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(a joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 00980)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024 AND SUPPLEMENTAL ANNOUNCEMENTS

### FINANCIAL HIGHLIGHTS

As at 31 December 2024, the Group recorded the following:

- Revenue was approximately RMB19,710 million, representing a decrease of approximately 9.7% over 2023, in which the hypermarket segment decreased by approximately 14.9%, the supermarket segment decreased by approximately 4.7% and the convenience store segment decreased by approximately 9.7%.
- Gross profit was approximately RMB2,372 million, representing a decrease of approximately 14.7% over 2023. Gross profit margin was approximately 12.03%, decreasing by approximately 0.71 percentage point over 2023.
- Distribution expenses and administrative expenses was approximately RMB4,707 million, decreased by approximately RMB362 million and approximately 7.1% over 2023.
- Consolidated income amounted to RMB4,710 million, representing a decrease of approximately 9.3% over 2023. Consolidated income margin was approximately 23.90%, increasing by approximately 0.12 percentage point over 2023.
- Operating loss amounted to approximately RMB257 million, representing an increase in loss of approximately RMB29 million over 2023. Loss for the year attributable to owners of the Company amounted to approximately RMB359 million, representing a decrease in loss of approximately RMB432 million over 2023. Basic loss per share amounted to approximately RMB0.32.
- The total number of outlets reached 3,152. During the period under review, the Group opened 257 new outlets, including five hypermarkets, 231 supermarkets (including 80 directly-operated stores and 151 franchised stores), and 21 convenience stores (including 4 directly-operated stores and 17 franchised stores).

*Note 1:* Consolidated income = Gross profit + Other revenue + Other income and other gains and losses

*Note 2:* Consolidated income margin = (Gross profit + Other revenue + Other income and other gains and losses)/Revenue

*Note 3:* Operating loss = Loss before tax – Share of results of associates

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2024*

	<i>Notes</i>	<b>Year ended 31/12/2024 <i>RMB'000</i> (audited)</b>	Year ended 31/12/2023 <i>RMB'000</i> (audited)
Revenue	3	<b>19,710,114</b>	21,835,879
Cost of sales		<u><b>(17,338,195)</b></u>	<u>(19,054,807)</u>
Gross profit		<b>2,371,919</b>	2,781,072
Other revenue	3	<b>1,701,850</b>	1,903,566
Other income and other gains and losses	5	<b>636,073</b>	507,769
Impairment losses under expected credit loss (“ECL”) model, net of reversal		<b>(2,345)</b>	(128)
Distribution and selling expenses		<b>(3,990,455)</b>	(4,286,547)
Administrative expenses		<b>(716,541)</b>	(782,154)
Other expenses		<b>(54,224)</b>	(118,928)
Share of results of associates		<b>6,226</b>	(361,398)
Finance costs		<u><b>(203,573)</b></u>	<u>(232,641)</u>
Loss before tax	6	<b>(251,070)</b>	(589,389)
Income tax expense	7	<u><b>(56,838)</b></u>	<u>(124,837)</u>
Loss and total comprehensive expense for the year		<u><b>(307,908)</b></u>	<u>(714,226)</u>
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		<b>(358,765)</b>	(791,317)
Non-controlling interests		<u><b>50,857</b></u>	<u>77,091</u>
		<u><b>(307,908)</b></u>	<u>(714,226)</u>
Loss per share – basic ( <i>RMB</i> )	8	<u><b>0.32</b></u>	<u>0.71</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

	<i>Notes</i>	<b>31/12/2024</b> <b>RMB'000</b> <b>(audited)</b>	31/12/2023 <b>RMB'000</b> <b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,954,612	3,221,869
Construction in progress		9,199	14,339
Right-of-use assets		4,363,238	5,022,128
Intangible assets		115,363	126,477
Goodwill		144,175	146,096
Interests in associates		237,525	231,382
Financial assets at fair value through profit or loss (“FVTPL”)		67,565	53,851
Finance lease receivables-non-current		42,953	57,441
Term deposits		3,214,024	4,278,060
Deferred tax assets		83,028	77,712
Other non-current assets		150,701	157,090
		<b>11,382,383</b>	<b>13,386,445</b>
<b>Current assets</b>			
Inventories		1,879,688	2,431,542
Finance lease receivables-current		33,771	23,512
Prepaid rental		4,157	5,128
Trade and bills receivables	9	262,893	238,326
Deposits, prepayments and other receivables		735,843	486,561
Financial assets at FVTPL		1,333,454	996,485
Amount due from an ultimate holding company		8	690
Amounts due from fellow subsidiaries		48,118	41,855
Amount due from an associate		581	479
Term deposits		2,005,933	930,500
Restricted bank balances		16,356	—
Cash and cash equivalents		1,602,613	2,447,620
		<b>7,923,415</b>	<b>7,602,698</b>

*(Continued)*

	<i>Notes</i>	<b>31/12/2024</b> <b>RMB'000</b> <b>(audited)</b>	31/12/2023 <i>RMB'000</i> (audited)
Assets classified as held for sale		<u>356,572</u>	<u>–</u>
		<u>8,279,987</u>	<u>7,602,698</u>
Total assets		<u><b>19,662,370</b></u>	<u><b>20,989,143</b></u>
Capital and reserves			
Share capital		<b>1,119,600</b>	1,119,600
Reserves		<u><b>(1,406,239)</b></u>	<u>(1,047,474)</u>
Equity attributable to owners of the Company		<b>(286,639)</b>	72,126
Non-controlling interests		<u>354,570</u>	<u>376,221</u>
Total equity		<u><b>67,931</b></u>	<u>448,347</u>
Non-current liabilities			
Deferred tax liabilities		<b>161,006</b>	127,613
Lease liabilities		<u><b>3,698,516</b></u>	<u>4,305,173</u>
		<u><b>3,859,522</b></u>	<u>4,432,786</u>
Current liabilities			
Trade and bills payables	<i>10</i>	<b>3,870,893</b>	4,402,499
Tax payable		<b>108,714</b>	203,460
Other payables and accruals		<b>1,718,446</b>	1,756,847
Lease liabilities		<b>628,976</b>	833,025
Coupon liabilities and advance from customers		<b>8,730,204</b>	8,899,355
Amount due to an ultimate holding company		<b>61,545</b>	–
Amounts due to fellow subsidiaries		<b>195,673</b>	12,074
Amounts due to associates		<u>746</u>	<u>750</u>
		<u><b>15,315,197</b></u>	<u>16,108,010</u>

