Board unnecessarily postponed and delayed. For details, please refer to the announcements of the Company dated 21 January 2024 and 15 February 2024.

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.

In accordance with Article 16.18 of the Articles of Association, Mr. Yuan Li and Mr. Fung Tak Choi shall retire at the forthcoming annual general meeting. In addition, Mr. Zhuang Liangbao and Mr. Gu Changchao who have been appointed by the Board on 28 August 2023 and 21 January 2024 respectively 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.

Corporate Governance Report

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

Directors	Types of Training
Mr. Yuan Li	B
Mr. Xu Xinying	B
Mr. Zhuang Liangbao	B
Mr. Gu Changchao	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 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 2022 annual financial results and 2023 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; review and/or approve matters relating share schemes under Chapter 17 of the Listing Rules; 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 two meeting, to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and senior management.

Nomination Committee

The Company established 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.

Corporate Governance Report

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 2023, the Group had a total of 179 female staff out of 300 employees, representing 60% of the employees of the Group. As of the date of this annual report, the Board comprised 7 Directors, all of whom were male. Except for gender, the Board members are diverse in terms of education background, professional experience, skills, knowledge and service term. The Board will increase at least one female Board member by 31 December 2024 to ensure gender diversity on the Board. The Board actively seeks to ensure it has an appropriate mix of diversity and has a number of initiatives to meet its strategic imperative of ensuring it has a diverse Board. It also conducts structured recruitment, selection and training programmes at various levels within the Group to develop a broader pool of skilled and experienced potential Board members. 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 2023.

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 2023 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	6/7	N/A	2/2	N/A	5/5
Mr. Xu Xinying	5/7	N/A	N/A	N/A	5/5
Mr. Zhuang Liangbao (appointed on 28 August 2023)	2/2	N/A	N/A	N/A	2/2
Non-executive Directors					
Ms. Xu Honghong (removed on 21 January 2024)	6/7	N/A	N/A	N/A	5/5
Mr. Gu Changchao (appointed on 21 January 2024)	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Zhang Yihua	7/7	2/2	2/2	2/2	5/5
Mr. Chen Rui	7/7	2/2	2/2	2/2	5/5
Mr. Fung Tak Choi	7/7	2/2	N/A	2/2	5/5

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 C3 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.

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 2023.

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.

Corporate Governance Report

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 the 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 2023 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 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 2023. 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. As a whole, the Company considers its risk management and internal control systems effective and adequate for the year ended 31 December 2023.

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 42 to 45.

For the year ended 31 December 2023, the fees paid/payable with respect of audit and non-audit services provided by the Company's external auditor are approximately RMB2.18 million. Details of the service fees are set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	
Current year	2,000
Non-audit Services	180
Total	2,180

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 2023.

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.

CONSTITUTIONAL DOCUMENTS

There was no change to the Articles of Association during the year. The Articles of Association are available on the websites of the Stock Exchange and the Company.

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 2023, 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".

Corporate Governance Report

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:	Room 3602, Jingxing Sea Building, No. 3125, Linhai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, PRC
Tel:	86-755-60845987
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 2023.

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, the liquor business and provision of education-related training services 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 42(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, the liquor business and provision of education-related training services 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.

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.

Report of the Directors

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 46 to 115 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 for 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 49 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 47 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 2023, 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 2023 are set out in note 46 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
Mr. Zhuang Liangbao (appointed on 28 August 2023)

Non-executive Director

Ms. Xu Honghong (removed on 21 January 2024)
Mr. Gu Changchao (appointed on 21 January 2024)

Independent Non-executive Directors

Mr. Zhang Yihua
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 38 to 41 of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023 and up to the date of this annual report, except for Mr. Yuan Li, an executive Director, 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.

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE AGENCY AGREEMENT

On 28 August 2023, Shenzhen Qidian Education Technology Co., Ltd. (深圳奇點求學科技有限公司)(the "**Shenzhen Co**") entered into the Agency Agreement with Beijing Shengshang Entrepreneurial Technology Co., Ltd. (北京聖商創業科技有限公司)(the "**Beijing Shengshang**"), pursuant to which Beijing Shengshang authorised Shenzhen Co to act as its agent for sales and promotion of Beijing Shengshang's training courses and services.

As at 28 August 2023, Mr. Yuan Li is an executive Director and a substantial shareholder of the Company, controlling 65,001,624 Shares (representing approximately 29.64% of the issued share capital of the Company). Meanwhile, Mr. Yuan Li together with parties acting in concert pursuant to an acting in concert arrangement collectively control 58.47% of the issued share capital of Beijing Shengshang. Therefore, Beijing Shengshang is an associate of Mr. Yuan Li and a connected person of the Company. As such, the transaction contemplated under the Agency Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set an annual cap on the total amount of transaction fees under the Agency Agreement. The proposed Annual Caps on the aggregate transaction fees under the Agency Agreement payable to Beijing Shengshang for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively are RMB10 million, RMB55 million and RMB58 million, respectively.

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 PRC. Meanwhile, the Group has been actively exploring investment and business opportunities to broaden its assets and revenue base. Beijing Shengshang has a long history and a successful record of operating its training services business in the PRC. Beijing Shengshang promotes its training programs and enhances its overall brand recognition among prospective students with extensive sales channels. Marketing activities of Beijing Shengshang are mainly conducted through the sales agencies, which are supported by the sales and marketing team and monitored by the monitoring and surveillance team of Beijing Shengshang. Given the strong record of Beijing Shengshang's training services business, Shenzhen Co, acting as an agent to Beijing Shengshang, will bring in a new source of income to the Group. The Company is positive about the prospects of the Shenzhen Co also because the management team of the Shenzhen Co has rich experience in sales and marketing of similar business. Most of the members of the management team of Shenzhen Co have more than ten years of experience in the education and training industry, good management skills, sales channel development capabilities, as well as technical support capabilities. Taking all the factors into consideration, it is beneficial to the Group to introduce this new business.

The details were disclosed in the announcements of the Company dated 28 August 2023 and dated 10 November 2023, and the circular of the Company dated 24 October 2023.

During the year, the total transaction fees payable by the Group amounted to RMB6,646,000.

The independent non-executive Directors have reviewed the continuing connected transaction described above and confirmed that such continuing connected transaction has been entered into:

a) in the ordinary and usual course of business of the Group;

b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor, Elite Partners CPA Limited ("**Elite Partners**"), was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000" Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transaction disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

Details of the related party transactions of the Group for the year ended 31 December 2023 are set out in note 44 to the audited consolidated financial statements. With regard to the related party transactions which constitute continuing connected transactions, the Company has complied with the annual review and disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

The significant related party transactions are set out in note 44 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 44 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 2023, 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 C1 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 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) as beneficial owner. Noble Trade International Holdings Limited was 100% owned by Mogen Ltd. ("**Mogen**"). Mogen was 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 2023, 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 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 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 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 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.

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:

(i) half of the share options (rounded down to the nearest whole number) shall be exercisable at any time during the period commencing on 14 August 2015 and ending on 13 May 2020;

(ii) the remaining half of share options (rounded down to the nearest whole number) shall be exercisable at any time during the period commencing on 14 May 2016 and ending 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, were exercisable at any time during the period commencing on 22 June 2016 and ending on 21 December 2025, and had all lapsed during the year of 2020.

THE 2023 SHARE AWARD SCHEME

On 15 June 2023, the Company adopted the 2023 share award scheme (the "**2023 Share Award Scheme**"), which shall be valid and effective for a term of 10 years commencing on the adoption date of the 2023 Share Award Scheme (the "**Adoption Date**") have been amended on 25 January 2024. As at the Adoption Date, the maximum number of Shares to be purchased and allocated pursuant to the 2023 Share Award Scheme will be 21,927,974 Shares, representing approximately 10% of the existing issued Shares of the Company (i.e. the Scheme Mandate Limit). Within the Scheme Mandate Limit, the total number of Shares which may be granted to service provider participants under this 2023 Share Award Scheme shall not exceed 19,735,176 Shares (the "**Service Provider Sublimit**").

The specific objectives of the 2023 Share Award Scheme are:

(i) to incentivise the eligible participants in boosting the sales target(s) for the sale of liquor;

(ii) to award certain selected participants with Shares for achieving certain sales target(s) for the sale of liquor; and

(iii) to recognise the contributions by certain Selected Participants and to provide them with incentives in order to retain them for continual operation, development and growth of the Group as a whole.

If a certain sales revenue is met, the Service Providers will receive a certain percentage of sales rebate from Guizhou Renhuai Guofeng Liquor Co., Ltd.* (貴州仁懷國峰酒業有限公司) ("**Renhuai Guofeng**"), an indirect wholly-owned subsidiary of the Company, in the form of goods. It allows Renhuai Guofeng to have a better control in its cash flows. In addition, any Shares (the "**Awarded Shares**") to be granted to the Eligible Participants (as defined below) held on trust by the Conyers Trustee Services (BVI) Limited (the "**Trustee**"), as sole shareholder of the BVI Co, shall be protected in case of any future liquidation of the Group or claims from creditors against the Group. Therefore, the adoption of the 2023 Share Award Scheme will incentivise the sales performance of the Service Providers who have contributed to the Group or may contribute to the Group in the future. The Board (including the independent non-executive Directors) is of the view that the criteria for the selection of the Eligible Participants and the proposed categories of Service Providers (the "**Selected Participant(s)**") are in line with the Company's business needs and align with the purpose of the 2023 Share Award Scheme.

