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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GUANGDONG AEON TEEM CO., LIMITED TO THE DIRECTORS OF AEON STORES (HONG KONG) CO., LIMITED

Introduction

We report on the historical financial information of Guangdong AEON Teem Co., Limited (the "Target Company") set out on pages II-4 to II-59, which comprises the statements of financial position of the Target Company as at 31 December 2023, 2024 and 2025 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows, for each of the years ended 31 December 2023, 2024 and 2025 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-59 forms an integral part of this report, which has been prepared for inclusion in the circular of Aeon Stores (Hong Kong) Co., Limited (the "Company") dated 29 April 2026 (the "Circular") in connection with the acquisition of 35% equity interests in the Target Company.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

The Underlying Financial Statements of the Target Company as defined on page II-4, on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

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Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2023, 2024 and 2025 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation setout in Note 1 to the Historical Financial Information.

Emphasis of matter

We draw attention to Note 1 to the Historical Financial Information, which describes the joint venture arrangement between the shareholders of the Target Company is set to expire on 30 June 2026 which shall be subject to further negotiation between the shareholders of the TargetCompany based on whether the transfer of the 35% equity interests held by Guangdong Yuehai Teemall Department Stores Holdings Limited would be completed by then. Our opinion is not modified in respect of this matter.

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Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 April 2026

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Target Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2023** *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Revenue	*5*	3,471,508	3,477,927	3,456,207
Other income	*6*	170,142	184,338	170,472
Investment income	*7*	12,990	10,280	6,071
Interest income from rental deposits		1,084	940	846
Purchase of goods and changes in inventories		(2,693,041)	(2,695,952)	(2,693,104)
Staff costs		(324,801)	(330,530)	(342,233)
Depreciation of investment properties	*17*	(16,796)	(17,974)	(17,350)
Depreciation of property, plant and equipment	*14*	(57,368)	(54,890)	(60,286)
Depreciation of right-of-use assets	*15*	(135,844)	(133,252)	(125,990)
Leases expenses		(31,932)	(31,490)	(29,275)
Other expenses	*8*	(351,341)	(358,642)	(381,298)
Pre-operating expenses	*9*	(3,512)	(3,478)	(8,564)
Other gains and losses	*10*	922	(196)	(2,853)
Interest on lease liabilities		(37,966)	(52,032)	(48,296)
Profit/(loss) before tax		4,045	(4,951)	(75,653)
Income tax expense	*11*	(1,840)	(1,961)	(2,096)
Profit/(loss) and other comprehensive income for the year	*12*	2,205	(6,912)	(77,749)

The accompanying notes form part of this Historical Financial Information.

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STATEMENTS OF FINANCIAL POSITION

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current assets				
Property, plant and equipment	14	170,913	171,062	243,211
Right-of-use assets	15	755,793	712,520	881,756
Investment properties	17	116,477	119,241	140,247
Pledged bank deposits	18	12,510	24,340	27,795
Time deposits	24	6,190	4,990	2,690
Deferred tax assets	20	21,597	19,636	17,540
Rental and related deposits paid	21	15,793	9,690	13,342
		1,099,273	1,061,479	1,326,581
Current assets				
Inventories	22	310,056	312,882	291,484
Receivables, prepayments and deposits	21	42,538	37,699	33,685
Amounts due from related parties	23	13,106	23,811	22,697
Pledged bank deposits	18	9,004	750	1,350
Time deposits	24	329,940	291,157	189,300
Bank balances and cash	25	397,413	370,766	307,396
		1,102,057	1,037,065	845,912
Current liabilities				
Trade payables	26	429,098	408,825	390,292
Other payables, accrued charges and other liabilities	26	188,605	163,999	159,818
Lease liabilities	27	150,137	131,253	120,443
Contract liabilities	26	294,256	284,006	256,869
Amounts due to immediate holding company	28	8,138	7,836	7,711
Amounts due to related parties	28	8,601	8,249	10,094
Tax payable	19	171	171	171
		1,079,006	1,004,339	945,398

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
Net current assets/(liabilities)		23,051	32,726	(99,486)
Total assets less current liabilities		1,122,324	1,094,205	1,227,095
Non-current liabilities				
Rental deposits received and other liabilities	26	21,567	24,416	28,873
Lease liabilities	27	825,703	802,628	1,008,810
		847,270	827,044	1,037,683
Net assets		275,054	267,161	189,412
Capital and reserves				
Registered capital	29	247,156	247,156	247,156
Reserves		27,898	20,005	(57,744)
Total equity		275,054	267,161	189,412

The accompanying notes form part of this Historical Financial Information.

STATEMENTS OF CHANGES IN EQUITY

	Registered capital *RMB'000*	Statutory reserve *RMB'000*	Accumulated losses/ retained profits *RMB'000*	Total *RMB'000*
At 1 January 2023	247,156	51,570	(25,877)	272,849
Profit and other comprehensive income for the year	–	–	2,205	2,205
Transfer of reserve	–	(30,682)	30,682	–
At 31 December 2023	247,156	20,888	7,010	275,054
At 31 December 2023 and 1 January 2024	247,156	20,888	7,010	275,054
Loss and other comprehensive income for the year	–	–	(6,912)	(6,912)
Dividend paid	–	–	(981)	(981)
At 31 December 2024	247,156	20,888	(883)	267,161
At 31 December 2024 and 1 January 2025	247,156	20,888	(883)	267,161
Loss and other comprehensive income for the year	–	–	(77,749)	(77,749)
At 31 December 2025	247,156	20,888	(78,632)	189,412

Statutory reserve is reserve required by the relevant PRC laws applicable to the Target Company.

The accompanying notes form part of this Historical Financial Information.

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STATEMENTS OF CASH FLOWS

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
Operating activities				
Profit/(loss) before tax		4,045	(4,951)	(75,653)
Adjustments for:				
Depreciation of investment properties	17	16,796	17,974	17,350
Depreciation of property, plant and equipment	14	57,368	54,890	60,286
Depreciation of right-of-use assets	15	135,844	133,252	125,990
Interest on lease liabilities		37,966	52,032	48,296
Interest income from rental deposits		(1,084)	(940)	(846)
Impairment loss recognised in respect of property, plant and equipment	10	1,967	1,963	145
Investment income	7	(12,990)	(10,280)	(6,071)
Loss on disposal/write-off of property, plant and equipment	10	2,188	315	134
(Write-back)/write-down of inventories	12	(955)	(329)	562
Gain on lease modifications	10	(4,918)	(2,083)	(1)
Loss allowance on rental deposits	10	–	–	2,581
Operating cash flows before movements in working capital		236,227	241,843	172,773
(Increase)/decrease in inventories		(7,369)	(2,497)	20,836
Decrease/(increase) in receivables, prepayments and deposits		3,882	8,558	(1,077)
Decrease/(increase) in amounts due from related parties		3,948	(10,565)	1,261
Increase/(decrease) in trade payables		40,015	(20,273)	(18,533)
Increase/(decrease) in other payables, accrued charges and other liabilities		3,511	(15,022)	(2,198)
Decrease in contract liabilities		(26,685)	(10,250)	(27,137)
Decrease in amount due to immediate holding company		(11)	(303)	(125)
(Decrease)/increase in amounts due to related parties		(4,859)	(352)	1,845