*(Continued)*

	<i>Notes</i>	<b>31/12/2024</b> <b>RMB'000</b> <b>(audited)</b>	31/12/2023 <b>RMB'000</b> <b>(audited)</b>
Liabilities associated with assets classified as held for sale		<u>419,720</u>	<u>—</u>
		<u>15,734,917</u>	<u>16,108,010</u>
Total liabilities		<u><b>19,594,439</b></u>	<u><b>20,540,796</b></u>
Net current liabilities		<u><b>(7,454,930)</b></u>	<u><b>(8,505,312)</b></u>
Total equity and liabilities		<u><b>19,662,370</b></u>	<u><b>20,989,143</b></u>

# NOTES TO THE CONSOLIDATED ACCOUNTS

## FOR THE YEAR ENDED 31 DECEMBER 2024

### 1. GENERAL

Lianhua Supermarket Holdings Co., Ltd. (the “**Company**”) is a joint stock limited company incorporated in the People’s Republic of China (“**PRC**”) with limited liability. The address of its registered office and principal place of business are Room 713, 7th Floors, No. 1258, Zhen Guang Road, Putuo District, Shanghai, the PRC. The Company is listed on the main board of The Stock Exchange of Hong Kong Limited.

The directors of the Company consider that the Company’s direct holding company is Bailian Group Co., Ltd. (“**Bailian Group**”), a state-owned enterprise established in the PRC, and Shanghai Bailian Group Co., Limited., a company incorporated in the PRC and listed on the Shanghai Stock Exchange, and the Company’s ultimate holding company is Bailian Group.

The principal activities of the Company and its subsidiaries (the “**Group**”) are operation of chain stores including supermarkets, hypermarkets and convenience stores primarily in the eastern region of the PRC.

As of 31 December 2024, the Group had net current liabilities of RMB7,454,930,000 (2023: RMB8,505,312,000). Taking into account of the historical settlement and addition pattern of the coupon liabilities and the Group’s ability to withdraw the non-current unrestricted term deposits of RMB1,690,000,000 (2023: RMB2,955,015,000), the directors of the Company consider that the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### 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 period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

### New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature- dependent Electricity <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRSs Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

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

### **Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments**

The amendments to HKFRS 9 clarify the recognition and derecognition for financial asset and financial liability and add an exception which permits an entity to deem a financial liability to be discharged before the settlement date if it is settled in cash using an electronic payment system if, and only if certain conditions are met.

The amendments also provide guidance on the assessment of whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement. The amendments specify that an entity should focus on what an entity is being compensated for rather than the compensation amount. Contractual cash flows are inconsistent with a basic lending arrangement if they are indexed to a variable that is not a basic lending risk or cost. The amendments state that, in some cases, a contingent feature may give rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs. Furthermore, the description of the term “non-recourse” is enhanced and the characteristics of “contractually linked instruments” are clarified in the amendments.

The disclosure requirements in HKFRS 7 in respect of investments in equity instruments designated at fair value through other comprehensive income are amended. In particular, entities are required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period. An entity is also required to disclose any transfers of the cumulative gain or loss within equity related to the investments derecognised during the reporting period. In addition, the amendments introduce the requirements of qualitative and quantitative disclosure of contractual terms that could affect the contractual cash flow based on a contingent event not directly relating to basic lending risks and cost.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.



## **HKFRS 18 Presentation and Disclosure in Financial Statements**

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

### 3. REVENUE AND OTHER REVENUE

The Group is principally engaged in operation of chain stores including supermarkets, hypermarkets and convenience stores. Analysis of the Group's revenue recognised during the year is as follows:

#### (i) Disaggregation of revenue from contracts with customers

##### *Type of Revenue*

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Revenue		
Sales of merchandise	<u>19,710,114</u>	<u>21,835,879</u>
Services		
Income from suppliers (service income)	1,221,607	1,379,217
Franchising income from franchised stores	36,175	39,026
Commission income on coupon redemption at other retail shops	<u>2,620</u>	<u>1,856</u>
	<u>1,260,402</u>	<u>1,420,099</u>
Total	<u><u>20,970,516</u></u>	<u><u>23,255,978</u></u>

***Timing of revenue recognition***

	<b>Year ended</b> <b>31/12/2024</b> <b><i>RMB'000</i></b>	Year ended 31/12/2023 <i>RMB'000</i>
At a point in time	<b>19,712,734</b>	21,837,735
Over time	<u><b>1,257,782</b></u>	<u>1,418,243</u>
Total	<u><b>20,970,516</b></u>	<u>23,255,978</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	<b>Year ended</b> <b>31/12/2024</b> <b><i>RMB'000</i></b>	Year ended 31/12/2023 <i>RMB'000</i>
Revenue from contracts with customers – sales of merchandise	<u><b>19,710,114</b></u>	<u>21,835,879</u>
Other revenue from contracts with customers – services	<b>1,260,402</b>	1,420,099
Rental income from leasing of shop premises	<u><b>441,448</b></u>	<u>483,467</u>
	<u><b>1,701,850</b></u>	<u>1,903,566</u>
Total revenue and other revenue	<u><b>21,411,964</b></u>	<u>23,739,445</u>

**(ii) Performance obligations for contracts with customers**

***Sales of merchandise***

For merchandise sold in stores, revenue is recognised at the point of sales terminals. For online or wholesale of merchandise, revenue is recognised on collection by the customers.

***Service income from suppliers***

Service income from suppliers include information technology services, promotion services as well as logistic services. Such service income are recognised over time at the rate of each service item specified in the contract.