Eligible Participants include:

(i) any employees of Renhuai Guofeng at all levels (including but not limited to officers, directors and chief executives) who are responsible for the daily management and administrative services ("**Employee Participant(s)**"); and

(ii) any regional or designated dealers, distributors or sales channels who signed definitive service contracts within six months after entering into the memorandum of understanding with and provided distribution and promotion services for the sale of liquor to Renhuai Guofeng in relation to the liquor business on a continuing or recurring basis in its ordinary and usual course of business which are in the interest of long-term growth of the Group ("**Service Provider(s)**"). There are two types of Service Providers, namely regional and designated Service Providers. Both types of Service Providers provide similar services as sales channels of liquor, except that the provision of services by regional Service Providers is restricted to a certain area of the PRC whereas designated Service Providers can sell liquor in any parts of the PRC. Designated Service Providers can also enjoy the supporting services provided by regional Service Providers, such as training, management, promotional and marketing activities.

For the avoidance of doubt, the Service Providers exclude customers purchasing goods from the Group; other service providers or suppliers save as those set out in (ii) above; placing agents or financial advisers providing advisory services to the Group for fundraising, mergers or acquisitions; and professional service providers such as auditors or valuers who provide assurance or are required to perform their services to the Group with impartiality and objectivity. The Board (including the independent non-executive Directors) is of the view that the categories of the Service Providers are in-line with the industry norm.

No Award shall be granted to any Selected Participant which would result in the total number of (a) the Award Shares purchased/allocated and to be purchased/allocated under the Awards already granted or to be granted to such Selected Participant under the 2023 Share Award Scheme (excluding any Awards cancelled in accordance with the terms of the 2023 Share Award Scheme); and (b) any Shares issued and to be issued and/or purchased and to be purchased and/or allocated and to be allocated in respect of all other options and awards (if any) granted to such selected Participant, in the 12-month period up to and including the date of such grant representing in aggregate over 1 % of the Shares in issue (the "**1% Individual Limit**"). Any grant of Awards that shall exceed the 1% Individual Limit must be separately approved by Shareholders in general meeting which such Selected Participant and his/her close associates (or associates if such Selected Participant is a connected person) abstaining from voting and the Company must send a circular to the Shareholders in compliance with the requirements of the Listing Rules.

Any grant of Awards to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Awards).

No Award shall be granted to any Selected Participant who is a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates which would result in the total number of the Award Shares allocated and to be allocated under the Awards already granted or to be granted to such Selected Participant under the 2023 Share Award Scheme (excluding any Awards cancelled in accordance with the terms of the 2023 Share Award Scheme) in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue (the "**0.1% Limit**"). Any grant of Awards to such Selected Participant that shall exceed the 0.1% Limit must be approved by Shareholders in general meeting and the Company must send a circular to the Shareholders in compliance with the requirements of the Listing Rules.

No Award shall be granted to any Selected Participant who is an independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates which would result in the total number of the Award Shares allocated and to be allocated under the Awards already granted or to be granted to such Selected Participant under the 2023 Share Award Scheme (excluding any Awards cancelled in accordance with the terms of the 2023 Share Award Scheme) in the 12-month period up to and including the date of such grant, representing in aggregate over the 0.1% Limit. Any grant of Awards to such Selected Participant that shall exceed the 0.1% Limit must be approved by Shareholders in general meeting and the Company must send a circular to the Shareholders in compliance with the requirements of the Listing Rules.

Report of the Directors

In the event of any Award being granted to any Selected Participant who is a Director, chief executive of the Company, a substantial shareholder of the Company, or any of their respective associate which would exceed the 0.1% Limit, the grantee of the Award and all core connected persons of the Company must abstain from voting in favour at such general meeting convened to approve the granting of the Award and the Company must comply with the requirements under Chapter 13 of the Listing Rules.

The vesting conditions of the Selected Participants shall be determined by the Board and set out in the notice containing details concerning the grant of Award Shares ("**Grant Notice**") and the notice concerning the vesting. Subject to other terms and conditions of the 2023 Share Award Scheme, the vesting of the Awards is subject to the Selected Participant remaining at all times after the date of Grant Notice and on the vesting date as an Eligible Participant. A Selected Participant, who is a Service Provider, is regarded as ceasing to be a Selected Participant if such person or entity ceases to provide services to the Group on a continuing or recurring basis. However, a Selected Employee is regarded as remaining as a Selected Participant notwithstanding that he or she ceases to hold a position of employment or directorship with a member of the Group, if at the same time he or she takes up a different position of employment and/or directorship with another member of the Group as requested or instructed by the Company. For the avoidance of doubt, if a Selected Participant ceases to hold a position of employment or directorship with a member of the Group and at the same time takes up a different position of employment and/or directorship with another member of the Group for any reason other than at the request or direction of the Company, the Selected Participant will be regarded as ceasing to be a Selected Participant (except as otherwise determined in absolute discretion by the Board).

In determining the vesting of Awards and the number of Award Shares, it shall be subject to performance criteria to be satisfied by the Selected Participants (excluding any Excluded Participants) and factors determined by the Board from time to time as it thinks appropriate. The performance criteria and relevant factors include, without limitation to, the following matters:

(i) the potential and/or actual contribution of the relevant Selected Participant(s) to the financial performance of the Group;

(ii) the sales performance and sales revenue of the Group by the end of each of the financial year of the Group;

(iii) the performance of the relevant Selected Participants;

(iv) the general financial condition of the Group;

(v) the Group's overall business objectives and future development plan; and

(vi) any other matter which the Board considers relevant.

Subject to the terms and conditions of the 2023 Share Award Scheme Scheme and the fulfillment of all entitlement and/or vesting conditions to the entitlement and/or vesting of the Awarded Shares on such Selected Participant as specified in the Amended 2023 Share Award Scheme and the grant notice (unless otherwise waived by the Board), the Board shall on the vesting date (or if the vesting date is not a business day, on the next business day) issue and allot new Shares to the Trust for the benefit of the Selected Participants and/or cause the Trustee to allocate and transfer the Shares so purchased, issued and/or allotted to such Selected Participant in accordance with the number of Award Shares as set out in the grant notice, and the consideration for the allocation and transfer fees of the Shares representing the market value of the Shares shall be borne by the Company 's resources.

The Board is entitled to impose any terms and conditions (including a period of continued employment, engagement and/or service within the Group after the Award shall become entitled and/or vested), as it deems appropriate in its absolute discretion with respect to the entitlement and/or vesting of the Awarded Shares on the Selected Participant and shall inform such Selected Participant the relevant conditions of the Award and the Awarded Shares provided that the vesting period for Awards shall not be less than 12 months, except for the specific circumstances set out below in respect of Awards granted only to Selected Employees:

(a) to provide competitive terms and conditions to Selected Employees and individuals who the Board considers are valuable talent for the development and growth of the businesses of the Group in order to attract and induce them in accepting the employment offer made by the Group to them;

(b) in the event that a Selected Employee retired at his or her normal retirement date, that is, 60 of age for male employees and 50-55 of age for female employees, all the Awarded Shares of the relevant Selected Employee, as determined by the Board in its absolute discretion, shall be deemed to be vested on the day immediately prior to his or her normal retirement or such earlier or later date by agreement with the relevant member of the Group;

(c) in the event of the death of a Selected Employee at any time prior to a Vesting Date, the Awarded Shares of such Selected Employee shall be deemed to be vested on the day immediately prior to his or her death;

(d) in the event of a change in control of the Company as defined in the Code on Takeovers and Merges and Share Buy-back prior to the Vesting Date, the Board shall determine at its absolute discretion whether such Awarded Shares shall vest to the Selected Employees; or

(e) in the event that a notice is duly given by the Company to its Shareholders to convene a general meeting for the purpose of considering a resolution for the voluntary winding-up of the Company or an order of winding up of the Company is made, the Board shall determine at its discretion whether such Awarded Shares shall vest to the Selected Employees and the time at which such Awarded Shares shall vest.

For the avoidance of doubt, the vesting period in respect of Awards granted to Selected Participants who are Service Providers shall not be less than 12 months.

The Board may grant Awards to any Selected Participant at no consideration from time to time.

Subject to any early termination, the 2023 Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date. And the remaining life of the scheme is approximately 9 years.

The details of the 2023 Share Award Scheme were disclosed in the announcements of the Company dated 16 February 2023, 17 May 2023 and the circular dated 22 May 2023.

The total number of shares available for issue under the 2023 Share Award Scheme is 21,927,974, being 8.3% of the issued share capital as at the date of this annual report.

During the year ended 31 December 2023, there was no outstanding Share under the 2023 Share Award Scheme and no Share were granted, exercised, cancelled or lapsed under the 2023 Share Award Scheme. Therefore, under the 2023 Share Award Scheme, as at the date of this annual report, 21,927,974 Shares and 19,735,176 Shares were available for grant under the Scheme Mandate Limit and the Service Provider Sublimit, respectively.

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 "CONTINUING CONNECTED TRANSACTION IN RELATION TO THE AGENCY AGREEMENT", 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.

Report of the Directors

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 2023 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 3.22% of the Group's total revenue and sales to the largest customer accounted for approximately 1.85% of the Group's total revenue for year 2023. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 51.83% of the Group's total purchases and purchases from the largest supplier accounted for approximately 17.89% of the Group's total purchases for year 2023.

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

Mr. Zhuang Liangbao has been appointed as an executive Director of the Company on 28 August 2023.

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 2023 and the auditor's report thereon.