	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
Cash generated from operations		248,659	191,139	147,645
Interest on bank deposits and time deposits received		11,443	11,867	6,701
Net cash from operating activities		260,102	203,006	154,346
Investing activities				
Placement of pledged bank deposits		(3,430)	(7,783)	(5,237)
Withdrawal of pledged bank deposits		3,590	4,207	1,182
Purchase of property, plant and equipment		(44,702)	(64,050)	(130,241)
Net payment for rental deposits		(1,101)	(415)	(3,971)
Placement of time deposits		(300,590)	(291,207)	(529,350)
Withdrawal of time deposits		180,000	331,190	633,507
Net cash used in investing activities		(166,233)	(28,058)	(34,110)
Financing activities				
Dividend paid		–	(981)	–
Interest on lease liabilities		(37,966)	(52,032)	(48,296)
Repayments of lease liabilities		(163,683)	(148,582)	(135,310)
Net cash used in financing activities		(201,649)	(201,595)	(183,606)
Net decrease in cash and cash equivalents		(107,780)	(26,647)	(63,370)
Cash and cash equivalents at 1 January		505,193	397,413	370,766
Cash and cash equivalents at 31 December, represented by bank balances and cash		397,413	370,766	307,396

The accompanying notes form part of this Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Guangdong AEON Teem Co., Limited (the "Target Company") was established in the People's Republic of China (the "PRC") as a private limited liability company under the Company Law of the PRC.The immediate holding company is AEON Stores (Hong Kong) Co., Limited (the "Company"), which isincorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of HongKong Limited. The ultimate holding company of the Target Company is AEON Co., Ltd, which is incorporated in Japan and its shares are listed on the Tokyo Stock Exchange. The addresses of the registered office and principal place of business of the Target Company are Shop 113 & 114, Basement 1,Teem Plaza, 208 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC.

The Target Company was established as a sino-foreign equity joint venture which is held as to 65% by the Company and 35% by Guangdong Yuehai Teemall Department Stores Holdings Limited (廣東粵海天河城百貨發展有限公司) ("Teemall Department Stores"), a PRC state-owned company pursuant to the joint venture agreement between the shareholders. Teemall Department Stores intends to transfer its equity interests of the Target Company and such transfer is to be conducted through public tender through the Assets and Equity Exchange ("Public Tender"), pursuant to the relevant laws and regulations in the PRCand the joint venture agreement between the shareholders. The Board of Directors of the Company has resolved to submit a bid to acquire the 35% equity interests held by Teemall Department Stores throughparticipating in the Public Tender.

The joint venture agreement is set to expire on 30 June 2026 which shall be further negotiated between the shareholders of the Target Company based on whether the transfer of the 35% equity interestsheld by Teemall Department Stores would be completed by then.

During the Relevant Periods, the Target Company is principally engaged in the operation of retailstores in the PRC.

The statutory financial statements of the Target Company for the years ended 31 December 2023 and 2024, as prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC. As of the date of this report, the statutory financial statements forthe year ended 31 December 2025 is under preparation and not issued yet. The statutory auditor of the Target Company is KPMG Huazhen LLP, a CPA registered firm in the PRC.

The Historical Financial Information are presented in Renminbi ("RMB"), which is the functional currency of the Target Company.

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Basis of preparation of financial statements

The Historical Financial Information presents the financial track record of the Target Company for the Relevant Periods and is prepared for the purposes of inclusion in a circular of AEON Stores (Hong Kong) Co., Limited to its shareholders for the acquisition of 35% equity interests in the Target Company, using the accounting policies which are applied consistently to all Relevant Periods presented in the Historical Financial Information.

The Historical Financial Information has been prepared based on accounting policies which conform HKFRS Accounting Standards issued by the HKICPA, which collective term includes allapplicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA.

The Historical Financial Information also complies with the applicable disclosure provisionsof the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Historical Financial Information are prepared on the historical cost basis except where stated otherwise in the material accounting policies.

The Target Company had net current liabilities of HK$99,486,000 as at 31 December 2025. The directors of the Company have assessed the Target Company's cash flow projections, which cover a period of twelve months from the date of this report and are of the opinion that the Target Company will have sufficient working capital to meet its liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of this report. Consequently, the directors of the Company have prepared the Historical Financial Information ona going concern basis.

Material accounting policy information in preparing the Historical Financial Information is set out below.

2 APPLICATION OF HKFRS ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised HKFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Target Company has adopted all applicablenew and revised HKFRS Accounting Standards to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this report, the HKICPA has issued a number of new or amended standards, which are not yet effective for the Relevant Periods and which have not been adopted inthe Historical Financial Information. These developments include the following which may be relevant to the Target Company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity*	1 January 2026
Amendments to HKFRS 9, *Financial instruments and HKFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027

The Target Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements, except for HKFRS18, where the presentation and disclosure of the financial statements are expected to change.

3 MATERIAL ACCOUNTING POLICIES

Revenue from contracts with customers

The Target Company recognises revenue when (or as) a performance obligation is satisfied which is the point in time when "control" of the goods or services underlying the particular performance obligation is transferred to the customer, i.e. when the customer takes possession of and accepts the goods sold by the Target Company. Payment of the transaction price is due immediately when the customer purchases the goods in store.

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

Revenue arising from recognition of unutilised balances on aged prepaid cards

Revenue arising from recognition of unutilised balances on aged prepaid cards is recognised according to the "remote recognition" method. Under this policy, the unutilised balance on the card will be recognised as revenue once it is possible to determine with a sufficiently high degree of probability that the likelihood of future utilisation is remote.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (sales of goods and award credits for customers under the Target Company's customer loyalty scheme), the Target Companyallocates the transaction price to each performance obligation on a relative stand-alone selling pricebasis, except for the allocation of discounts.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Target Companywould sell a promised good or service separately to a customer. If a stand-alone selling price is notdirectly observable, the Target Company estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Target Company expects to be entitled in exchange for transferring thepromised goods or services to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Target Company determines whether the nature of its promise is a performance obligation to provide thespecified goods or services itself (i.e. direct sales in which the Target Company is a principal) or to arrange for those goods or services to be provided by the other party (i.e. income from concessionaire sales in which the Target Company is an agent).

The Target Company is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Target Company is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Target Company does not control the specified good or service provided by another party before that good or service is transferred to a customer. When the Target Company acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party to a customer.