***Franchising income from franchise stores***

Franchising income is charged to the franchisee for the utilisation of the brand of the Group. Franchising income is recognised over time in accordance with the rate specified in the contract.

***Commission income on coupon redemption at other retail shops***

Commission income is charged to the retailers when customers redeem the Group's coupon at their retail shops. Commission fee is recognised at a point in time when customers redeemed the coupons.

(iii) Leases

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
For operating leases:		
Fixed lease payments	<u>434,888</u>	<u>467,468</u>
For finance leases:		
Finance income on the net investment in the lease	<u>6,560</u>	<u>15,999</u>
Total revenue arising from leases	<u><u>441,448</u></u>	<u><u>483,467</u></u>

4. SEGMENT INFORMATION

Information reported to the Group's general manager, who is the chief operating decision maker of the Group for the purposes of resource allocation and assessment of performance, focuses on three main operations of the Group identified in accordance with the business nature and the size of the operations.

Specifically, the reportable segments of the Group under HKFRS 8 *Operating Segments* are as follows:

- Hypermarket chain operation (“**Hypermarket**”)
- Supermarket chain operation (“**Supermarket**”)
- Convenience store chain operation (“**Convenience store**”)
- Other operations

There are no significant sales or other transactions among the segments. Other operations of the Group principally comprise sales of merchandise to wholesalers, provision of logistic services for wholesale business, and online sales. Other operations of the Group are aggregated when the information is reported to the Group's general manager.

## Segment revenues and results

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

	Segment revenue		Segment results	
	Year ended	Year ended	Year ended	Year ended
	31/12/2024	31/12/2023	31/12/2024	31/12/2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hypermarket	<b>9,174,143</b>	10,777,339	<b>(26,531)</b>	(40,953)
Supermarket	<b>10,705,355</b>	11,232,233	<b>(8,449)</b>	47,609
Convenience store	<b>1,470,005</b>	1,638,780	<b>(47,480)</b>	(17,782)
Other operations	<b>62,461</b>	91,093	<b>(7,586)</b>	(23,593)
	<b><u>21,411,964</u></b>	<u>23,739,445</u>	<b><u>(90,046)</u></b>	<u>(34,719)</u>

The reconciliation of the total segment results to consolidated loss before tax is as follows:

	Year ended	Year ended
	31/12/2024	31/12/2023
	<i>RMB'000</i>	<i>RMB'000</i>
Segment results	<b>(90,046)</b>	(34,719)
Share of results of associates	<b>6,226</b>	(361,398)
Unallocated interest income	<b>30,139</b>	19,848
Unallocated expenses	<b>(211,193)</b>	(224,685)
Unallocated gain on change in fair value of financial assets at FVTPL	<b><u>13,804</u></b>	<u>11,565</u>
Consolidated loss before tax	<b><u>(251,070)</u></b>	<u>(589,389)</u>

All of the segment revenues reported are from external customers.

All of the Group's revenues and segment results are attributable to customers in the PRC.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results did not include share of results of associates, allocation of headquarter income and expenses (including certain interest income relating to funds centrally managed) and unallocated gain (loss) on change in fair value of financial assets at FVTPL. This is the measure reported to the Group's general manager for the purposes of resource allocation and assessment of segment performance.

### Segment assets

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

	<b>Year ended</b> <b>31/12/2024</b> <b><i>RMB'000</i></b>	Year ended 31/12/2023 <i>RMB'000</i>
– Hypermarket	<b>8,938,483</b>	11,673,099
– Supermarket	<b>7,212,326</b>	6,610,379
– Convenience store	<b>380,526</b>	419,873
– Other operations	<b>280,318</b>	180,321
	<hr/>	<hr/>
Total segment assets	<b>16,811,653</b>	18,883,672
Interests in associates	<b>237,525</b>	231,382
Deferred tax assets	<b>83,028</b>	77,712
Other unallocated assets	<b>2,530,164</b>	1,796,377
	<hr/>	<hr/>
Total assets	<b><u>19,662,370</u></b>	<b><u>20,989,143</u></b>

For the purpose of monitoring segment performance and allocating resources among segments, all assets are allocated to operating segments other than interests in associates, deferred tax assets, certain financial assets, cash and cash equivalents centrally managed by headquarter.

## Other segment information

Year ended

31/12/2024

	Hypermarket <i>RMB'000</i>	Supermarket <i>RMB'000</i>	Convenience store <i>RMB'000</i>	Other operations <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets ( <i>Note</i> )	492,248	369,850	33,468	2,332	897,898
Depreciation and amortisation	642,987	556,463	61,138	15,185	1,275,773
(Reversals of) impairment losses on property, plant and equipment and right-of-use assets	(41,764)	4,394	–	–	(37,370)
Impairment losses (reversals of impairment losses) on trade receivables and other receivables	512	630	(5)	1,208	2,345
Loss (gain) on disposal of property, plant and equipment	5,660	6,975	7	(507)	12,135
Net gain on termination of right-of-use assets and lease liabilities	(83,062)	(16,919)	(3,731)	–	(103,712)
Interest income on bank balances and term deposits	(143,106)	(56,605)	(185)	(163)	(200,059)
Interest income on finance lease receivables ( <i>Note 3</i> )	(6,560)	–	–	–	(6,560)
Finance costs	130,721	69,849	3,003	–	203,573



Year ended  
31/12/2023

	Hypermarket <i>RMB'000</i>	Supermarket <i>RMB'000</i>	Convenience store <i>RMB'000</i>	Other operations <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets ( <i>Note</i> )	335,098	379,813	65,119	65	780,095
Depreciation and amortisation	684,567	574,979	65,356	11,805	1,336,707
Impairment losses on property, plant and equipment and right-of-use assets	14,380	–	–	–	14,380
Impairment losses on (reversals of impairment losses) trade receivables and other receivables	199	(288)	1	216	128
Loss (gain) on disposal of property, plant and equipment	19,095	385	(990)	1,211	19,701
Net gain on termination of right-of-use assets and lease liabilities	(23,173)	(5,901)	(489)	–	(29,563)
Interest income on bank balances and term deposits	(182,520)	(73,855)	(297)	(479)	(257,151)
Interest income on finance lease receivables ( <i>Note 3</i> )	(15,999)	–	–	–	(15,999)
Finance costs	152,433	76,518	3,690	–	232,641

*Note:*

Addition to non-current assets include the additions of RMB102,262,000 to property, plant and equipment (2023: RMB130,655,000), RMB16,050,000 to construction in progress (2023: RMB21,215,000), RMB762,047,000 to right-of-use assets (2023: RMB602,823,000) and RMB17,539,000 to intangible assets (2023: RMB25,402,000).