AUDITOR

Crowe (HK) CPA Limited 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 2023 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

On 14 January 2024, the Company entered into a subscription agreement with Yayue Longte Co., Limited (亞悦隆特有限公司), pursuant to which 43,855,948 Shares were allotted to Yayue Longte Co., Limited as the subscriber at the subscription price of HK$0.69 per Share under general mandate. The subscription has been completed on 26 January 2024. The gross proceeds from the subscription amounted to HK$30,260,604.12 and the net proceeds, after deduction of the related expenses, amounted to HK$29,960,604.12. The proceeds were intended to be applied for repayment of debts, general working capital and general corporate expenses. As at the date of this annual report, HK$20 million has been applied for repayment of Company's outstanding debts and the remaining proceeds have not been utilised. The details were disclosed in the announcements of the Company dated 14 January 2024 and 26 January 2024.

On 18 March 2024 (before trading hours), the Company and Noble Trade International Holdings Limited* (聖行國際集團有限公司) ("**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for 530,000,000 new Shares as the Subscription Shares at the Subscription Price of HK$0.35 per Subscription Share for a total consideration of HK$185.50 million, which shall be satisfied by way of offsetting HK$185.50 million in the outstanding principal amount of the Shareholder's Loans. Upon Completion, HK$185.50 million in the outstanding principal amount of the Shareholder's Loans shall be deemed to have been fully repaid. The remaining balance of the Shareholder's Loans, including any interest accrued under the Shareholder's Loans as at the date of the Subscription Agreement shall be approximately HK$166.99 million.

As at 18 March 2024, the Subscriber and parties acting in concert with it holds 64,565,624 Shares, representing approximately 24.54% of the issued share capital of the Company. Upon Completion, the shareholding of the Subscriber and parties acting in concert with it will increase to approximately 74.96% of the issued share capital of the Company (assuming there is no change in the issued share capital of the Company other than issue of the Subscription Shares), thereby triggering an obligation on the Subscriber under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber or parties acting in concert with it, unless the Whitewash Waiver is granted by the Executive. The details were disclosed in the announcement of the Company dated 18 March 2024 and 8 April 2024.

On behalf of the Board
Yuan Li
Chairman

Hong Kong, 17 March 2024

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	42	26 August 2017-Now: Executive Director; 29 December 2017-Now: Chairman of the Board
Mr. Xu Xinying	Executive Director, Vice-chairman	43	26 August 2017-29 December 2017: Non-executive Director; 29 December 2017-Now: Executive Director; 27 November 2019-Now: Vice-chairman
Mr. Zhuang Liangbao	Executive Director,	62	28 August 2023-Now
Mr. Gu Changchao	Non-Executive Director	49	21January 2024-Now
Ms. Xu Honghong	Non-Executive Director	38	8 March 2019-21 January 2024
Mr. Zhang Yihua	Independent Non-Executive Director	42	23 August 2022-Now
Mr. Chen Rui	Independent Non-Executive Director	49	4 July 2018-Now
Mr. Fung Tak Choi	Independent Non-Executive Director	65	19 February 2019-Now

(2) DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

(a) Executive Directors

Mr. Yuan Li (袁力先生), aged 42, 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 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 64,565,624 shares, representing 24.54% of the total issued share capital of the Company as at the date of this annual report. 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 and a deputy to the People's Congress of Zhongjiang County, Sichuan Province (四川省中江縣人民代表大會).

Mr. Xu Xinying (徐新穎先生), aged 43, 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) since August 2014. 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).

Mr. Zhuang Liangbao (莊良寶先生), aged 62, was appointed as an executive Director of the Company on 28 August 2023. He is currently the executive director and chief financial officer of Shenzhen Qidian Education Technology Co., Ltd. (深圳奇點求學科技有限公司), a non-wholly owned subsidiary of the Company.

Prior to joining the Group, Mr. Zhuang served as a secretary to the board, a deputy general manager and a director of Beijing Shengshang Entrepreneurial Technology Co., Ltd. (北京聖商創業科技有限公司) from November 2020 to July 2023. He held the positions as a deputy general manager and a director of Suzhou Gold Mantis Construction Decoration Co., Ltd (蘇州金螳螂建築裝飾股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 002081), from April 2004 to April 2013. From December 2000 to September 2003, Mr. Zhuang worked as the board secretary, head of finance department and deputy general manager at Zhejiang Huahai Pharmaceutical Co., Ltd. (浙江華海藥業股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 600521). From October 1995 to December 2000, he served as the finance manager and finance director at Suzhou New District Hi-Tech Industrial Co., Ltd. (蘇州新區高新技術產業股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 600736).

Mr. Zhuang was the director of Suzhou Jinchi Commercial Development Co., Ltd.* (蘇州金池商業發展有限公司), which was established in the PRC and was deregistered on 14 December 2010.

Mr. Zhuang received a master's degree in Regional Economics at East China Normal University (華東師範大學) in July 2001. Mr. Zhuang has been a certified public accountant in the PRC since October 1994 and has held the title of a senior economist (高級經濟師) since October 2010.

(b) Non-executive Directors

Mr. Gu Changchao (顧常超先生), aged 49, was appointed to the Board on 21 January 2024 as the non-executive Director, Mr. Gu is currently the secretary-general of Global Leadership Program at Tsinghua University.

Mr. Gu has over 15 years of teaching, consulting, and management experience in the fields of operations and global supply chain management, strategic innovation and business transformation, green development, and international cooperation. He has been appointed as a distinguished expert in leadership and operations management at the New York Finance Institute since July 2022. He served as a system engineer at Motorola Solutions (China) Co. Ltd (摩托羅拉(中國)有限公司) from 1996 to 1998 and the marketing director of Dell Computer (China) Co. Ltd. (戴爾計算機(中國)有限公司) from 1998 to 2001. From 2005 to 2006, he served as the director of strategic alliance at Amazon China (亞馬遜(中國)有限公司). Mr. Gu has also served as vice dean of HR Committee at China's Academy of Management since October 2010.

From September 2014 to August 2015, Mr. Gu served as a Senior Visiting Scholar at the Kennedy School of Government, Harvard University. He is also a board member of the Tsinghua University Alumni Association in Germany.

Mr. Gu obtained an MBA degree in operations management from Tsinghua University School of Economics and Management in July 2004.

Ms. Xu Honghong (徐紅紅女士), aged 38, was appointed as the Non-executive Director of the Company since 8 March 2019 and removed as the non-executive Director on 21 January 2024. 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.

Directors' and Senior Management's Profile

(c) Independent Non-executive Directors

Mr. Zhang Yihua (張軼華先生), aged 42, 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 49, 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 65, 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 2001 and was admitted as a solicitor to the High Court of Hong Kong in August 2013. In June 2023, he was admitted as lawyer of Guangdong-Hongkong-Macao Greater Bay Area in PRC.

(d) Senior Management

Mr. Gao Qiang (高强先生), 54 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 57, 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 47, 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 52, 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. Chen Guangzao (陳廣早先生), aged 51, is currently the Deputy General Manager and 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

TO THE SHAREHOLDERS OF CHINA QIDIAN GUOFENG HOLDINGS LIMITED
(FORMERLY KNOWN AS "QIDIAN INTERNATIONAL CO., LTD.")
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Qidian Guofeng Holdings Limited (formerly known as "Qidian International Co., Ltd.") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 115, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional 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 matters.

Key audit matter	How our audit addressed the key audit matter
Loss allowance for expected credit loss ("ECL") on trade and other receivables As at 31 December 2023, the carrying value of trade and prepayment and other receivables (net of loss allowances) were RMB3,760,000 and RMB40,033,000 respectively. Provision of loss allowance amounting to RMB158,000 and Reversal of RMB326,000 on trade and other receivables respectively have been recorded during the year. We consider this matter to be a key audit matter because of their significance to the consolidated financial statements and the assessment of ECL for trade and other receivables requires the use of management's judgement and estimate. Management assessed the provision for ECL of trade and other receivables based on probability weighted estimate of credit losses over the expected life of these receivables and where there are any events or changes in circumstances indicate a detrimental impact on the estimated future cash flows of these balances.	Our audit procedures, among others, included: • Understanding, through enquiry with the management, the established policies and procedures on credit risk management of receivables arising from the Group's business; • Assessing and evaluating the design and implementation of controls with respect to the identification of receivables with overdue or default payments; • Assessing management's judgement over the ECL and creditworthiness of the borrowers by assessing the available information, such as background information of the debtors, past collection history of debtors, concentration risk of debtors, the Group's actual loss experience, forward-looking information and subsequent settlement of the trade and other receivables; and • Testing the aging of trade and other receivables at end of the reporting period on a sampling basis.

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.

Independent Auditor's Report

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 the 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.