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application, the Target Company assesses whether a contract is or contains a lease based on the definition under HKFRS16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Company as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Target Company applies the short-term lease recognition exemption to leases for staff quarters, office equipment and advertising billboards that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis or another systematic basis over thelease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairmentlosses, and adjusted for any remeasurement of lease liabilities.

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

The Target Company presents right-of-use assets that do not meet the definition of investment property as a separate line item on the statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9, *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggersthe payment occurs.

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

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

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

– the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

The Target Company accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand- alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Target Companyremeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Target Company accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Target Company allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non- lease components.

The Target Company as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognisedas an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not dependon an index or a rate are recognised as income when they arise.

Allocation of consideration to components of a contract

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

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sub-lease

When the Target Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use assets arising from the head lease, not with reference to the underlyingasset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Target Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of the Target Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetaryitems denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Company recognises as expenses the related costs for which the grants are intended to compensate.

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

Pre-operating expenses

Expenses relating to the setting up of stores are charged directly to profit or loss when incurred.

Retirement benefits costs

Payments to the defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

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

The tax currently payable is based on taxable profit for the years ended 31 December 2023, 2024 and 2025. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computationof taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

- taxable temporary differences arising on the initial recognition of goodwill.

The Target Company recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are stated in the statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessaryfor it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assetsare ready for their intended use.

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

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

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets and sub-leased by the Target Company under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any recognised impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

If an investment property becomes a right-of-use asset because its use has changed as evidenced by the commencement of owner-occupation, the carrying amount of the property at the date of transfer is transferred to right-of-use asset.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Target Companyas intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

KPMG

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

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

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

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

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

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

Where an impairment loss subsequently reverses in which the Target Company determines that there are sufficient evidence to conclude that the indicators of impairment no longer exist, the carrying amount of the asset (or cash-generating unit or a Company of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a Company of cash-generating units)in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories, which represent merchandise held for retail sale, are stated at the lower of cost and net realisable value. "Purchase of goods and changes in inventories" as reported in the statement of profit or loss are determined using retail price method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Company must incur to make the sale.

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

(i) Amortised cost and interest income

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

Impairment assessment of financial assets under HKFRS 9

The Target Company performs impairment assessment under expected credit loss ("ECL") model on financial assets (including pledged bank deposits, accounts receivable, other receivables, amounts due from related parties, time deposits, and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Target Company always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activitiesunder the Target Company's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Lifetime ECL for accounts receivable are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Target Company takes into consideration the following characteristics when formulating the grouping:

– Past-due status;

– Nature, size and industry of debtors; and

– External credit ratings where available.

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

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

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fairvalue reserve (recycling).

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Target Company has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulativegain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

4 ACCOUNTING JUDGEMENTS AND ESTIMATE

(i) Critical accounting judgements in applying the Target Company's accounting policies

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

Determining the lease term

As explained in policy note 3, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Target Company, the Target Company evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive forthe Target Company to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Target Company's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Target Company's control. Any increaseor decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(ii) Key sources of estimation uncertainty

In the application of the Target Company's accounting policies, which are described in note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors thatare considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affectsboth current and future periods.

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Target Company has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount which is higher of value in use and fair value less cost of disposal, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset and in the case of fair value less cost of disposal, income approach is used by referencing to recent market rents of comparable assets; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including growth rates, budgeted sales, gross margins and an appropriate discount rate in the cash flow projectionsand, market rents and market yield when determining the fair values. Changing the assumptions and estimates could materially affect the recoverable amounts. Furthermore, thecash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to volatility in financial markets.

Details of the impairment assessment on property, plant and equipment, investment properties and right-of-use assets are disclosed in notes 16 and 17.

Net realisable value of inventories

The Target Company's inventories are carried at the lower of cost and net realisablevalue. The cost of inventories is written down to net realisable value for certain items whenthere is objective evidence that the cost of inventories may not be recoverable for those items. The cost of inventories may not be recoverable if certain items of inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sale have increased.

The determination of the amount of allowance requires assessment of net realisable values of inventories by the management and the consideration of the conditions and age ofthe inventories, consumer demand and subsequent sales information. If estimates regarding consumer demand are inaccurate, allowance for inventories may increase or decrease accordingly.

KPMG

5 REVENUE

Revenue represents the invoiced value of goods, net of discounts, sold to customers, andincome from concessionaire sales during the year. Revenue is recognised at a point in time when the customers obtain control of the goods.

(i) Disaggregation of revenue from contracts with customers

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Direct sales	3,297,385	3,310,455	3,305,656
Income from concessionaire sales	174,123	167,472	150,551
	3,471,508	3,477,927	3,456,207

(ii) Performance obligations for contracts with customers

Direct sales

The Target Company sells merchandise directly to customers both through its own retail stores and through internet sales.

For sales of merchandise to retail customers, revenue is recognised when control of the goods has been transferred to the customer, being at the point the customer purchases thegoods at the retail stores. Payment of the transaction price is due immediately at the point the customer purchases the goods.

For internet sales, revenue is recognised when control of the goods has been transferred to the customer, being at the point the goods are accepted by the customer. Delivery occurs when the goods have been delivered to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by theTarget Company is recognised as a contract liability until the goods have been delivered tothe customer.

The Target Company also grants award credits for customers under the Target Company's customer loyalty scheme, revenue is recognised when control of the goods has been transferred, being at the point the customer purchases the goods using the award creditsat the retail stores.

There is no term on goods return under the Target Company's standard contract butgenerally the Target Company allows the customers to exchange the goods within one weekin the case of defect items. Because the sales amount returned has been steady for years, it ishighly probably that a significant reversal in the cumulative revenue recognised will not occur.

Income from concessionaire sales

Under concessionaire sales, the Target Company is responsible for arranging licensees to sell their own goods in the retail stores of the Target Company. Income from concessionaire sales is recognised when the goods of the licensees have been sold, based on certain percentage of the sales amount.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2023, 2024 and 2025, the remaining performance obligations (unsatisfied or partially unsatisfied) are part of contracts that have original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 OTHER INCOME

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Rental income from investment properties	94,290	101,097	97,825
Government grants	638	6,763	339
Management fee and other income from sub-leases	22,854	25,389	26,972
Platform collaboration income	38,301	38,853	32,144
Others	14,059	12,236	13,192
	170,142	184,338	170,472

During the years ended 31 December 2023, 2024 and 2025, the Target Company recognised government grants relating to subsidies granted by municipal governments in the PRC of RMB638,000, RMB6,763,000 and RMB339,000, respectively.