## Geographical information

The Group's operations and non-current assets are substantially located in the PRC. Revenues from external customers are substantially derived from customers located in the PRC. Therefore, no analysis of geographical information is presented.

## Information about major customers

None of the revenue from any customers contributed over 10% of the total revenue of the Group for both reporting periods.

## 5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Interest income on bank balances and term deposits	230,198	276,999
Government grants ( <i>Note i</i> )	40,225	64,495
Gain on change in fair value of financial assets at FVTPL	84,088	35,858
Dividends from financial assets at FVTPL	1,309	960
Net gain on termination of right-of-use assets and lease liabilities	103,712	29,563
Reversals of impairment loss on right-of-use assets	37,370	–
Salvage sales	12,291	15,758
Income from breakage ( <i>Note ii</i> )	27,519	8,015
Coupon charges	9,358	11,765
Penalty income	59,774	29,276
Others	30,229	35,080
Total	<u>636,073</u>	<u>507,769</u>

### Notes:

- i. During the current year, the Group received unconditional government grants of RMB40,225,000 (2023: RMB64,495,000) from the PRC local government as an encouragement for the operation of subsidiaries in certain jurisdictions.
- ii. The Group recognises the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilised by the customers for certain period of time. The breakage amounts are recognised as other income from coupon liabilities.

## 6. LOSS BEFORE TAX

	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Loss before tax has been arrived at after charging (crediting):		
Amortisation and depreciation		
Depreciation of property, plant and equipment	329,007	331,043
Depreciation of right-of-use assets	918,304	983,734
Amortisation of intangible assets	<u>28,462</u>	<u>21,930</u>
Total amortisation and depreciation	<u>1,275,773</u>	<u>1,336,707</u>
Share of results of associates		
Share of results before tax	(8,221)	330,286
Share of income tax expense	<u>1,995</u>	<u>31,112</u>
	<u>(6,226)</u>	<u>361,398</u>
Impairment losses (reversed) recognised on property, plant and equipment and right-of-use assets included in		
– Other income and other gains and losses	(37,370)	–
– Other expenses	–	14,380
Auditors' remuneration	6,100	5,904
Directors' remuneration	5,634	2,532
Salaries, wages and other employee benefits of other staff	1,740,536	1,975,211
Retirement benefits scheme contribution of other staff	<u>189,569</u>	<u>193,419</u>
Total staff costs	<u>1,935,739</u>	<u>2,171,162</u>
Impairment losses recognised under ECL model, net of reversal		
	2,345	128
Cost of inventories recognised as expenses (including (reversals of write-down) write-down of inventories amounting to RMB(3,644,000) (2023: RMB650,000))	<u>17,338,195</u>	<u>19,054,807</u>

## 7. INCOME TAX EXPENSE

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Current tax on the PRC Enterprise Income Tax (“EIT”)	28,780	161,207
Over provision of PRC EIT in prior years	(19)	(7,379)
Deferred tax expense (credit)	<u>28,077</u>	<u>(28,991)</u>
	<b><u>56,838</u></b>	<b><u>124,837</u></b>

No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on EIT (“EIT Law”) and Implementation Regulation of the EIT Law, the EIT tax rate of the PRC subsidiaries is 25% for both years. Certain subsidiaries are entitled to EIT at preferential rate of 15% as those entities are located in the western China. Certain subsidiaries which are identified as small low-profit enterprises are entitled to enjoy preferential EIT rate ranging from 5% to 10%.

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Loss before tax	<u>(251,070)</u>	<u>(589,389)</u>
Tax at PRC EIT tax rate of 25% (2023: 25%)	(62,768)	(147,347)
Tax effect of share of results of associates	(1,557)	90,350
Tax effect of expenses not deductible for tax purpose	281	725
Tax effect of income not taxable for tax purpose	(2,794)	(2,635)
Tax effect of tax losses not recognised	228,824	192,565
Tax effect of deductible temporary differences not recognised	(93,717)	14,225
Utilisation of tax losses previously not recognised	(10,853)	(14,764)
Over provision of PRC EIT in prior years	(19)	(7,379)
Effect of different tax rates of subsidiaries	<u>(559)</u>	<u>(903)</u>
Income tax expense for the year	<b><u>56,838</u></b>	<b><u>124,837</u></b>

## 8. LOSS PER SHARE

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

	Year ended 31/12/2024 <i>RMB'000</i>	Year ended 31/12/2023 <i>RMB'000</i>
Loss for the year attributable to owners of the Company	<u>(358,765)</u>	<u>(791,317)</u>

	Year ended 31/12/2024	Year ended 31/12/2023
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,119,600,000</u>	<u>1,119,600,000</u>

No diluted loss per share is presented as there was no potential ordinary shares in issue for both years.

## 9. TRADE AND BILLS RECEIVABLES

	31/12/2024 <i>RMB'000</i>	31/12/2023 <i>RMB'000</i>
Trade receivables – contracts with customers	270,006	239,429
Bills receivables	1,900	6,000
Less: impairment loss allowance	<u>(9,013)</u>	<u>(7,103)</u>
	<u>262,893</u>	<u>238,326</u>

As at 1 January 2023, trade receivable from contracts with customers amounted to RMB250,030,000.