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
Level 23, YF Life Tower
33 Lockhart Road, Wan Chai,
Hong Kong
16 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

		Year ended 31 December	
	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	319,813	262,348
Cost of sales and services		(258,063)	(224,123)
Gross profit		61,750	38,225
Other income	8	5,903	6,432
Other net gain/(loss)	9	5,038	(17,673)
Impairment loss on trade receivables		(158)	(497)
Impairment loss on property, plant and equipment and right-of-use assets		—	(55,728)
Gain of disposal of subsidiaries	38	104,185	—
Selling and marketing expenses		(62,270)	(36,789)
Administrative expenses		(29,004)	(46,869)
Operating profit/(loss)		85,444	(112,899)
Finance income	10	292	274
Finance costs	10	(31,947)	(24,889)
Net finance costs		(31,655)	(24,615)
Profit/(Loss) before tax		53,789	(137,514)
Income tax expense	11	(79)	(311)
Profit/(Loss) for the year	12	53,710	(137,825)
Attributable to:			
– Owners of the Company		55,854	(136,767)
– Non-controlling interests		(2,144)	(1,058)
		53,710	(137,825)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)			
– Basic	17	0.255	(0.624)
– Diluted		0.255	(0.624)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	7,423	87,472
Right-of-use assets	19	14,544	15,693
Investment properties	20	24,189	33,035
Intangible assets	21	—	718
Equity investment designated at fair value through other comprehensive income	22	—	600
Total non-current assets		46,156	137,518
Current assets			
Inventories	25	56,392	41,647
Trade receivables, net	23	3,760	3,956
Prepayments, deposits and other receivables	24	40,033	38,899
Restricted bank deposits	26	5,020	8,058
Cash and cash equivalents	27	162,301	8,359
Total current assets		267,506	100,919
Total assets		313,662	238,437
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	31	29,174	29,174
Reserves	32	(461,822)	(517,676)
		(432,648)	(488,502)
Non-controlling interests		16,546	17,786
Total equity		(416,102)	(470,716)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	34	471,192	433,345
Lease liabilities	35	11,317	8,433
Provision for reinstatement costs	37	282	311
Total non-current liabilities		482,791	442,089
Current liabilities			
Trade and bills payables	28	36,557	123,821
Accruals and other payables	29	97,703	38,488
Contract liabilities	30	48,484	19,115
Lease liabilities	35	10,434	10,577
Borrowings	34	—	8,886
Other current liabilities	36	53,560	53,560
Provision for litigations	37	—	12,280
Provision for reinstatement costs	37	235	337
Total current liabilities		246,973	267,064
Total liabilities		729,764	709,153
Total equity and liabilities		313,662	238,437
Net current assets/(liabilities)		20,533	(166,145)

The consolidated financial statements on page 46 to 115 were approved and authorised for issue by the board of directors on 16 March 2024 and are signed on its behalf by:

YUAN LI
Director

ZHUANG LIANGBAO
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 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 and 1 January 2023	29,174	1,885,248	28,007	55,395	(2,486,326)	(488,502)	17,786	(470,716)
Disposal of subsidiaries	—	—	—	—	—	—	904	904
Profit and total comprehensive income for the year	—	—	—	—	55,854	55,854	(2,144)	53,710
Total comprehensive income for the year	—	—	—	—	55,854	55,854	(1,240)	54,614
At 31 December 2023	29,174	1,885,248	28,007	55,395	(2,430,472)	(432,648)	16,546	(416,102)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit/(loss) before tax	53,789	(137,514)
Adjustments for:		
– Net foreign exchange changes	(1,796)	2,314
– Amortisation of right-of-use assets	3,077	16,203
– Depreciation of property, plant and equipment	2,028	7,661
– Depreciation of investment properties	1,574	942
– Amortisation of intangible assets	—	319
– (Gain)/loss on disposal of property, plant and equipment and right-of-use assets	(2,155)	89
– Finance income	(292)	(274)
– Interest expenses	20,386	22,575
– (Reversal of write down)/write down of inventories	(2,212)	3,558
– Impairment loss on trade receivables	158	497
– (Reversal of impairment loss)/impairment losses on prepayments, other receivables and deposit	(326)	926
– 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 of litigations	20	12,320
– Gain on disposal of subsidiaries	(104,185)	—
– Reversal of reinstatement cost, net	(131)	—
Operating cash flows before movements in working capital	(30,065)	(15,317)
– (Increase)/decrease in inventories	(12,533)	6,261
– Decrease in trade and bills receivables	38	2,319
– (Increase)/decrease in prepayments, deposits and other receivables	(808)	7,690
– Decrease in restricted bank deposits	3,038	2,542
– Increase /(decrease) in trade and bills payables	15,154	(3,896)
– Increase /(decrease) in accruals and other payables	49,062	(2,933)
– Increase /(decrease) in contract liabilities	29,369	(162)
Cash generated from/(used in) operations	53,255	(3,496)
Interest paid	(9,496)	(28,087)
Income taxes paid	(79)	(311)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	43,680	(31,894)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(116)**	(43)
Net cash outflow arising from disposal of subsidiaries	**(176)**	—
Net proceed from disposal of property, plant and equipment and righ-of-use assets	**66,091**	—
Interest received	**292**	274
NET CASH GENERATED FROM INVESTING ACTIVITIES	**66,091**	231
FINANCING ACTIVITIES		
Advance from third parties and related parties and other borrowings	**170,971**	139,222
Advance from a shareholder	**403,247**	—
Repayment of bank borrowings	**—**	(2,000)
Repayment of other borrowings	**(291,281)**	(95,509)
Repayment of loan from shareholders	**(216,467)**	—
Repayment of lease liabilities	**(13,413)**	(16,310)
Repayment of bond payables	**(8,886)**	—
NET CASH GENERATED FROM FINANCING ACTIVITIES	**44,171**	25,403
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**153,942**	(6,260)
CASH AND CASH EQUIVALENTS AT BEGINING OF YEAR	**8,359**	14,619
CASH AND CASH EQUIVALENTS AT END OF YEAR	**162,301**	8,359

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

China Qidian Guofeng Holdings Limited (formerly known as "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 (i) the retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance; (ii) the liquor business; and (iii) education-related training services 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

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.

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.

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

New and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 and amendment to HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments of HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except for described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
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	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL 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.

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.

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

4. MATERIAL 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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES *(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 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 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.

(e) *Training service fees*

Training services fees are derived from organizing seminars and the provision of training services. Training service fees are generally received in advance prior to the program seminars or lessons. Training services fees are recognized proportionately over the relevant course schedule in which the services are rendered. The portion of training services fees received from customers but not yet earned is recorded as contract liabilities, and which will be earned beyond one year is reflected as non-current liability.

Leases

Right-of-use assets

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.

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.

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

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

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

The Group as a lessor

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.

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.

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 are expensed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Government grants

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

Government grants 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.

(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).

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(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.

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.

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.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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	—

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

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.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, and right-of-use assets to determine whether there is any indication that 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 and right-of-use 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. MATERIAL 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).

Financial instruments

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

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.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

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.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

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.

(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.

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(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.

(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.

4. MATERIAL 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.

Financial liabilities at amortised cost

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

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.

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

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 42(b)(ii).

Revenue and profit recognition

Revenue from the provision of education service incomes and membership income are recognised over time. Such revenue and profit recognition on uncompleted services is dependent on estimating the total outcome of the contract, as well as the work done to date.

Based on the Group's recent experience and the nature of the training activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured.

In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

RMB27,585,000 of revenue from provision of education services were recognised for the year ended 31 December 2023.

6. REVENUE AND SEGMENT INFORMATION

(i) REVENUE

Revenue represents fair value of the consideration received or receivable and for goods sold to customers and provision of education-related services in normal course of business, net of discounts and sales related taxes.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Types of goods and services		
Sales of home appliances	**239,848**	262,348
Sales of liquor	**52,380**	—
Provision of education service	**27,585**	—
	319,813	262,348
Timing of revenue recognition		
A Point in Time	**292,228**	262,348
Over Time	**27,585**	—
	319,813	262,348

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker ("CODM"), being the chief executive officer of the Company, for the purpose of resource allocation and performance assessment focuses on type of goods or services delivered or provided are as follows:

- Household appliance business— retail of household appliance, mobile phones, computers, imported and general merchandise and provision of maintenance and installation services for household appliance.
- Liquor business — trading of liquor.
- Education business — education-related training services.

No reporting segment identified by the CODM has been aggregated in arriving at the reportable segment of the Group.

Segment revenue and results

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

	Household appliance business RMB'000	Liquor business RMB'000	Education business RMB'000	Total RMB'000
For the year ended 31 December 2023				
Revenue sales to external customer	239,848	52,380	27,585	319,813
Segment results	2,816	(5,343)	(754)	(3,281)
Unallocated income				40
Unallocated expenses				(47,155)
Gain on disposal of subsidiaries				104,185
Profit before tax				53,789
Other segment items are as follows:				
Depreciation charge	3,892	5	—	3,897
Amortisation charge	2,333	270	474	3,077
Impairment loss on trade receivables	131	—	27	158
(Reversal of impairment loss)/ impairment loss on prepayments, other receivables and deposits	(862)	477	59	(326)
Net reversal of write down of inventories	(2,212)	—	—	(2,212)
Gain on disposal of property, plant and equipment and right-of-use assets	(2,155)	—	—	(2,155)

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For the year ended 31 December 2023

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(ii) SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	Household appliance business RMB'000	Liquor business RMB'000	Education business RMB'000	Total RMB'000
For the year ended 31 December 2022				
Revenue sales to external customer	262,348	—	—	262,348
Segment results	(62,625)	—	—	(62,625)
Unallocated income				64
Unallocated expenses				(74,953)
Loss before tax				(137,514)
Other segment items are as follows:				
Depreciation charge	8,603	—	—	8,603
Amortisation charge	15,261	—	—	15,261
Write down of inventories	3,558	—	—	3,558
Impairment loss on trade receivables	497	—	—	497
Impairment loss on prepayments, other receivables and deposits	926	—	—	926
Impairment loss on 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)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Segment assets and liabilities

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

At 31 December 2023

Segment assets and liabilities	Household appliance business RMB'000	Liquor business RMB'000	Education business RMB'000	Total RMB'000
Segment assets	123,652	59,482	36,358	219,492
Unallocated assets				94,170
Total assets				313,662
Segment liabilities	571,600	44,658	42,787	659,045
Unallocated liabilities				70,719
Total liabilities				729,764

At 31 December 2022

Segment assets and liabilities	Household appliance business RMB'000	Liquor business RMB'000	Education business RMB'000	Total RMB'000
Segment assets	229,133	—	—	229,133
Unallocated assets				9,304
Total assets				238,437
Segment liabilities	620,554	—	—	620,554
Unallocated liabilities				88,599
Total liabilities				709,153

Segment assets consist primarily of property, plant and equipment, right-of-use assets, investment properties, 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 other current liabilities, corporate liabilities of the management companies and investment holding companies.