7 INVESTMENT INCOME

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest from bank and time deposits	12,990	10,280	6,071

8 OTHER EXPENSES

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advertising, promotion and selling expenses	94,676	103,290	105,633
Maintenance, repair and building management fees	91,420	96,078	98,642
Utilities expenses	61,702	56,824	63,942
Administrative expenses	98,856	99,010	109,178
Other expenses	4,687	3,440	3,903
	351,341	358,642	381,298

9 PRE-OPERATING EXPENSES

The amounts represent the set up costs for new stores. Included in pre-operating expenses for theyears ended 31 December 2023, 2024 and 2025 are staff costs of RMB3,512,000 RMB3,478,000 and RMB8,564,000, respectively.

10 OTHER GAINS AND LOSSES

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Exchange gain/(loss), net	159	(1)	6
Impairment loss recognised in respect of property, plant and equipment	(1,967)	(1,963)	(145)
Loss on disposal/write-off of property, plant and equipment	(2,188)	(315)	(134)
Gain on lease modifications	4,918	2,083	1
Loss allowance on rental deposits	–	–	(2,581)
	922	(196)	(2,853)

KPMG

11 INCOME TAX EXPENSE

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
The charges comprise:			
Deferred tax *(note 20)*			
Origination and reversal of temporary differences	1,840	1,961	2,096
Income tax expense for the year	1,840	1,961	2,096

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% for years ended 31 December 2023, 2024 and 2025. No provisions for Enterprise Income Tax was made as the Target Company has sustained losses or no assessable profits subject to Enterprise Income Tax for the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled from the profit/(loss) before tax as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before tax	4,045	(4,951)	(75,653)
Notional tax on profit/(loss) before tax, calculated at the rates applicable in the relevant tax jurisdictions	1,011	(1,238)	(18,913)
Tax effect of expenses not deductible for tax purpose	609	405	415
Tax effect of tax losses not recognised	4,735	5,239	18,095
Tax effect of temporary difference not recognised	(4,515)	(2,445)	2,499
Income tax expense	1,840	1,961	2,096

12 PROFIT/(LOSS) FOR THE RELEVANT PERIODS

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the Relevant Periods have been arrived at after charging/(crediting):			
Expenses relating to			
– short-term leases and leases of low-value assets	4,797	5,424	4,621
– variable lease payment *(Note)*	27,135	26,066	24,654
	31,932	31,490	29,275
Contributions to defined contribution schemes	42,117	44,159	50,434
Gross rental income from investment properties			
– fixed	(90,927)	(98,361)	(95,386)
– variable *(Note)*	(3,363)	(2,736)	(2,439)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	24,173	25,351	28,097
	(70,117)	(75,746)	(69,728)
Cost of inventories recognised as an expense	2,693,041	2,695,952	2,693,104
(Write-back)/write-down of inventories (included in "purchase of goods and changes in inventories")	(955)	(329)	562

Note: Variable lease payment is the excess of the minimum lease payments as stated in the relevant lease agreements, which is calculated based on a percentage of turnover of the relevant operation that occupied the premises.

13 DIVIDENDS

The Board of Directors recommended the payment of final dividend for the year ended 31 December 2024 of RMB981,000. The Board of directors did not recommend payments of any dividend for the years ended 31 December 2023 and 2025.

14 PROPERTY, PLANT AND EQUIPMENT

	Building fixtures *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2023	479,546	224,322	1,670	5,321	710,859
Additions	40	1,531	–	47,607	49,178
Transfer	22,944	12,769	–	(35,713)	–
Disposals/write-off	(43,755)	(10,542)	(221)	–	(54,518)
At 31 December 2023	458,775	228,080	1,449	17,215	705,519
Additions	–	8,834	215	48,268	57,317
Transfer	34,100	27,702	–	(61,802)	–
Disposals/write-off	(23,932)	(8,351)	(222)	–	(32,505)
At 31 December 2024	468,943	256,265	1,442	3,681	730,331
Additions	1,962	25,505	439	104,808	132,714
Transfer	51,016	53,195	–	(104,211)	–
Disposals/write-off	(42,751)	(19,050)	(467)	–	(62,268)
At 31 December 2025	479,170	315,915	1,414	4,278	800,777
Depreciation and impairment					
At 1 January 2023	356,345	169,586	1,670	–	527,601
Provided for the year	36,368	21,000	–	–	57,368
Eliminated on disposal/write-off	(41,600)	(10,509)	(221)	–	(52,330)
Impairment losses recognised *(note 16)*	1,967	–	–	–	1,967
At 31 December 2023	353,080	180,077	1,449	–	534,606
Provided for the year	33,628	21,244	18	–	54,890
Eliminated on disposal/write-off	(23,743)	(8,225)	(222)		(32,190)
Impairment losses recognised *(note 16)*	1,963	–	–	–	1,963
At 31 December 2024	364,928	193,096	1,245	–	559,269
Provided for the year	33,003	27,159	124	–	60,286
Eliminated on disposal/write-off	(42,741)	(18,926)	(467)	–	(62,134)
Impairment losses recognised *(note 16)*	8	137	–	–	145
At 31 December 2025	355,198	201,466	902	–	557,566

	Building fixtures *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Carrying values					
At 31 December 2023	105,695	48,003	–	17,215	170,913
At 31 December 2024	104,015	63,169	197	3,681	171,062
At 31 December 2025	123,972	114,449	512	4,278	243,211

The property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates:

Building fixtures	Over the expected useful lives of eight years or, where shorter, the term of the relevant lease
Furniture, fixtures and equipment	20% per annum
Motor vehicles	20% per annum

15 RIGHT-OF-USE ASSETS

	Leased properties *RMB'000*
As at 31 December 2023	
Carrying amount	755,793
As at 31 December 2024	
Carrying amount	712,520
As at 31 December 2025	
Carrying amount	881,756

	Leased properties RMB'000
For the year ended 31 December 2023	
Depreciation charge	135,844
For the year ended 31 December 2024	
Depreciation charge	133,252
For the year ended 31 December 2025	
Depreciation charge	125,990

	2023 RMB'000	2024 RMB'000	2025 RMB'000
Expense relating to short-term leases	1,733	3,008	2,258
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	3,064	2,416	2,363
Variable lease payments not included in the measurement of lease liabilities	27,134	26,066	24,654
Total cash outflow for leases	233,580	232,104	212,881
Additions to right-of-use assets	47,963	25,314	50,980

The Target Company leases retail stores, warehouse, office, staff quarters, office equipment and advertising billboards for its operations. Lease contracts are entered into for fixed term of 1 to 20 year forthe years ended 31 December 2023, 2024 and 2025, respectively but may have extension and terminationoptions as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non- cancellable period, the Target Company applies the definition of a contract and determines the period forwhich the contract is enforceable.

In addition, following by a lease modification to shorten the lease term, the Target Company had derecognised r ight- of- use assets for the years ended 31 December 2023, 2024 and 2025 of RMB12,796,000, RMB4,204,000 and RMB12,000, respectively and related lease liabilities of RMB17,714,000, RMB6,287,000 and RMB13,000, respectively, resulting into a gain on lease modification amounting to RMB4,918,000, RMB2,083,000 and RMB1,000 recognised in profit or loss respectively.