The aging analysis of the trade receivables net of allowance for credit losses at the end of the reporting period, arising principally from the Group sales of merchandise with credit terms ranging from 30 to 60 days (2023: 30 to 60 days), presented as follows:

	<b>31/12/2024</b>	31/12/2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 30 days	<b>250,710</b>	220,292
31 – 60 days	–	2,968
61 – 90 days	<b>1,189</b>	811
Over 90 days	<b>9,094</b>	8,255
	<b><u>260,993</u></b>	<u>232,326</u>

The aging is determined from the date on which the control of the goods or services is transferred to the customers till the end of the reporting period.

The following is an ageing analysis of bills receivables presented based on the issue dates of bills receivables.

	<b>31/12/2024</b>	31/12/2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 180 days	<b><u>1,900</u></b>	<u>6,000</u>

The following is a maturity analysis of bills receivables presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

	<b>31/12/2024</b>	31/12/2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 180 days	<b><u>1,900</u></b>	<u>6,000</u>

The trade receivables are mainly public institutions with good credit standing. The management considered the credit quality of the trade receivables that are neither past due nor impaired were good and there was no default from those debtors in historical record. For trade receivables which are past due, the Group has applied provision matrix to measure the ECL.

Aging of trade receivables which are past due:

	<b>31/12/2024</b>	31/12/2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
1 – 30 days past due	<b>1,189</b>	811
More than 30 days past due	<b>9,094</b>	8,255
	<b><u>10,283</u></b>	<u>9,066</u>

#### 10. TRADE AND BILLS PAYABLES

	<b>31/12/2024</b>	31/12/2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<b>2,765,969</b>	2,952,499
Bills payables ( <i>Note</i> )	<b>1,104,924</b>	1,450,000
	<b><u>3,870,893</u></b>	<u>4,402,499</u>

*Note:*

During the years ended 31 December 2024 and 31 December 2023, certain of the Company's subsidiaries received bills from the other subsidiaries and discounted the bills to banks. At 31 December 2024, the outstanding balance of such bills which have not been matured was RMB1,100,000,000 (2023: RMB1,450,000,000).

The aging analysis of trade payables at the end of the reporting period, arising mainly from purchase of merchandise with credit terms ranging from 30 to 60 days (2023: 30 to 60 days), is as follows:

	<b>31/12/2024</b>	31/12/2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 30 days	<b>769,929</b>	957,899
31 – 60 days	<b>540,407</b>	623,032
61 – 90 days	<b>381,477</b>	349,075
Over 90 days	<b>1,074,156</b>	1,022,493
	<b><u>2,765,969</u></b>	<u>2,952,499</u>

The aging is determined from the date on which the control of the goods or services is transferred to the Group till the end of the reporting period.

The following is an aging analysis of bills payables presented based on issue dates at the end of each reporting period:

	<b>31/12/2024</b>	31/12/2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 180 days	<b>1,104,924</b>	1,350,000
Over 180 days	<u>–</u>	<u>100,000</u>
	<b><u>1,104,924</u></b>	<b><u>1,450,000</u></b>

The following is an aged analysis of bills payables presented based on maturity date at the end of each reporting period:

	<b>31/12/2024</b>	31/12/2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 180 days	<b><u>1,104,924</u></b>	<b><u>1,450,000</u></b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Environment

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

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

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

## **Financial Review**

### ***Revenue***

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

### ***Gross Profit***

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

### ***Other Revenue***

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

### ***Other Income and Other Gains and Losses***

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

### ***Distribution and Selling Expenses***

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

### ***Administrative Expenses***

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

### ***Other Expenses***

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

### ***Share of Results of Associates***

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

### ***Loss before Tax***

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

### ***Income Tax Expense***

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

### ***Loss Attributable to Owners of the Company***

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

### ***Liquidity and Financial Resources***

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

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

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

### ***Gearing Ratio***

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

### ***Growth of Each Retail Business***

#### ***Hypermarkets***

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

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

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
Gross Profit Margin (%)	<b>13.67</b>	13.92
Consolidated Income Margin (%)	<b>30.63</b>	28.95
Operating Profit Margin (%)	<b>-0.32</b>	-0.42

### *Supermarkets*

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

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

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
Gross Profit Margin (%)	<b>10.74</b>	11.81
Consolidated Income Margin (%)	<b>19.07</b>	19.95
Operating Profit Margin (%)	<b>-0.08</b>	0.45

#### *Convenience stores*

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



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

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

	<b>As at 31 December</b>	
	<b>2024</b>	2023
Gross Profit Margin (%)	<b>11.00</b>	11.16
Consolidated Income Margin (%)	<b>14.43</b>	15.22
Operating Profit Margin (%)	<b>-3.32</b>	-1.12

### **Financial Performance Analysis**

	<b>Year ended 31 December</b>		
	RMB million		YoY change
	<b>2024</b>	2023	(%)
Revenue	<b>19,710</b>	21,836	-9.7
Gross profit	<b>2,372</b>	2,781	-14.7
Consolidated income	<b>4,710</b>	5,192	-9.3
Operating loss	<b>-257</b>	-228	12.9
Income tax expense	<b>57</b>	125	-54.5
Loss for the year attributed to			
owners of the Company	<b>-359</b>	-791	-54.7
Basic loss per share (RMB)	<b>-0.32</b>	-0.71	-54.7
Dividend per share (RMB)	<b>Nil</b>	Nil	N/A