(c) Information about major customers

None of customers over 10% of the total revenue of the Group for the years ended 31 December 2023 and 2022.

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For the year ended 31 December 2023

8. OTHER INCOME

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Rental income from investment properties	103	3,513
Construction income	—	68
Rental income from subletting stores	1,206	2,851
Consultant income	2,549	—
Government subsidy	452	—
Activities income	1,593	—
	5,903	6,432

9. OTHER NET GAIN/(LOSS)

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Gain/(loss) on disposal of property, plant and equipment and right-of-use assets	2,155	(89)
Gain on early termination of lease agreement	—	862
Net reversal of write down of inventories	2,212	(3,558)
Reversal of impairment loss/(impairment loss) on prepayment, other receivables and deposits	326	(926)
Provision of provision of litigation	(20)	(12,320)
Loss on deregistration of subsidiaries	—	(201)
Sale of scrap products	478	—
Compensation expenses	(113)	(1,441)
	5,038	(17,673)

10. NET FINANCE COSTS

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Finance costs		
– Interest on discounting of bills receivable	—	586
– Interest on lease liabilities	1,398	2,221
– Interest on bank borrowings	—	77
– Interest on other borrowings/advances from Independent third parties	2,242	2,724
– Interest on loans from entities controlled by the Chairman	7,173	4,933
– Interest on shareholder loans	8,718	11,686
– Interest on loan from related party	293	—
– Interest on bonds payables	562	348
– Loss foreign exchange cash and cash equivalents borrowings and bonds payable	11,561	2,314
	31,947	24,889
Finance income		
– Interest income on bank deposits	(292)	(274)
Net finance costs	31,655	24,615

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
PRC enterprise income tax ("EIT")		
Provision for the year	79	311

(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 (2022: 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 expenses for the year can be reconciled to profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive expense as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Profit/(Loss) before tax	53,789	(137,514)
Tax at domestic income tax rates	13,447	(34,379)
Tax effects of expenses not deductible for tax purpose	27,821	24,561
Tax effects of income not taxable for tax purpose	(48,908)	—
Tax effects of unused tax losses not recognised	6,966	9,171
Tax effect of deductible temporary difference not recognised	753	958
Income tax expenses for the year	79	311

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For the year ended 31 December 2023

12. PROFIT/(LOSS) FOR THE YEAR

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of inventories sold	**239,047**	223,644
Cost of services rendered	**19,016**	479
Cost of sales and services	**258,063**	224,123
Taxes and levies on main operations (note)	**628**	479
Employee benefit expenses (including directors' emoluments)	**35,635**	19,851
Amortisation of right-of-use assets	**3,077**	16,203
Depreciation of property, plant and equipment	**2,028**	7,661
Depreciation of investment properties	**1,574**	942
Provision of litigation	**20**	12,320
Amortisation of intangible assets	**—**	319
(Reversal of write down)/write down of inventories	**(2,212)**	3,558
Impairment loss on trade receivables	**158**	497
(Reversal of impairment loss)/impairment loss on prepayments, other receivables and deposit	**(326)**	926
Auditor's remuneration		
– Audit services	**2,000**	1,786
– Non-audit services	**180**	180
Lease payment not included in the measurement of lease liabilities	**—**	1,507
(Gain)/loss on disposal of property, plant and equipment and right-of-use assets	**(2,155)**	89

Note: Included in cost of sales

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 RMB'000	2022 RMB'000
Salaries and other allowances	**24,715**	16,615
Social security costs	**9,680**	2,634
Other benefits	**1,240**	602
	35,635	19,851

(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 2023, 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 (2022: 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.

(c) As at 31 December 2023 and 2022, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

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 2023

	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)	—	—	—	—	1,903	1,903
– Mr. Xu Xinying	—	—	—	—	—	—
– Mr. Zhuang Liangbao (note (a))	156	—	—	—	—	156
Independent non-executive directors						
– Mr. Zhang Yihua (note (b))	92	—	—	—	—	92
– Mr. Chen Rui	92	—	—	—	—	92
– Mr. Fung Tak Choi	92	—	—	—	—	92
Non-executive directors						
– Ms. Xu Honghong	—	—	—	—	—	—
	432	—	—	—	1,903	2,335

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

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

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 (d))	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

Note:

(a) Mr. Zhuang Liangbao was appointed as executive director on 28 August 2023.

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

During the years ended 31 December 2023 and 2022, 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.

15. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year included one director (2022: one director), details of whose remuneration are set out in note 14 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid individuals who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and other allowances	**1,635**	825
Social security costs	**335**	40
	1,970	865

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

	2023	2022
	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 2023, nor has any dividend been proposed since the year ended 31 December 2023 (2022: Nil).

17. EARNINGS/(LOSS) PER SHARE

Basic

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

	Year ended 31 December	
	2023	2022
Profit/(Loss) attributable to owners of the Company (RMB'000)	**55,854**	(136,767)
Weighted average number of ordinary shares in issue ('000)	**219,280**	219,280
Basic earnings/(loss) per share (RMB)	**0.255**	(0.624)

Diluted

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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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 cost					
At 1 January 2022	174,456	23,503	2,465	21,529	221,953
Additions	—	8	35	—	43
Reclassification to investment properties	(10,280)	—	—	—	(10,280)
Disposal	—	(12,839)	(220)	—	(13,059)
At 31 December 2022 and 1 January 2023	164,176	10,672	2,280	21,529	198,657
Additions		80	36	—	116
Disposal	(109,417)	(1,030)	(185)	—	(110,632)
Disposal through disposal of subsidiaries	(46,211)	(8,141)	(1,529)	(21,529)	(77,410)
At 31 December 2023	8,548	1,581	602	—	10,731
Accumulated depreciation					
At 1 January 2022	42,982	21,398	1,897	4,219	70,496
Reclassification to investment properties	(9,866)	—	—	—	(9,866)
Charge for the year	6,987	559	115	—	7,661
Eliminated on disposal	—	(12,797)	(205)	—	(13,002)
At 31 December 2022 and 1 January 2023	**40,103**	**9,160**	**1,807**	**4,219**	**55,289**
Charge for the year	**1,793**	**142**	**93**	**—**	**2,028**
Eliminated on disposal	**(18,311)**	**(948)**	**(3)**	**—**	**(19,262)**
Elimination for disposal of subsidiaries	**(22,097)**	**(6,978)**	**(1,453)**	**(4,219)**	**(34,747)**
At 31 December 2023	**1,488**	**1,376**	**444**	**—**	**3,308**
Accumulated impairment loss					
At 1 January 2022	**5,237**	**17**	**—**	**17,310**	**22,564**
Charge for the year	**33,349**	**—**	**—**	**—**	**33,349**
Eliminated on disposal	**—**	**(17)**	**—**	**—**	**(17)**
At 31 December 2022 and 1 January 2023	**38,586**	**—**	**—**	**17,310**	**55,896**
Eliminated on disposal	**(38,586)**	**—**	**—**	**—**	**(38,586)**
Elimination for disposal of subsidiaries	**—**	**—**	**—**	**(17,310)**	**(17,310)**
At 31 December 2023	**—**	**—**	**—**	**—**	**—**
Net carrying value					
At 31 December 2023	**7,060**	**205**	**158**	**—**	**7,423**
At 31 December 2022	**85,487**	**1,512**	**473**	**—**	**87,472**

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Selling and marketing expenses	—	5,745
Administrative expenses	**2,028**	1,916
	2,028	7,661

Household appliance business

During the year 31 December 2022, the Group resulted a segment loss on Household appliance business of approximately RMB 62,559,000. 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.

At 31 December 2023, the buildings with an aggregate carrying amount of RMB7,060,000 were pledged to Party A and Party B for other borrowings granted to the Group (note 34(b)(i)).

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19. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leasehold properties RMB'000	Total RMB'000
At cost			
At 1 January 2022	31,594	94,356	125,950
Additions	—	605	605
Reclassification from investment properties	(499)	—	(499)
Elimination	—	(20,834)	(20,834)
At 31 December 2022 and 1 January 2023	31,095	74,127	105,222
Additions	—	16,371	16,371
Disposal	(25,830)	(30,915)	(56,745)
Disposal through disposal of subsidiaries	(4,360)	(3,995)	(8,355)
At 31 December 2023	905	55,588	56,493
Accumulated depreciation			
At 1 January 2022	12,623	49,462	62,085
Charge for the year	1,024	15,179	16,203
Elimination	—	(11,138)	(11,138)
At 31 December 2022 and 1 January 2023	13,647	53,503	67,150
Charge for the year	678	2,399	3,077
Eliminated on disposal	(12,533)	(28,994)	(41,527)
Elimination for disposal of subsidiaries	(1,460)	(2,886)	(4,346)
At 31 December 2023	332	24,022	24,354
Accumulated impairment			
At 1 January 2022	—	—	—
Charge for the year	1,755	20,624	22,379
At 31 December 2022 and 1 January 2023	1,755	20,624	22,379
Eliminated on disposal	(1,755)	(3,029)	(4,784)
At 31 December 2023	—	17,595	17,595
Net carrying value			
At 31 December 2023	573	13,971	14,544
At 31 December 2022	15,693	—	15,693

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Expense relating to short-term leases	**—**	1,507
Total cash outflow for leases	**13,413**	16,310
Additions to right-of-use assets	**16,371**	605

Household appliance business

During the year 31 December 2022, the Group resulted a segment loss on tradition business of RMB62,559,000. 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.

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.

The Group leases land in the PRC for own use. The leases are held between 27 to 40 years. At 31 December 2023, the leasehold land of RMB574,000 has been pledged as collaterial to Party A and Party B for other borrowings granted to the Group (note 34(b)(i)).