The Target Company regularly entered into short-term leases for staff quarters, office equipment and advertising billboards. As at 31 December 2023, 2024 and 2025, the portfolio of short-term leases issimilar to the portfolio of short-term leases entered during the Relevant Periods.

Leases of retail stores are either with only fixed lease payments or contain variable lease payment for the years ended 31 December 2023, 2024 and 2025 that are based on higher of 2.0% to 4.5% of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in retail stores in the PRC where the Target Company operates. The amount of fixed and variable lease payments paid/payable to relevant lessors (excluding those relating to short-term leases and low-value assets) during the Relevant Periods are shown below:

For the year ended 31 December 2023

	Number of premises	Fixed payments	Variable payments	Total payments
		RMB'000	*RMB'000*	*RMB'000*
Retail stores, warehouse and office without variable lease payments	13	148,529	–	148,529
Retail stores with variable lease payments	20	53,120	27,134	80,254
	33	201,649	27,134	228,783

For the year ended 31 December 2024

	Number of premises	Fixed payments	Variable payments	Total payments
		RMB'000	*RMB'000*	*RMB'000*
Retail stores, warehouse and office without variable lease payments	13	143,272	–	143,272
Retail stores with variable lease payments	22	57,342	26,066	83,408
	35	200,614	26,066	226,680

For the year ended 31 December 2025

	Number of premises	Fixed payments *RMB'000*	Variable payments *RMB'000*	Total payments *RMB'000*
Retail stores, warehouse and office without variable lease payments	13	118,720	–	118,720
Retail stores with variable lease payments	30	64,886	24,654	89,540
	43	183,606	24,654	208,260

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent asimilar proportion of store sales in future years.

The Target Company has extension and/or termination options in a number of leases. These are used to maximise operational flexibility in terms of managing the assets used in the Target Company's operations. The majority of extension and termination options held are exercisable onlyby the Target Company and not by the respective lessors.

The Target Company assesses at lease commencement date whether it is reasonably certainto exercise the extension options or not to exercise the termination options. The potential exposuresto these future lease payments for (i) extension options in which the Target Company is not reasonably certain to exercise and (ii) termination options in which the Target Company is not reasonably certain not to exercise is summarised below:

	2023		2024		2025	
	Lease liabilities recognised *RMB'000*	Potential future lease payments not included in lease liabilities (undiscounted) *RMB'000*	Lease liabilities recognised *RMB'000*	Potential future lease payments not included in lease liabilities (undiscounted) *RMB'000*	Lease liabilities recognised *RMB'000*	Potential future lease payments not included in lease liabilities (undiscounted) *RMB'000*
Retail stores, warehouse and office	975,840	456,850	933,881	481,586	1,129,253	374,569

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Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowingpurposes.

Details of the lease maturity analysis of lease liabilities are set out in notes 27 and 35.

16 IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

The management considered there were impairment indicators of certain stores and hence conducted impairment assessment on the relevant stores, which represents individual cash-generating units for the purpose of impairment assessment. The recoverable amounts of the cash-generating units have been determined based on the higher of fair value less cost of disposal and value in use of the cash-generatingunits to which the relevant assets belong.

For the cash-generating units which the recoverable amount was based on value in use, the calculations use cash flow projections based on the latest budgets approved by the management coveringthe unexpired lease terms of the relevant stores with a pre-tax discount rate for the years ended 31 December 2023, 2024 and 2025 of 9.0%, 9.91% and 8.42% respectively. Cash flow projections during thebudget period were based on the projected revenue and expected gross margins and the budgeted revenuegrowths and margins have been determined based on past performance and management's expectations forthe future changes in the market.

For the cash-generating units which the recoverable amount was based on fair value less costs ofdisposal, the fair value has been arrived at based on a valuation carried out by Jones Lang Lasalle Corporation Appraisal and Advisory Limited for the years ended 31 December 2023, 2024 and 2025, anindependent third party qualified valuer which has appropriate professional qualifications and recent experience in the valuations of similar assets in the relevant locations.

The fair value of right-of-use assets, upon which the recoverable amounts were based, were classified at level 3 valuations at 31 December 2023, 2024 and 2025. There was no transfer between levelsduring the years ended 31 December 2023, 2024 and 2025.

	Level 3		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets	326,700	146,900	555,800

The fair value was determined based on the income approach, where the market rentals of all lettable units of the right-of-use assets included in the cash-generating units are assessed and discounted atthe market yield for the years ended 31 December 2023, 2024 and 2025 of a range of 5.0% – 5.5% per annum expected by investors on similar type of assets. The market rentals are assessed by reference to therentals achieved in the lettable units of the assets as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar retail stores in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Target Company's cash-generating units.

Based on the result of the assessment, management of the Target Company determined that the recoverable amounts of some cash-generating units are lower than their carrying amounts. The impairment amount has been allocated to each category of the impaired cash-generating units, which mainly comprise property, plant and equipment, and right-of-use assets, such that the carrying amount of each category ofasset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the allocation, impairment loss recognised against the carrying amount of property, plant and equipment are set as below:

	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Impairment loss recognised in respect of property, plant and equipment	1,967	1,963	145

17 INVESTMENT PROPERTIES

The Target Company leases out retail stores under operating leases with rentals payable monthly. The leases typically run for an initial period of one to fifteen years for the years ended 31 December 2023,2024 and 2025. The leases of retail stores contain variable lease payment for the years ended 31 December2023, 2024 and 2025 that are based on 5 to 20%, 6% to 20% and 5% to 20% of sales and minimum annuallease payment that are fixed over the lease term, respectively.

For the years ended 31 December 2023, 2024 and 2025, cash outflow for leases of RMB22,654,000, RMB25,292,000 and RMB22,893,000, respectively, represented the amounts paid for leased properties under sub-leases.

	Leased properties
	RMB'000
Cost	
At 1 January 2023	115,934
Additions	76,340
Reclassification from right-of-use assets *(Note)*	10,030

	Leased properties
	RMB'000
At 31 December 2023	202,304
Additions	10,906
Reclassification from right-of-use assets *(Note)*	20,269
At 31 December 2024	233,479
Additions	21,425
Reclassification to right-of-use assets *(Note)*	(7,971)
At 31 December 2025	246,933
Depreciation	
At 1 January 2023	62,492
Provided for the year	16,796
Eliminated on reclassification from right-of-use assets *(Note)*	6,539
At 31 December 2023	85,827
Provided for the year	17,974
Eliminated on reclassification from right-of-use assets *(Note)*	10,437
At 31 December 2024	114,238
Provided for the year	17,350
Eliminated on reclassification to right-of-use assets *(Note)*	(24,902)
At 31 December 2025	106,686
Carrying values	
As 31 December 2023	116,477
At 31 December 2024	119,241
At 31 December 2025	140,247

The fair value of the Target Company's investment properties at 31 December 2023, 2024 and 2025 was RMB422,249,000, RMB409,174,000 and RMB423,100,000, respectively. The fair value has been arrived at based on a valuation carried out by Jones Lang Lasalle Corporation Appraisal and Advisory Limited for the years ended 31 December 2023, 2024 and 2025, an independent third party qualified valuer which has appropriate professional qualifications and recent experience in the valuations of similar properties in the relevant locations.