## Capital Structure

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

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

## Details of the Group's Pledged Assets

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

## Foreign Exchange Risks

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

## Share Capital

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

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

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

### **Contingent Liabilities**

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

## **Transformation and restructuring for promoting development**

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

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

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

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

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

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

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

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

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

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

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

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

## **Product Innovation for Growth**

During the period under review, the Group regarded the restructuring of product power as the core of its strategy, put into practice the new development concept of “demand leads supply, supply creates demand”, and continued to carry out in-depth cultivation in the key areas of its product operations with milestone results. In terms of ambient and department store product strategy, the Group has made precise efforts to create million-RMB-worth strategic proprietary products, shaping brand power, forming differentiation barriers and strengthening the foundation of traffic. In order to realize the refinement and efficiency of product operation, the Group has introduced the “product life cycle management model” relying on advanced consumer big data insight technology to achieve “trend forecasting – precise selection – dynamic elimination” for digital operation of the whole chain. In the Yangtze River Delta economic circle, the Group successfully completed the cross-regional synergistic deployment of 100 strategic proprietary products, realizing resource sharing and complementary advantages, and further consolidating the competitiveness of its products. In respect of fresh produce operation, the Group introduced the international standard freshness management system through innovation and reform, constructed a three-tier development system of “standardized base, centralized factory and scenario stores”, and facilitated the transformation of packaged clean vegetables, frozen packaged controlled atmosphere meat and other categories to achieve the development of standardized fresh produce. In addition, the Group actively experimented with the large-scale joint venture model, vigorously introduced third-party joint ventures, and created seasonal thematic market scenarios to integrate resources from various parties, enrich product categories, create a unique shopping atmosphere, and effectively enhance the turnover efficiency of key categories.



## **New Breakthrough in Omni-Channel Integration**

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

## **Supply Chain Optimization for Cost Reduction**

During the period under review, the Group continued to optimize its supply chain management, with the strategic direction of “supply chain as core competitiveness”, and carried out in-depth construction of a modern distribution system to build a “four-dimensional intelligent supply chain system” concerning intelligent demand sensing, real-time decision-making response, flexible resource allocation and ecological value creation, in order to gradually realize the strategic optimization and transformation from cost control to value creation. Through the deployment of intelligent digital technology to optimize the original supply chain model, we have developed new paths to add value to the supply chain, such as the upgrading of automatic replenishment and the optimization of category system, achieving efficient operational outcomes in decreasing the inefficient inventory rate and significantly reducing the number of inventory turnover days. The effective reduction of supply chain costs has provided a professional framework and strategic support for the Group’s high-quality development.

## **Digital Upgrade for Development**

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

## **Warming People’s Heart through Community Services**

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

## **Dual Enhancement in Organizational Empowerment – Employment, Training and Development**

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

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

## **Major Risks**

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

### ***Operational Risk***

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

### ***Mitigating Measures***

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

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

### ***Risks of Development of Sales Network***

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

### *Mitigating Measures*

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

### ***Risks of Organization and Incentive Plan***

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

### *Mitigating Measures*

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

## ***Digital Transformation and Process Recreation***

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

### ***Mitigating Measures***

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

## **Compliance Risk Management**

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

## **Foreign Exchange Risk Management**

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

## Strategy and Planning

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

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



Looking forward to 2025, the retail industry is expected to witness a policy-driven recovery. At the same time, changes in consumer demand and demographics will also bring new growth points to the industry. In 2025, the Group will focus on the core objective of performance enhancement, transformation and efficiency enhancement, and fully facilitate the transformation and high-quality development of its two main business segments of hypermarket and supermarket. At the strategic level, by combining the Group's SBP2025 plan and its own operational mindset, the Group will focus on the "1+5" key tasks to promote the overall upgrade of its business through product and supply chain optimization, omni-channel development, marketing iteration and upgrade, as well as the back-end information enhancement. Meanwhile, the Group will put emphasis on its eight project modules, explore new channels, new fields and new models, and capitalize on its strengths in brands, stores and state-owned enterprise background to expand into new areas such as live streaming economy and healthcare economy, in order to strengthen the efficiency of reaching consumers with its products. With respect to segment transformation, the Group will promote the transformation into "small-scale lifestyle supermarkets" of the hypermarket segment, implement the self-operating capability in fresh produce, and create a new quality supply chain. For the supermarket segment, the Group will enhance its market competitiveness through optimization of operation and management and the transformation into multi-modal stores. In terms of the omni-channel business, the Group will focus on refined operation, traffic supply and resource sharing. In respect of marketing, the Group will build brand advantages through S-class marketing, cross-sector cooperation and digital platform resources. In terms of safe production, the Group will strengthen safety education and training, improve rules and systems, construct a digital audit platform, and continue to improve the quality management system. At the same time, the Group will continue to optimize its eight business management systems, as well as promote strategic planning, performance assessment and digital empowerment to provide a solid guarantee for the realization of the Group's strategic objectives in 2025.

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

### **Purchase, Sale or Redemption of Shares**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities (including sale of treasury shares (as defined under the Listing Rules)) of the Company for the year ended 31 December 2024.

### **Final Dividend**

The board of Directors (the “**Board**”) of the Company recommends not to distribute final dividend for the year ended 31 December 2024.

### **Audit Committee**

The Audit Committee has reviewed the 2024 Annual Results and confirmed that they are prepared in accordance with the applicable accounting standards, laws and regulations and appropriate disclosures have been made.

### **Scope of Work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu (“**Deloitte**”), to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors. The work performed by Deloitte in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Deloitte on this announcement.

## **Compliance with Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 of the Listing Rules**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix C3 of the Listing Rules as code of conduct for securities transactions by all Directors and supervisors of the Company. After specific enquiries to all Directors and supervisors of the Company, the Board is pleased to confirm that all of the Directors and supervisors of the Company have fully complied with the provisions under the Model Code during the period under review.

## **Compliance with the Corporate Governance Code in Appendix C1 of the Listing Rules**

The Board is pleased to confirm that except for the matters as set out below, the Company has complied with all the code provisions in the Corporate Governance Code (the “**Code**”) as set out in Part 2 of Appendix C1 to the Listing Rules during the period under review. Apart from the following deviations, none of the Directors is aware of any information that would reasonably indicate that the Company is not or was not for any time of the period under review in compliance with the Code. Details of the deviations are set out as follows:

The code provision B.2.2 requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The articles of association of the Company (“**Articles of Association**”) provides that each director shall be appointed at the general meeting of the Company and for a term of not more than three years, and eligible for re-election. Having taken into account the continuity of the implementation of the Company’s operation and management policies, the Articles of Association contains no express provision for the mechanism of directors’ retirement by rotation. Thus, the Company deviated from the aforementioned provision of the Code.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Publication of Annual Report**

The annual report of the Company will be dispatched to the requesting shareholders of the Company as well as published on the website of The Stock Exchange of Hong Kong Limited and the Company respectively in due course.