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

	2023 RMB'000	2022 RMB'000
At 1 January	**33,035**	33,064
Reclassified from property, plant and equipment	**—**	414
Reclassified from right-of-use assets	**—**	499
Disposal through disposal of subsidiaries	**(7,272)**	—
Depreciation	**(1,574)**	(942)
At 31 December	**24,189**	33,035
Cost	**29,959**	37,807
Accumulated depreciation	**(5,770)**	(4,772)
	24,189	33,035

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

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 2023 was approximately RMB24,700,000 (2022: RMB49,211,000). 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 2023, investment properties of RMB24,189,000 have been pledged as collateral to Party A and Party B for the other borrowings granted to the Group (note 34(b)(i)).

21. INTANGIBLE ASSETS

	Computer software RMB'000
At 1 January 2022	
Cost	9,604
Accumulated amortisation	(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
At 1 January 2023	
Cost	**9,604**
Accumulated amortisation	**(8,886)**
Net carrying amount	**718**
At 1 January 2023	**718**
Disposal	**(718)**
At 31 December 2023	**—**
At 31 December 2023	
Cost	**—**
Accumulated amortisation	**—**
Net carrying amount	**—**

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22. EQUITY INVESTMENT DESIGNATED AT FVTOCI

	2023 RMB'000	2022 RMB'000
Unlisted equity investment:		
– 南京雲澤網絡科技有限公司	—	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.

During the year ended 31 December 2023, the unlisted equity investment is disposed through disposal of its entire interests in 揚州來泰商貿集團有限公司, the detail as note 38.

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 (2022: RMB Nil).

23. TRADE RECEIVABLES, NET

	2023 RMB'000	2022 RMB'000
Trade receivables	**4,475**	24,460
Less: Allowance for credit loss	**(715)**	(20,504)
Trade receivables, net	**3,760**	3,956

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:

	2023 RMB'000	2022 RMB'000
0 - 90 days	**3,474**	3,668
91 - 365 days	**555**	271
Over 1 year - 2 years	**94**	480
Over 2 years - 3 years	**72**	766
Over 3 years	**280**	19,275
Total	**4,475**	24,460

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 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,001,000 (2022: RMB20,792,000) 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	2023 RMB'000	2022 RMB'000
Prepayments to suppliers		**35,247**	36,062
Deposits		**2,641**	855
Value added tax recoverable		**—**	4
Other receivables from third parties, net of provision	(a)		
– Staff advances		**817**	261
– Others		**1,328**	1,717
		40,033	38,899

Notes:

(a) During the year ended 31 December 2023, reversal of impairment losses of RMB326,000 (2022: impairment losses of RMB926,000) on prepayments and other receivables was recognised, taking into account of the ECL on these prepayments and other receivables. At 31 December 2023, the accumulated impairment losses on prepayments and other receivables amounted to RMB2,247,000 (2022: RMB24,852,000).

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

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25. INVENTORIES

	2023 RMB'000	2022 RMB'000
Merchandise held for resale	**57,761**	48,130
Write-down of inventories for obsolescence	**(1,369)**	(6,483)
	56,392	41,647

26. RESTRICTED BANK DEPOSITS

At 31 December 2022, bank deposits of RMB108,000 were frozen by courts for certain legal proceedings against the Group. The remaining amount of RMB7,950,000 had been pledged as collateral for the Group's bills payable.

At 31 December 2023, RMB5,020,000 had been pledged as collateral for the Group's bill payable.

27. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash on hand		
– denominated in RMB	**3**	5
Cash at bank		
– denominated in RMB	**71,221**	6,697
– denominated in HK$	**91,027**	1,601
– denominated in US$	**50**	56
	162,298	8,354
Total cash and cash equivalent	**162,301**	8,359

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	2023 RMB'000	2022 RMB'000
Trade payables		**27,847**	115,871
Bills payable	(a)	**8,710**	7,950
		36,557	123,821

28. TRADE AND BILLS PAYABLES *(Continued)*

Notes:

(a) At 31 December 2023, the bills payable were secured by restricted bank deposits of RMB5,020,000 (2022: RMB7,950,000).

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.

	2023 RMB'000	2022 RMB'000
0 - 30 days	**21,877**	7,609
31 - 90 days	**5,365**	5,144
91 - 365 days	**6,525**	6,062
Over 1 year - 2 years	**—**	1,730
Over 2 years -3 years	**327**	4,473
Over 3 years	**2,463**	98,803
	36,557	123,821

29. ACCRUALS AND OTHER PAYABLES

	Notes	2023 RMB'000	2022 RMB'000
Salary and welfare payables		**4,808**	2,018
Accrued expenses		**22,970**	13,369
Interest payables		**37,717**	—
Deposits		**21,764**	3,885
VAT and other tax payables		**1,487**	14,159
Amounts due to shareholders (Notes (a) & (b))		**8,957**	5,057
		97,703	38,488

Notes:

(a) At 31 December 2023 and 2022, 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.

(b) At 31 December 2023, the amount due to a shareholder an advance made a shareholder, Mr. Yuen Li. the amount is unsecrued, interest-free and repayable on demand.

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30. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
– Receipts in advance of delivery of products/performance obligation	**48,421**	16,303
– Prepaid card	**63**	2,812
	48,484	19,115

Receipts in advance of delivery of products/performance obligation

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

	2023 RMB'000	2022 RMB'000
Movements in contract liabilities		
At 1 January	**19,115**	19,277
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities	**(181,219)**	(33,236)
Increase in contract liabilities as a result of receiving consideration in advance from the customers	**210,554**	33,046
Increase in contract liabilities as a result of receiving consideration in advance from the customers by prepaid card	**34**	28
At 31 December	**48,484**	19,115

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 2022, 31 December 2022, 1 January 2023 and 31 December 2023	US$0.02	**600,000,000**	**—**	**72,444**
Issued and fully paid:				
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	US$0.02	**219,279,744**	**4,385,594**	**29,174**

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 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 and 1 January 2023		1,885,248	28,007	55,395	(2,486,326)	(517,676)
Profit and total comprehensive income for the year		**—**	**—**	**—**	**55,854**	**55,854**
At 31 December 2023		**1,885,248**	**28,007**	**55,395**	**(2,430,472)**	**(461,822)**

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 RMB270,099,000 (2022: RMB459,463,000) 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 2024 to 2028.

At 31 December 2023, the Group has deductible temporary differences mainly in respect of impairment of certain assets in aggregate of approximately RMB183,504,000 (2022: RMB180,492,000). 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 2023 and 2022.

34. BORROWINGS

	Notes	2023 RMB'000	2022 RMB'000
Non-current			
Other borrowings	(b)	**471,192**	433,345
		471,192	433,345
Current			
Bonds payables	(a)	**—**	8,886
		—	8,886
		471,192	442,231

(a) Bond 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, of which HK$5,000,000 are due for repayment on 21 April 2023 and the remaining HK$5,000,000 are due for repayment on 27 May 2023.

(b) Other borrowing

	Notes	2023 RMB'000	2022 RMB'000
Independent third parties	(i)	**47,540**	65,380
Entities controlled by the Chairman	(ii)	**—**	104,933
Shareholders	(iii)	**423,652**	263,032
		471,192	433,345
Secured		**47,540**	10,190
Unsecured		**423,652**	423,155
		471,192	433,345

34. BORROWINGS *(Continued)*

(b) Other borrowing *(Continued)*

At 31 December 2023 and 2022, the other borrowing were repayable as follows,

	RMB'000	RMB'000
Within 1 year or demand	—	—
After 1 year but within 2 years	72,048	—
After 2 years but within 5 years	399,144	433,345
	471,192	433,345

(i) Independent third parties

	2023 RMB'000	2022 RMB'000
Party A	6,313	10,190
Party B	41,227	55,190
	47,540	65,380

Party A

Party A is Mr. Wu Jipeng who is a friend of the chairman. The Directors, to the best of their knowledge, information and belief, considered that Party A is an independent third party of the Group. In October 2021, Party A entered into a loan agreement with a subsidiary of the Group pursuant to which Party A granted a loan of approximately RMB5,532,000 (equivalent to HK$6,000,000) to the Group for a period of four years. The loan is secured and bearing interest at 5.5% per annum. On 6 June 2022, Party A entered into a loan agreement with a subsidiary of the Group pursuant to which Party A granted a loan of approximately RMB4,610,000 (equivalent to HK$5,000,000) to the Group for a period of three years. The loan is secured and bearing interest at 5.5% per annum. During the year ended 31 December 2023, such subsidiary has repaid RMB4,610,000 (equivalent to HK$5,000,000) of the loan.

Party B

During the year ended 31 December 2023, such subsidiary has repaid RMB15,700,000 of the loan. At 31 December 2023, the outstanding balance of RMB29,300,000 and accrued interest of RMB11,927,000. The loan is secured and bearing interest at 5% per annum; and repayment on or before 13 June 2025.

34. BORROWINGS *(Continued)*

(b) Other borrowing *(Continued)*

(ii) Entities controlled by the Chairman

	2023 RMB'000	2022 RMB'000
北京聖商創業科技有限公司 ("北京聖商")	—	104,933

On 4 January 2022, 北京聖商 entered into a loan agreement with a subsidiary 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.

On 27 April 2023, 12 May 2023, 17 May 2023 and 22 May 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amounted to RMB60,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 3 January 2026.

On 30 May 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amounted to RMB25,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 28 May 2026.

On 2 June 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amounted to RMB35,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 1 June 2026.

On 27 June 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amounted to RMB10,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 26 June 2026.

On 31 July 2023, 北京聖商 entered into a loan agreement with a subsidiary of the Group amounted to RMB30,000,000. The loans are unsecured and bearing at 5% per annum, and repayment on 30 July 2026.