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

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

Details of the Target Company's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	2023		**2024**		**2025**	
	Carrying amount	**Fair value at Level 3 hierarchy**	**Carrying amount**	**Fair value at Level 3 hierarchy**	**Carrying amount**	**Fair value at Level 3 hierarchy**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Retail stores	116,477	422,249	119,241	409,174	140,247	423,100

Note: For the years ended 31 December 2023, 2024 and 2025, the carrying amount of investment properties of RMB3,491,000, RMB9,832,000 and RMB16,951,000, respectively, has been transferred from/(to) right-of-use assets respectively because of the change of use by the Target Company for its own operation respectively.

18 PLEDGED BANK DEPOSITS

Bank deposits were pledged for the following purpose:

	2023		2024		2025	
	Non-current	Current	Non-current	Current	Non-current	Current
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As guarantee to landlords for rental deposits	12,510	9,004	24,340	750	27,795	1,350

Details of credit risk are set out in note 35.

19 CURRENT TAXATION

Current tax payable represents the provision for the PRC tax of RMB171,000 at 31 December 2023, 2024 and 2025.

20 DEFERRED TAXATION

The following are the components of deferred tax assets/(liabilities) recognised and movements thereon during the years ended 31 December 2023, 2024 and 2025:

	Right-of-use assets	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	(125,573)	157,396	(8,386)	23,437
Credited/(charged) to profit or loss	(91,430)	86,563	3,027	(1,840)
At 31 December 2023	(217,003)	243,959	(5,359)	21,597
(Charged)/credited to profit or loss	9,953	(10,490)	(1,424)	(1,961)
At 31 December 2024	(207,050)	233,469	(6,783)	19,636
(Charged)/credited to profit or loss	(47,377)	38,498	6,783	(2,096)
At 31 December 2025	(254,427)	271,967	–	17,540

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	21,597	19,636	17,540

(a) Deferred tax assets not recognised

As at 31 December 2023, 2024 and 2025, the Target Company had deductible temporary differences of RMB225,932,000, RMB237,103,000 and RMB319,301,000, respectively which no deferred tax asset is recognised in the statements of financial position due to the unpredictability offuture profit streams for the Target Company. Included in the balance are unused tax losses of RMB80,171,000, RMB101,125,000 and RMB173,427,000 at 31 December 2023, 2024 and 2025,
respectively and other deductible temporary differences of RMB145,761,000 RMB135,978,000 and RMB145,874,000 at 31 December 2023, 2024 and 2025, respectively. The unused tax losses will expire as follow:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
To be expired by:			
31 December 2024	–	N/A	N/A
31 December 2025	–	–	N/A
31 December 2026	42,925	42,925	42,925
31 December 2027	18,306	18,306	18,306
31 December 2028	18,940	18,940	18,940
31 December 2029	N/A	20,954	20,878
31 December 2030	N/A	N/A	72,378

21 RECEIVABLES, PREPAYMENTS AND DEPOSITS

The Target Company's accounts receivable arises from retail sales transactions settled by credit cards or other electronic payment methods. The average settlement period for the proceeds receivable from those credit cards and other electronic payments service providers is 3 days. As at 31 December 2023, 2024 and 2025, based on the ageing of accounts receivable as determined based on invoice date, balancesdue within 30 days were RMB23,010,000, RMB15,059,000 and RMB13,271,000 respectively, and the remaining balances are due over 30 days. There are no significant overdue balances of those accounts receivable at the end of the respective reporting period and no default is expected.

The following is an analysis of receivables, prepayments and deposits:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Accounts receivable	24,088	18,035	14,240
Rental and related deposits paid	16,128	17,461	15,773
Other receivables, prepayments and other deposits	18,115	11,893	17,014
	58,331	47,389	47,027
Less: Rental and related deposits paid under non-current assets	(15,793)	(9,690)	(13,342)
Receivables, prepayments and deposits	42,538	37,699	33,685

Details of credit risk are set out in note 35

22 INVENTORIES

Inventories represent merchandise held for retail sale.

During the Relevant Periods, the directors have considered the market performance and the expected net realisable value of the inventories. As a result, the Target Company has written back inventories of RMB955,000 and RMB329,000 for the years ended 31 December 2023 and 2024, respectively, and has written down inventories of RMB562,000 for the year ended 31 December 2025, to their net realisable values and included in "Purchases of goods and changes in inventories".

23 AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties are trade-related, unsecured, interest free and with credit term of 15 days for the years ended 31 December 2023, 2024 and 2025. The amounts have an age of 15 to 30 days as at 31 December 2023, 2024 and 2025 since the invoice date and not yet due at the end of therespective reporting periods.

Details of credit risk are set out in note 35.

24 TIME DEPOSITS

As at 31 December 2023, 2024 and 2025, time deposits represented deposits denominated in RMB amounting to RMB336,130,000, RMB296,147,000 and RMB191,990,000, respectively, with an original maturity for more than three months. For the years ended 31 December 2023, 2024 and 2025, the average effective interest rate of those time deposits denominated in RMB is 2.46%, 2.07% and 1.67%, respectively, per annum.

As at 31 December 2023, 2024 and 2025, the deposits would mature within one year from the end of the respective reporting period except for the time deposits of RMB6,190,000, RMB4,990,000 and RMB2,690,000, respectively, which would mature after one year from the end of the respective reporting period. Excluding the time deposit of RMB6,190,000, RMB4,990,000 and RMB2,690,000, respectively, the amounts were classified as current assets as at 31 December 2023, 2024 and 2025.

Details of credit risk are set out in note 35.

25 BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Target Company and short-term bank depositswith an original maturity of three months or less. As at 31 December 2023, 2024 and 2025, bank balancescarry interest at market rates which range from 1.61%-3.85%, 1.00%-1.75% and 1.07%-2.75%, respectively, per annum.

As at 31 December 2023, 2024 and 2025, bank balances and cash situated in the PRC amounted to RMB391,413,000, RMB370,766,000 and RMB307,396,000, respectively. Remittance of funds out of the PRC is subject to relevant rules and regulations of foreign exchange control.

The Target Company did not have bank balances and cash that are denominated in currencies other than the functional currencies during the Relevant Periods.

Details of credit risk are set out in note 35.

26 TRADE PAYABLES, OTHER PAYABLES, ACCRUED CHARGES AND OTHER LIABILITIES, AND CONTRACT LIABILITIES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the respective reporting period, and an analysis of other payables, accrued charges and other liabilities.