### **Supplemental Announcement to Continuing Connected Transactions**

Reference is made to the announcement of the Company dated 7 March 2025 (the “**Rajax Announcement**”) in relation to, among other things, the Rajax Network Business Cooperation Framework Agreement and the continuing connected transactions contemplated thereunder. The Company hereby further announces the following.

### **Pricing Policy and Internal Control Measures**

As disclosed in the Rajax Announcement, the fees payable by the Company under the Rajax Network Business Cooperation Framework Agreement shall be calculated based on the delivery charge for each logistics order, the storage fee for warehousing services and other related service fees. The delivery fees and storage fees vary due to the delivery charge per order and the storage fee for goods depend on specific factors, meaning the cost for each order and stored item may differ. Specifically, in addition to the disclosure in the Rajax Announcement:

(1) Logistics and delivery services:

The logistics and delivery service fee payable on a monthly, quarterly or half-year basis under the individual business cooperation services contract (as the case may be) is calculated based on the delivery charge per order, using the following formula:

$$\text{Basic Logistics and Delivery Service Fee} = \text{Delivery charge per order} \times \text{Number of related orders}$$

Amongst which,

- (i) The delivery charge per order will be determined based on various factors, including the delivery method, transportation distance, weight of the goods, delivery time requirements and delivery area.
- (ii) The number of related orders refers to the number of orders with the same nature and identical cost per order that occur during a particular payment period (per month, quarter or half-year) under the individual business cooperation services contract.

(2) Warehouse Management Services:

The warehouse management service fee payable on a monthly, quarterly or half-year basis under the individual business cooperation services contract (as the case may be) based on the stored items and storage units (such as the number of pallets or storage area) and is calculated considering the warehouse location, storage conditions, and rental duration, using the following formula:

$$\text{Basic Warehouse Management Service Fee} = \text{Storage Units} \times \text{Rental Duration} \times \text{Warehousing Unit Price}$$

Amongst which, the warehousing unit price will be determined comprehensively based on the stored items and relevant conditions such as the warehouse location and storage conditions (e.g., cold chain, constant temperature, or other special requirements), as well as the specificity of the Company's requirements, complexity, value-added services, and other factors. Given the Company is in the retail business and handles a huge range of products requiring storage, the warehousing unit price will differ based on the relevant factors as mentioned above.

(3) Related Services:

The related service fee payable on a monthly, quarterly or half-year basis under the individual business cooperation services contract (as the case may be) is calculated based on the order sales amount, using the following formula:

$$\text{Basic Related Service Fee} = \text{Order Sales Amount} \times \text{Service Fee Rate}$$

Amongst which,

The service fee rate includes (i) platform transaction technical service fees, and (ii) basic fulfillment technical service fees, which will be determined based on factors such as the number of orders involved, natures and service scope, frequency, complexity, and seasonality.

The Company is of the view that the rates charged by Rajax Network, its subsidiaries, and/or its associates for providing the aforementioned services to our Group are no less favourable than the standard rates charged to third-party customers. These rates are determined through arm's-length negotiations between the parties to the individual business cooperation service contracts based on normal commercial terms. Specifically, when entering into any individual business cooperation services contract with related parties, the relevant members of the Group will consider several factors, including the combination of products or services provided, the geographical scope of the products or services provided, and the terms offered by local competitors, to ensure that the terms provided to our Group comply with the pricing policy described above. Prior to entering into an individual business cooperation service contract, the relevant members of the Group will also obtain corresponding product or service quotations and terms from at least two independent third parties (where applicable).



The Company has established a business contract review mechanism through which the regulatory department can review the terms of products or services (including their prices) and compare them with the terms of services provided by independent third parties to ensure that these terms comply with the market prices described above. If there are fewer than two independent third-party suppliers of a specific type of product or service in the relevant market, the relevant department will refer to the terms of at least two similar products or services provided or received by the Group in the past to review the terms of these services (including prices) and consider whether the terms provided are commercially advantageous to the Group compared to those comparable terms. Based on the above measures, the Company will ensure that the fees for services received under the Rajax Network Business Cooperation Framework Agreement are fair and reasonable and no less favourable than the terms provided by third parties. The Directors consider that the above procedures can ensure that transactions are conducted on normal commercial terms, in the ordinary course of business of the Group and in the interests of the Company and its Shareholders as a whole.

### **Supplemental Announcement to the Progress Update on the Entrusted Management Agreement**

Reference is made to the announcements of the Company dated 27 September 2024 and 17 February 2025 (the “**Entrusted Management Announcements**”), in relation to the Entrusted Management Agreement with Shanghai Dongran and the continuing connected transactions contemplated thereunder, the Company hereby provides the following additional information:

#### **Pricing Policy**

As disclosed in the Entrusted Management Announcements, the entrusted management fees are determined based on the conditions of the Target Companies, the costs of providing the entrusted management services, and the operational performance of the Target Companies from 2022 to 2024. Specifically:

- (1) **Labour Costs:** The costs incurred by the Group for providing the entrusted management services, including the number and wages of personnel, are expected to be based on the development goals and overall work requirements of the Target Companies. The Company plans to assign no more than four mid-to-senior level management personnel to take charge of the entrusted management of the Target Companies, covering comprehensive management, operational management, financial management and human resources management. The estimated labour costs are based on the expected workload and the salary levels of personnel with similar management functions within the Group.
- (2) **Brand Usage Fees:** These fees are determined based on the actual conditions of the Company, including operational scale, and by referencing (i) the standard rates charged by the Group to our non-wholly-owned subsidiaries for brand usage; and (ii) the industry attributes, reputation, and market position of the Company. Brand usage fees are charged at a rate of 0.2% of the expected main business revenue of the Target Companies for each year during the term of the Entrusted Management Agreement, taking into account the performance of the Target Companies in the two financial years preceding the relevant year during the term of the Entrusted Management Agreement.
- (3) **Information System Usage Fees:** Given the information system services to be used by the Target Companies in its revenue-generating principal activities, the estimated fees shall be determined with reference to (i) the Group's amortization and operational costs for the information system in the two preceding financial years, and (ii) the proportion of the main business revenue of the Target Companies compared to the Group's main business revenue for the two financial years preceding the relevant year during the term of the Entrusted Management Agreement, then the estimated fees are calculated based on the estimated proportion of the Target Companies' information system amortization of the Group.