During the year ended 31 December 2023, the Group settled all outstanding loans.

(iii) Shareholders

	2023 RMB'000	2022 RMB'000
Chongqing Saint	—	239,879
Noble Trade International	**423,652**	23,153
	423,652	263,032

Chongqing Saint

During the year ended 31 December 2023, Chongqing entered into a loan agreement with a subsidiary of the Group amounted to RMB2,100,000 (2022: RMB14,080,000). At 31 December 2022, the outstanding balance of RMB214,367,000 and accrued interest of RMB25,512,000. The loans is unsecured and bearing interest ranging from 5% to 6.5% per annum, and repayment from 10 March 2025 to 4 December 2025. During the year ended 31 December 2023, the Group settled all outstanding loans.

34. BORROWINGS *(Continued)*

(b) Other borrowing *(Continued)*

(iii) Shareholders *(Continued)*

Noble Trade International

On 14 January 2022 and 18 January 2022, Noble Trade International entered into a loan agreement with the Group amounted to RMB17,866,000 (equivalent to HK$20,000,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 13 January 2025 according to extension agreement dated on 20 August 2022.

On 18 October 2022, Noble Trade International entered into a loan agreement with the Group amounted to RMB4,466,000 (equivalent to HK$5,000,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 17 October 2025 according to extension agreement dated on 20 August 2022.

On 27 February 2023, Noble Trade International entered into a loan agreement with the Group amounted to RMB4,526,000 (equivalent to HK$5,000,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 26 February 2026.

On 14 March 2023, Noble Trade International entered into a loan agreement with the Group amounted to RMB4,073,000 (equivalent to HK$4,500,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 13 March 2026.

On 30 October 2023, Noble Trade International entered into a loan agreement with the Group amounted to RMB4,589,000 (equivalent to HK$5,000,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 29 October 2026.

On 18 December 2023, Noble Trade International entered into a loan agreement with the Group amounted to RMB11,006,000 (equivalent to HK$12,220,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 17 December 2026.

On 20 December 2023, Noble Trade International entered into a loan agreement with the Group amounted to RMB910,000 (equivalent to HK$1,000,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 19 December 2026.

On 27 December 2023, Noble Trade International entered into a loan agreement with the Group amounted to RMB191,893,000 (equivalent to HK$212,000,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 25 December 2026.

On 22 December 2023, Noble Trade International entered into a loan agreement with the Group amounted to RMB184,150,000 (equivalent to USD26,000,000). The loan is unsecured and bearing interest at 4.5% per annum, and repayment on 21 December 2026

34. BORROWINGS *(Continued)*

(c) A related party

	2023 RMB'000	2022 RMB'000
Mr. Yuan Yang	—	—

On 15 May 2023, Mr. Yuan Yang entered into a loan agreement with a subsidiary of the Group amount to RMB4,564,000 (equivalent to HK$4,950,000). The loans are unsecured and bearing at 5% per annum, and repayment on 14 May 2026.

On 15 June 2023, Mr. Yuan Yang entered into a loan agreement with a subsidiary of the Group amount to RMB6,408,000 (equivalent to HK$6,950,000). The loans are unsecured and bearing at 5% per annum, and repayment on 15 June 2026.

During the year ended 31 December 2023, the Group settled all outstanding loan.

35. LEASE LIABILITIES

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

	2023 Present value of the minimum lease payments RMB'000	2022 Present value of the minimum lease payments RMB'000
Within 1 year	10,434	10,577
After 1 year but within 2 years	5,976	6,240
After 2 years but within 5 years	5,341	2,193
	21,751	19,010
Less: Amount due for settlement with 12 months show under current liabilities	(10,434)	(10,577)
Amount due for settlement show under non-current liabilities	11,317	8,433

The weighted average incremental borrowing rates applied to lease liabilities range from 2.9% to 10.11% (2022: from 5.39% to 10.96%).

36. OTHER CURRENT LIABILITIES

	2023 RMB'000	2022 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.

37. PROVISIONS

	Litigation (Notes (b) & (c)) RMB'000	Provision for reinstatement costs (Note (a)) RMB'000	Total RMB'000
At 1 January 2022	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 and 1 January 2023	12,280	648	12,928
Disposal of subsidiaries	(12,300)	—	(12,300)
Provision for the year	20	205	225
Reversal for the year	—	(336)	(336)
At 31 December 2023	**—**	**517**	**517**

	2023 RMB'000	2022 RMB'000
Analysed for reporting purposes as:		
Non-current liabilities	**282**	311
Current liabilities	**235**	12,617
	517	12,928

37. PROVISIONS *(Continued)*

Notes:

(a) The provision for the reinstatement costs represents the Directors estimate of the liabilities associated with the removal and disposal of leasehold 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.

(b) 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. As at 31 December 2022, the Group has been made full provision of RMB9,000,000.

(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. As at 31 December 2022, the Group has been made full provision RMB272,000.

(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 and investment properties of RMB7,273,000 with a total carrying amount of RMB34,391,000 held by 揚州來泰商貿集團有限公司 were frozen for a period of three years.

(iv) During the year ended 31 December 2023, the provision was disposed through disposal of its entire interest in 揚州來泰, the detail as note 38.

(c) 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 as at 31 December 2022.

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. During the year ended 31 December 2023, the Group made an aggregate provision of RMB20,000 (2022: RMB733,000). The directors considered that sufficient provision had been made in the consolidated financial statements according to the judgements. 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.

As at 31 December 2022, bank deposits of RMB108,000 were frozen by courts for certain of these legal proceedings. During the year ended 31 December 2022, such subsidiary has fully settled RMB1,265,000.

During the year ended 31 December 2023, the provision was disposed through disposal of its entire interest in 揚州來泰, the detail as note 38.

38. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2023, the Group disposed of its entire interests in 揚州來泰商貿集團有限公司 (the "Company") and its subsidiaries, which in engaged in investment project in the PRC. The net assets of the Company and its subsidiaries at the date of disposal were as follow,

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	25,353
Rights-of-use assets	4,009
Investment property	7,272
Equity investment designated at FVTOCI	600
Restricted bank deposits	108
Cash and cash equivalents	69
Trade and bill payables	(102,418)
Accruals and other payables	(27,073)
Lease liabilities	(708)
Provision	(12,300)
	(105,088)
Gain on disposal of subsidiaries	
Cash consideration	1
Net liabilities disposal of	105,088
Non-controlling interest	(904)
Gain on disposal	104,185

Analysis of net cashflow arising from disposal

	RMB'000
Consideration	1
Restricted bank deposits	(108)
Cash and cash equivalents	(69)
	(176)

39. 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 2023 and 2022.

40. 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:

	2023 RMB'000	2022 RMB'000
Not later than 1 year	158	1,089
Later than 1 year and not later than 5 years	12	336
Over 5 years	—	3,101
	170	4,526

41. 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 2023, the capital structure of the Group consists of cash and cash equivalents of RMB162,301,000 (2022: RMB8,359,000) and negative balance of equity attributable to owners of the Company of RMB432,648,000 (2022: RMB488,502,000).

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.

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at fair value		
– Equity investment designated at FVTOCI	—	600
Financial assets at amortised cost		
– Trade receivables, net	3,760	3,956
– Other receivables	2,145	1,978
– Restricted bank deposits	5,020	8,058
– Cash and bank balances	162,301	8,359
	173,226	22,351
	173,226	22,951

	2023 RMB'000	2022 RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
– Other borrowings	471,192	433,345
– Bonds payables	—	8,886
– Trade and bills payable	36,557	123,821
– Accruals and other payable	74,452	20,444
– Other current liabilities	53,560	53,560
– Lease liabilities	21,751	19,010
	657,512	659,066

42. 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 2023 and 2022.

At 31 December 2023 and 2022, 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:

	2023		2022	
	HK$	**US$**	HK$	US$
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and bank balances	**91,027**	**50**	1,601	56
Accruals and other payables	**(12,002)**	**—**	(17,755)	—
Borrowings	**(245,587)**	**(184,378)**	(33,342)	—
	(166,562)	**(184,328)**	(49,496)	56

Sensitivity analysis

At 31 December 2023, if RMB had weakened/strengthened by 5% (2022: 5%), against HK$ with all other variables held constant, pre-tax profit for the year would have been approximately RMB8,328,000 lower/higher (2022: pre-tax loss for the year of RMB2,475,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of HK$ denominated cash and bank balances, accruals and other payables, and borrowings.

At 31 December 2023, if RMB had weakened/strengthened by 5% (2022: 5%), against US$ with all other variables held constant, pre-tax profit for the year would have been approximately RMB9,216,000 lower/higher (2022: Nil), mainly as a result of foreign exchange losses/gains on translation of US$ denominated cash and bank balances and borrowings.

42. 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 2023, other borrowings/advances was RMB471,192,000 (2022: RMB442,231,000). 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 (2022: 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 higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by approximately RMB Nil (2022: RMB113,000).

(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.

42. 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.

42. FINANCIAL INSTRUMENTS *(Continued)*

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

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

Trade receivables (Continued)

The following tables provide information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

At 31 December 2023	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)	—	—	72	280	352
Loss allowance of certain debtor(s)	—	—	(72)	(280)	(352)
Provision on collective basis					
Lifetime ECL rate	5.3%	23.9%	47.6%	100%	
Gross carrying amount excluding certain debtor(s)	3,474	555	94	—	4,123
Loss allowance excluding certain debtor(s)	(185)	(133)	(45)	—	(363)
Total gross amount	3,474	555	166	280	4,475
Total loss allowance	(185)	(133)	(117)	(280)	(715)
Total net amount	3,289	422	49	—	3,760

42. FINANCIAL INSTRUMENTS *(Continued)*

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

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

Trade receivables (Continued)

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

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.