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	360,305	340,623	315,265
61 to 90 days	5,447	4,682	6,213
Over 90 days	63,346	63,520	68,814
Trade payables	429,098	408,825	390,292

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The average credit period on purchases of goods was 67 days, 70 days and 60 days, respectively, for the years ended 31 December 2023, 2024 and 2025 respectively.

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Accrued expenses and other liabilities	67,838	51,900	54,576
Accrued staff costs	66,875	58,896	52,364
Value added tax payables for advance receipts on prepaid store-value cards	36,638	35,257	31,879
Payables for purchase of property, plant and equipment	1,493	4,254	6,866
Provision for reinstatement *(Note)*	2,424	4,193	6,012
Rental deposits received	34,904	33,915	36,994
	210,172	188,415	188,691
Less: Rental deposits received and other liabilities under non-current liabilities	(21,567)	(24,416)	(28,873)
Other payables, accrued charges and other liabilities	188,605	163,999	159,818

Note: Provision for reinstatement costs relates to the estimated cost to reinstate the stores at the end of the leases. The following is a movement of provision for reinstatement cost during the Relevant Periods:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	–	2,424	4,193
Additional provision for reinstatement	2,424	1,769	1,819
Balance at the end of the year	2,424	4,193	6,012

The following is an analysis of contract liabilities:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advance receipts on prepaid store-value cards	278,485	269,319	243,135
Deferred revenue	15,771	14,687	13,734
	294,256	284,006	256,869

The contract liabilities represent the Target Company's obligation to transfer performance obligation to customers for which the Target Company has received consideration from the customers.

Movements in contract liabilities:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	320,941	294,256	284,006
Decrease in contract liabilities as a result of recognising revenue during the year	(320,941)	(294,256)	(270,057)
Increase in contract liabilities as a result of receiving consideration	294,256	284,006	242,920
Balance at the end of the year	294,256	284,006	256,869

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– **Prepaid store-value cards**

The Target Company receives the face value of prepaid store-value cards and these prepaid store-value cards are non-refundable and have no expiration.

– **Customer loyalty programmes**

The Target Company grants award credits for customers for sales over certain amount under the Target Company's customer loyalty scheme. The customers can redeem the award credits as cash to be used in future sales. The award credits are with expiration dates of two years.

27 LEASE LIABILITIES

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	150,137	131,253	120,443
Within a period of more than one year but not more than two years	134,013	87,861	119,032
Within a period of more than two years but not more than five years	222,034	234,920	373,564
Within a period of more than five years	469,656	479,847	516,214
	975,840	933,881	1,129,253
Less: Amount due for settlement within 12 months shown under current liabilities	(150,137)	(131,253)	(120,443)
Amount due for settlement after 12 months shown under non-current liabilities	825,703	802,628	1,008,810

28 AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND RELATED PARTIES

The amounts due to immediate holding company and related parties are trade-related, unsecured, interest free and with credit term of 60 to 90 days for the years ended 31 December 2023, 2024 and 2025.The amounts have an age of 30 to 90 days based on the invoice date at the end of each reporting period.

29 REGISTERED CAPITAL

At 31 December 2023, 2024 and 2025, the approved registered capital of the Target Company is RMB247,156,000. The paid-up registered capital was RMB247,156,000.

30 COMMITMENTS

(a) Capital commitments

The capital commitments in respect of property, plant and equipment are as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contracted for but not provided for	10,540	10,377	2,361

(b) Commitments of future leases

The Target Company was committed to enter into new leases that are not yet commenced, the total lease payments per annum under which are as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Total lease payments of new leases entered but not yet commenced, per annum	9,527	13,720	16,733
Lease term entered but not yet commenced	9 to 15 years	11 to 15 years	5 to 15 years

31 OPERATING LEASING ARRANGEMENTS

The Target Company as lessor

For the years ended 31 December 2023, 2024 and 2025, all of the properties held by the Target Company for rental purposes have committed licensees for the next 1 to 6 years, respectively, with an option to renew the lease after that date at which time all terms.

Undiscounted lease payments receivable on leases are as follows:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	85,591	89,136	84,031
In the second year	48,265	50,631	56,081
In the third year	20,685	24,993	32,623
In the fourth year	7,634	10,941	13,849
In the fifth year	3,363	5,611	6,793
After five years	5,052	4,413	5,217
	170,590	185,725	198,594

KPMG

In addition to the minimum lease payments, the Target Company is entitled to receive contingent rent based on a fixed percentage of turnover of the licensees in excess of the minimum lease payments as stated in the relevant rental agreements.

32 RETIREMENT BENEFITS SCHEMES

(a) Defined contribution retirement plans

The employees employed by the Target Company are members of the state-managed retirement benefits schemes operated by the PRC government. The Target Company is required tocontribute to the retirement benefits schemes based on a certain percentage of their payroll to fundthe benefits. The only obligation of the Target Company with respect to these retirement benefits schemes is to make the required contributions under the schemes. Contributions paid or payable forthese retirement benefits schemes for the years ended 31 December 2023, 2024 and 2025 are RMB42,117,000, RMB44,159,000 and RMB50,434,000 respectively.

33 RELATED PARTY TRANSACTIONS

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

Relationship	**Nature of transaction**	**2023** *RMB'000*	**2024** *RMB'000*	**2025** *RMB'000*
Related parties	Other expenses	1,130	749	623
	Other income	394	808	409
	Purchase of goods and property, plant and equipment	103,057	98,282	92,092
	Interest on lease liabilities	6,195	15,340	13,851
	Repayment of lease liabilities	60,511	53,254	36,066
	Management fees and utilities expenses	31,962	31,775	28,318
	Rental income	1,037	762	517
	Sales of coupons	58	97	38
	Service fee expense	76,120	86,548	97,166
Ultimate holding company	Royalty expenses	8,475	7,481	7,824
	Interest expenses	79	23	406

Outstanding balances as at the end of each reporting period arising from the above transactions with related parties are set out in the statements of financial position except for the following balances, whichare included in other receivables, prepayments and deposits, and lease liabilities:

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties (included in other receivables, prepayments and deposits)	13,106	23,811	22,697
Amounts due to related parties (included in lease liabilities)	242,726	231,572	221,481

Except for the amounts included in lease liabilities and amounts due from related parties is unsecured, interest free and has no fixed repayment term.

Compensation of key management personnel

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	4,870	4,470	3,552
Post-employment benefits	192	170	170
	5,062	4,640	3,722

34 CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Target Company consists of net debt, which includes lease liabilities disclosed in note 27, net of cash and cash equivalents and deficit attributable to owners of the Target Company, comprising registered capital and other reserves.