The Directors are of the view that given the thorough understanding of the Target Companies' operations and the anticipation of their continued stable performance in the future, the above pricing policy is fair and reasonable.

### **Payment Terms**

The fees payable by Shanghai Dongran under the Entrusted Management Agreement are based on the estimated costs calculated under the pricing policy and will be paid as follows: (i) for the year ending 31 December 2025, the management fees will be paid within ten days after the contract becomes effective; and (ii) for the two years ending 31 December 2027, the management fees will be paid by 31 January of each year. In the event of late payment, Shanghai Dongran will be required to pay a penalty based on the bank's prevailing loan interest rate and the number of overdue days. Furthermore, at the end of each year during the term of the Entrusted Management Agreement, the Company shall evaluate the Target Companies' actual operational results and utilisation of the relevant services for that year, and shall incorporate the potential fees increases (if any) into the estimates for the subsequent year.

## **Annual Cap**

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

## **Internal Control Policy**

As the Company has not historically carried out or offered the entrusted management services under the Entrusted Management Agreement to other independent third parties, to ensure the terms of the entrusted management services provided to Shanghai Dongran are fair and reasonable, and on normal commercial terms or better, the Group has implemented the following measures:

- (1) The fees incurred for the entrusted management services provided by the Company under the Entrusted Management Agreement shall not be less favourable than the standard rates charged to other non-wholly owned subsidiaries receiving similar services from the Company. These fees will be determined through arm's-length negotiation between the parties, on normal commercial terms. The fees will be determined after arm's-length negotiation, taking into account the costs of providing entrusted management services, actual operating conditions, and the brand usage fees charged by the Group to all non-wholly-owned subsidiaries, in accordance with the principles of fairness and reasonableness. For the Group, the relevant business departments and management of the Company (as applicable) have reviewed the prices for providing entrusted management services to Shanghai Dongran, considering comparable service terms provided within the Group and to other non-wholly-owned subsidiaries receiving similar services from the Company, to ensure that the service fees are fair and reasonable, and are established on normal commercial terms not less favourable than those provided to other non-wholly owned subsidiaries receiving similar services from the Company. The Company has established a business contract review mechanism, through which the regulatory department can review service terms (including pricing) and compare them with the terms provided to other non-wholly owned subsidiaries receiving similar services from the Company, to ensure that these terms meet market fair price levels and determine whether they are commercially beneficial to the Group.

Specifically, the Company's relevant business divisions and management (as applicable) shall undertake the following: (i) maintain ongoing oversight of the Target Companies' operational performance and requirements to ensure that the designated management personnel are both appropriate and justifiable; (ii) exercise internal supervision and assessment of the deployed personnel, conducting periodic reviews of their associated labor costs; (iii) in relation to the rates and fees for brand usage, continuously monitor the Target Companies' revenue trends, prevailing market conditions, and periodic performance, while consistently tracking market developments and pricing benchmarks to ensure that the rates and fees remain just and reasonable; and (iv) with respect to the information system usage fees, persistently oversee the Target Companies' revenue status, maintain scrutiny of the aforementioned parameter ratio, and consider factors such as the usage level of other non-wholly owned subsidiaries receiving similar services from the Company and their respective revenue contribution, thereby ensuring that the determination of the service fees is fair and reasonable.

Additionally, the Company will further evaluate these fees annually based on the specific implementation of the previous year to ensure that they remain fair and reasonable, and in the best interests of the Company and its Shareholders. Based on the above measures, the Group will ensure that the fees for services provided under the Entrusted Management Agreement are fair and reasonable, and no less favourable than the terms provided to other non-wholly owned subsidiaries receiving similar services from the Company. The Directors believe that the above procedures can ensure that the transactions are conducted on normal commercial terms and will not harm the interests of the Company and its Shareholders;

- (2) The Company will supervise the continuing connected transactions in accordance with the procedures set forth in the Company's internal control on continuing connected transactions. The relevant personnel of the business department of the Company will conduct regular checks, at least twice per annum, to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with the terms of the Entrusted Management Agreement and in accordance with the aforesaid pricing policy. The relevant financial departments of the Group will regularly and promptly monitor the implementation of the continuing connected transactions and the usage of the annual caps, and report accordingly and timely to ensure that the annual caps are not exceeded and/or to comply with the relevant provisions of the Listing Rules in a timely manner to adjust the relevant caps;

- (3) The Company's external auditors will conduct an annual review on the pricing policies, annual caps, and the execution of the continuing connected transactions in all material aspects according to the Entrustment Management Agreement;
- (4) The Company's audit committee will review at least twice a year the analysis reports and the improvement measures prepared by the Company's management based on the implementation of the continuing connected transactions by the Group; and
- (5) The independent non-executive Directors will conduct an annual review of the implementation and enforcement of the continuing connected transactions.

By order of the Board  
**Lianhua Supermarket Holdings Co., Ltd.**  
**Pu Shao-hua**  
*Chairman*

Shanghai, the PRC, 28 March 2025

*As at the date of this announcement, the Directors of the Company are:*

*Executive directors:* *Wang Xiao-yan, Zhang Hui-qin and Zhu Ding-ping;*

*Non-executive directors:* *Pu Shao-hua, Shen Chen, Cao Hai-lun and Yang Qin;*

*Independent non-executive directors:* *Xia Da-wei, Lee Kwok Ming, Don, Chen Wei and Zhao Xin-sheng.*

\* *For identification purpose only*