42. 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)	
	2023	2022
	RMB'000	RMB'000
At 1 January	**20,504**	20,007
Disposal of subsidiaries	**(19,947)**	—
Impairment losses recognised	**158**	497
At 31 December	**715**	20,504

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

42. 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 2023.

	Average loss rate		Gross carrying amount		Loss allowance	
	2023	2022	**2023**	2022	**2023**	2022
	%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current (not past due)	**2%**	2%	**36,177**	27,540	**718**	436
Over 180 days past due	**30%**	13%	**2,742**	12,619	**809**	1,683
Over 1 year past due	**100%**	100%	**720**	22,733	**720**	22,733
			39,639	62,892	**2,247**	24,852

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

	Total
	RMB'000
At 1 January 2022	**23,926**
Impairment losses recognised	**926**
At 31 December 2022 and 1 January 2023	**24,852**
Disposal of subsidiaries	**(22,279)**
Impairment loss reversed	**(326)**
At 31 December 2023	**2,247**

(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.

42. 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 2023							
Financial liabilities							
Other borrowings	**4.56%**	**—**	**50,194**	**480,293**	**—**	**530,487**	**471,192**
Trade and bills payables	**—**	**36,557**	**—**	**—**	**—**	**36,557**	**36,557**
Accruals and other payables	**—**	**74,452**	**—**	**—**	**—**	**74,452**	**74,452**
Other current liabilities	**—**	**53,560**	**—**	**—**	**—**	**53,560**	**53,560**
Lease liabilities	**6.64%**	**11,192**	**6,346**	**5,659**	**—**	**23,197**	**21,751**
		175,761	**56,540**	**485,952**	**—**	**718,253**	**657,512**
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

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For the year ended 31 December 2023

42. FINANCIAL INSTRUMENTS *(Continued)*

(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		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023 **RMB'000**	2022 RMB'000				
Unlisted equity investment designated at fair value through other comprehensive income	–	600	Level 3	Discounted cash flow approach of income approach	Growth rate: 5%	The higher the growth rate, the higher the fair value of the unlisted equity investment.
					Discount rate: 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.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings RMB'000	Bond payables RMB'000	Other borrowing RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	2,000	8,525	395,154	44,894	450,573
Advance from third parties and related parties and other borrowing	—	—	139,222	—	139,222
Repayment to bank borrowing	(2,000)	—	—	—	(2,000)
Repayment of other borrowings	—	—	(95,509)	—	(95,509)
Repayment of lease liabilities	—	—	—	(16,310)	(16,310)
Total change from financing activities	—	8,525	438,867	28,584	475,976
Non-cash measurement					
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 and 1 January 2023	—	8,886	433,345	19,010	461,241
Advance from third parties and related parties and other borrowing	**—**	**—**	**170,971**	**—**	**170,971**
Advance from shareholders	**—**	**—**	**403,247**	**—**	**403,247**
Repayment of loan from shareholder	**—**	**—**	**(216,467)**	**—**	**(216,467)**
Repayment to bond payables		**(8,886)**	**—**	**—**	**(8,886)**
Repayment of other borrowings	**—**		**(291,281)**	**—**	**(291,281)**
Repayment of lease liabilities	**—**	**—**	**—**	**(13,413)**	**(13,413)**
Total change from financing activities	**—**	**—**	**499,815**	**5,597**	**505,412**
Non-cash measurement	**—**	**—**	**—**	**—**	**—**
Exchange adjustment	**—**	**—**	**(1,796)**	**—**	**(1,796)**
Accrued interest	**—**	**—**	**10,890**	**—**	**10,890**
Transfer to other payables	**—**	**—**	**(37,717)**	**491**	**(37,226)**
Disposal of subsidiaries	**—**	**—**	**—**	**(708)**	**(708)**
Newly entered rental agreement during the year	**—**	**—**	**—**	**16,371**	**16,371**
At 31 December 2023	**—**	**—**	**471,192**	**21,751**	**492,943**

44. 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	2023 RMB'000	2022 RMB'000
Loans from entities controlled by the Chairman		—	104,933
Loans from Chongqing Saint		—	239,879
Loan from Noble Trade International	34(b)(iii)	**423,652**	23,153
Trade payables - Beijing Shengshang Entrepreneurial Technology Co. Ltd		**1,069**	—
Other payables - entities controlled by the chairmen		**4,933**	—
Other payables - Chongqing Saint		**32,784**	—

Transactions with related parties

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

	Notes	2023 RMB'000	2022 RMB'000
Interest expenses on loans from entities controlled by the chairman	10	**7,172**	4,933
Inerest expenses on loans from shareholders	10	**8,718**	11,686
Services expenses from Beijing Shengshang Entrepreneurial Technology Co. Ltd		**6,646**	—

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.

Certain of the above related parties transactions also constitute continuing connected transactions as defined in Chapter 14A of the Lisintg Rules.

44. 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:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits in kind	**3,456**	1,624
Social security costs	**33**	40
	3,489	1,664

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

45. 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	2023 RMB'000	2022 RMB'000
Right-of-use assets	19	**574**	3,574
Investment properties	20	**24,189**	33,035
Buildings	18	**7,060**	31,673
Current net assets		**31,823**	68,282

At 31 December 2023, the above assets of RMB31,823,000 (2022: RMB33,891,000) were pledged to Party A and Party B for other borrowings granted to the Group (note 34(b)(i)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. 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		Principal activities	note
			2023	2022		
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 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	
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 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	
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	
Guizhou Renhuai Guofeng Liquor Company Limited (貴州仁懷國峰酒業有限公司)	The PRC	RMB10,000,000	**100%**	100%	Operation of liquors	
Yuanli Liquor (Shenzhen) Co., Ltd. 原力酒業 (深圳) 有限公司	The PRC	RMB10,000,000	**100%**	—	Operation of liquors	
深圳奇點創服諮詢有限公司	The PRC	RMB10,000,000	**100%**	—	Education-related training	
Shenzhen Qidian Education Technology Co., Ltd. 深圳奇點求學科技有限公司	The PRC	RMB2,000,000	**75%**	—	Education-related training	

46. 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

	2023 RMB'000	2022 RMB'000
NCI percentage	**35%**	35%
Current assets	**93,863**	80,470
Current liabilities	**(46,996)**	(28,561)
Net current assets	**46,867**	51,909
Non-current assets	**9,509**	10,401
Non-current liabilities	**(7,678)**	(8,433)
Net non-current assets	**1,831**	1,968
Equity attributable to owners of the Company	**31,963**	35,020
Accumulated NCI	**16,735**	18,857

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue	**235,691**	256,979
Loss for the year	**(5,521)**	(2,468)
Total comprehensive expense for the year	**(5,521)**	(2,468)
Loss for the year attributable to NCI	**(1,950)**	(864)
Cash inflow/(outflows) from operating activities	**18,007**	(9,579)
Cash inflows from investing activities	**10**	5,000
Cash outflow from financing activities	**(11,763)**	(2,020)
Net cash inflow/(outflow)	**6,254**	(6,599)

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
ASSETS		
Non-current Assets		
Investments in subsidiaries	—	—
Current Assets		
Cash and cash equivalents	91,189	1,768
Other receivables	—	109
	91,189	1,877
TOTAL ASSETS	91,189	1,877
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	(2,389,732)	(2,074,775)
Total Equity	(355,835)	(40,878)
Non-current Liabilities		
Borrowings	429,965	33,342
Current Liabilities		
Accruals and other payables	17,059	527
Borrowings	—	8,886
Total Current Liabilities	17,059	9,413
Total Liabilities	447,024	42,755
Net current assets/(liabilities)	74,130	(7,536)
Total Equity and Liabilities	91,189	1,877

The Company's statement of financial position were approved and authorised for issue by the board of directors on 16 March 2024 and are signed on its behalf by:

Yuan Li
Director

Zhuang Liangbao
Director

47. 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 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 and 1 January 2023	1,885,248	119,475	(2,074,775)	(70,052)
Loss and total comprehensive expenses for the year	**—**	**—**	**(314,957)**	**(314,957)**
At 31 December 2023	**1,885,248**	**119,475**	**(2,389,732)**	**(385,009)**

48. EVENT AFTER THE END OF THE REPORTING PERIOD

On 14 January 2024, the Company entered into a subscription agreement with Yayue Longte Co., Limited ("Yayue Longte"), pursuant to which the Company has conditionally agreed to allot and issue and Yayue Longte conditionally agreed to subscribe 43,855,948 subscription shares at the subscription price of HK$0.69 per share under general mandate. The subscription has been completed on 26 January 2024. The gross proceeds from the Subscription amounted to HK$30,260,604.12 and the net proceeds, after deduction of the related expenses, amounted to HK$29,960,604.12. The proceeds were intended to be applied for repayment of debts, general working capital and general corporate expenses. As at the date of this report, HK$20 million has been applied for repayment of Company's outstanding debts and the remaining proceeds have not been utilised.

Financial Summary

	Year ended 31 December				
	2023 **RMB'000**	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000 Restated
Results					
Revenue	**319,813**	262,348	301,173	351,727	470,731
Profit/(loss) attributable to equity holders of the Company	**55,854**	(136,767)	(60,036)	(83,214)	(108,837)
Assets and liabilities					
Total assets	**313,662**	238,437	360,474	414,664	475,661
Total liabilities	**729,764**	709,153	693,365	720,131	755,459
Total equity	**(416,102)**	(470,716)	(332,891)	(305,467)	(279,798)
Non-controlling interests in equity	**16,546**	17,786	18,844	20,987	22,725