The Target Company's management review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the risks associated with the registered paid-up capital. Based on recommendations of the directors, the Target Company will balance its overall capital structure through the payment of dividends, as well as the issue of new debt.

35 FINANCIAL RISK MANAGEMENT

The Target Company's operating and financing activities expose it to a variety of financial risks, namely foreign currency risk, interest rate risk, credit risk and liquidity risk. The directors have overall responsibility for the establishment and oversight of the Target Company's risk management framework. The management manages and monitors these risk exposures to ensure that appropriate measures are implemented in a timely and effective manner.

The Target Company does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose. The policies to mitigate the aforesaid financial risks are set out below.

The Target Company's risk management policies are established to identify and analyse the risks faced by the Target Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Target Company's activities. The Target Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The directors monitor and manage the financial risks relating to the operations of the Target Company through internal risk reports which analyse exposures by degree and magnitude of risks.

The Target Company's management monitors compliance with the Target Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Target Company. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

(a) Foreign currency risk management

Certain of the Target Company's purchases are denominated in foreign currencies other than the functional currencies of the operations to which they relate. They expose the Target Company to foreign currency risk and the Target Company currently does not have a foreign currency hedgingpolicy.

The carrying amount of the Target Company's foreign currency denominated monetary liabilities at the reporting date is as follows:

		Liabilities	
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
HKD	48	68	200
JPY	391	588	320
	439	656	520

The carrying amount of the Target Company's foreign currency denominated monetary assets at the reporting dates where RMB nil. The Target Company has very few foreign currency transactions, the directors considered that the Target Company's exposures to risk of foreign currency fluctuation is limited.

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(b) Interest rate risk management

The Target Company is exposed to interest rate risk which arises primarily from bank balances and cash which bear variable interest rates. Sensitivity analysis on bank balances and cashis not presented as the Target Company has no significant exposure to interest rate risk.

(c) Credit risk and impairment assessment

The carrying amounts of pledged bank deposits, rental deposits, other receivables, amounts due from related parties, time deposits and bank balances best represent the maximum exposure tocredit risk. The Target Company has no significant concentrations of credit risk with exposure spread over a number of counterparties and receivables represent mainly credit card receivables from finance companies.

Credit card receivables from finance institutions

Retail sales are mainly on a cash basis, either in cash, debit card, credit card or electronic payment methods. Where transactions are conducted other than on a cash basis, the Target Company practices stringent credit reviews. The Target Company performs impairment assessment using lifetime ECL individually for debtors with significant balance and collectively. The Target Company considered the credit risk on the receivables is limited because counterparties are banks/financial institutions with high external credit ratings assigned by international credit rating agencies. Therefore, the allowance for credit risk of trade and other receivables was immaterial.

Amounts due from related parties

The credit terms for the amounts due from related parties are made in accordance with the relevant agreements and there are no significant overdue debts as at the end of the reporting period. The Target Company performs impairment assessment using lifetime ECL for trade-related amount due from related parties, and 12m ECL for other non-trade related balances individually. The Target Company considered all the counterparties have a low riskof default and do not have any material past-due amounts. Therefore, the allowance for creditrisk of amounts due from related parties was immaterial and no provision was made.

Other receivables and rental deposits

The Target Company makes periodic individual assessment on 12m ECL of other receivables and rental deposits based on historical settlement records, past experience and external credit ratings, if any. The Target Company believes that there are no significant increase in credit risk of these amounts since initial recognition. Specific loss allowance of rental deposits with default amounted to RMB2,581,000 is recognised during the year ended31 December 2025. Except for this, other receivables and rental deposits were considered tobe of low credit risk and thus no ECL was recognised. The Target Company assessed the allowance for credit risk of other receivables and rental deposits was immaterial and no provision was made for the years ended 31 December 2023 and 2024.

Pledged bank deposits, time deposits and bank balances

The credit risk on pledged bank deposits, time deposits and bank balances is limitedbecause the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Target Company assessed 12m ECL for pledged bank deposits, time deposits and bank balances by reference to information relating to probabilityof default and loss given default of the respective credit rating grades published by externalcredit rating agencies. The relevant 12m ECL is considered to be immaterial and no provision was made.

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Target Company, which has built an appropriate liquidity risk management framework for the managementof the Target Company's short, medium and long-term funding and liquidity management requirements. The Target Company manages liquidity risk by maintaining adequate reserves, working capital and banking facilities.

The directors of the Target Company have given careful consideration to the future liquidity of the Target Company in light of the fact that the Target Company's current liabilities exceeded its current assets by RMB99,486,000 as at 31 December 2025. The directors of the Target Companyhave reviewed the cash flow projections prepared by management to evaluate the Target Company's ability to continue as a going concern. Based on the cash flow projections, the directors of the Target Company consider that the Target Company has adequate resources to continue in operational existence and to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2025. Note 3.1 further explains management's plans for managing the liquidity needs of the Target Company to enable it to continue to meet its obligationsas they fall due.

The following tables detail the Target Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based onthe undiscounted cash flows of financial liabilities based on the earliest date on which the TargetCompany can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	6 months or less	6 to 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flows amount	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2023							
Lease liabilities	4.84%-7.893%	102,352	98,300	495,991	578,091	1,274,734	975,840
Non-interest bearing financial liabilities		518,069	7,460	18,912	3,272	547,713	547,713
		620,421	105,760	514,903	581,363	1,822,447	1,523,553
2024							
Lease liabilities	3.840%-7.893%	98,747	76,518	454,904	568,112	1,198,281	933,881
Non-interest bearing financial liabilities		399,981	11,489	51,439	49,823	512,732	512,732
		498,728	88,007	506,343	617,935	1,711,013	1,446,613
2025							
Lease liabilities	3.000%-7.893%	85,393	82,911	634,644	588,331	1,391,279	1,129,252
Non-interest bearing financial liabilities		391,700	13,152	49,317	53,024	507,193	507,193
		477,093	96,063	683,961	641,355	1,898,472	1,636,445

(e) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Target Company's financial statements approximate to their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of theasset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

36 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Company's statements of cash flows as cash flows from financing activities.

	Lease liabilities
	RMB'000
At 1 January 2023	629,587
Financing cash flows	(201,649)
Non-cash changes	
New leases entered/leases modified	527,650
Lease early terminated	(17,714)
Interest on lease liabilities	37,966
At 31 December 2023	975,840
At 31 December 2023 and 1 January 2024	975,840
Financing cash flows	(200,614)
Non-cash changes	
New leases entered/leases modified	112,910
Lease early terminated	(6,287)
Interest on lease liabilities	52,032
At 31 December 2024	933,881
At 31 December 2024 and 1 January 2025	933,881
Financing cash flows	(183,606)
Non-cash changes	
New leases entered/leases modified	330,695
Lease early terminated	(13)
Interest on lease liabilities	48,296
At 31 December 2025	1,129,253

37 EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2025, the Target Company has no significant subsequent events.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2025.