宏信龍

Jiangsu Horizon Chain Supermarket Company Limited
江蘇宏信超市連鎖股份有限公司

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

Stock Code : 2625

Global Offering

Joint Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

綽耀資本 REDSOLAR

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

建银国际 CCB International

Joint Bookrunners and Joint Lead Managers

招銀国际 CMB INTERNATIONAL

uSMART Securities 盈立證券

星河證券 STARRIVER SECURITIES

EDDID FINANCIAL

Innovax Securities

長橋證券

Sole Sponsor

綽耀資本 REDSOLAR

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain professional independent advice.

宏信龍

JIANGSU HORIZON CHAIN SUPERMARKET COMPANY LIMITED
江蘇宏信超市連鎖股份有限公司

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

Global Offering

Number of Offer Shares under the Global Offering	**:**	**53,562,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**5,357,000 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**48,205,000 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$3.00 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2625**

Sole Sponsor

綽耀資本 REDSOLAR

Joint Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

綽耀資本 REDSOLAR

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

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長橋證券

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or before Thursday, 27 March 2025 (Hong Kong time) and, in any event, not later than 12:00 noon on Thursday, 27 March 2025 (Hong Kong time). The Offer Price will not be more than HK$3.00 per Offer Share and is currently expected to be not less than HK$2.50 per Offer Share. If, for any reason, the Offer Price is not agreed by 12:00 noon on Thursday, 27 March 2025 (Hong Kong time) between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$2.50 to HK$3.00) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.hxsupermarket.cn and on the website of the Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. For details, please refer to the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.hxsupermarket.cn). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

21 March 2025

IMPORTANT NOTICE TO INVESTORS OF HONG KONG PUBLIC OFFERING: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.hxsupermarket.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may use one of the following application channels:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** service must be for a minimum of 1,000 Hong Kong Offer Shares and in multiples of the number of the Hong Kong Offer Shares set out in the table below.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

JIANGSU HORIZON CHAIN SUPERMARKET COMPANY LIMITED
(HK$3.00 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable[2] on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application *HK$*
1,000	3,030.25	20,000	60,605.10	100,000	303,025.50	800,000	2,424,204.00
2,000	6,060.51	25,000	75,756.38	150,000	454,538.26	900,000	2,727,229.50
3,000	9,090.76	30,000	90,907.66	200,000	606,051.00	1,000,000	3,030,255.00
4,000	12,121.02	35,000	106,058.93	250,000	757,563.76	1,250,000	3,787,818.76
5,000	15,151.28	40,000	121,210.20	300,000	909,076.50	1,500,000	4,545,382.50
6,000	18,181.54	45,000	136,361.48	350,000	1,060,589.26	1,750,000	5,302,946.26
7,000	21,211.79	50,000	151,512.76	400,000	1,212,102.00	2,000,000	6,060,510.00
8,000	24,242.05	60,000	181,815.30	450,000	1,363,614.76	2,250,000	6,818,073.76
9,000	27,272.30	70,000	212,117.86	500,000	1,515,127.50	2,678,000[1]	8,115,022.89
10,000	30,302.56	80,000	242,420.40	600,000	1,818,153.00		
15,000	45,453.83	90,000	272,722.96	700,000	2,121,178.50		

Notes:

(1) This is the maximum number of Hong Kong Offer Share you may apply for, representing approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the website of our Company at ***www.hxsupermarket.cn*** *and the website of the Stock Exchange at* ***www.hkexnews.hk****.*

Hong Kong Public Offering commences . . . . 9:00 a.m. on Friday, 21 March 2025

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** . . . . 11:30 a.m. on Wednesday, 26 March 2025

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Wednesday, 26 March 2025

Latest time to give **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Wednesday, 26 March 2025

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Wednesday, 26 March 2025

If you are instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI System to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[3] . . . . 12:00 noon on Wednesday, 26 March 2025

Expected Price Determination Date no later than[5] . . . . 12:00 noon on Thursday, 27 March 2025

(1) Announcement of:

- the final Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published on the website of our Company at **www.hxsupermarket.cn**[6] and the website of the Stock Exchange at **www.hkexnews.hk** no later than . . . . 11:00 p.m. on Friday, 28 March 2025

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be made available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares – B. Publication of Results" in this prospectus from . . . . Friday, 28 March 2025

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.hxsupermarket.cn**[6] from . . . . Friday, 28 March 2025

Results of allocations in the Hong Kong Public Offering to be available at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from . . . . 11:00 p.m. on Friday, 28 March 2025 to 12:00 midnight on Thursday, 3 April 2025

Telephone enquiry for the results of allocations in the Hong Kong Public Offering by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from	Monday, 31 March 2025 to Thursday, 3 April 2025
H Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before[7] [10]	Friday, 28 March 2025
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering to be despatched on or before[8] [9] [10]	Monday, 31 March 2025
Dealings in H Shares on the Stock Exchange expected to commence at[10]	9:00 a.m. on Monday, 31 March 2025

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. **If you have already submitted your application through the designated website at www.eipo.com.hk and obtained an application reference number from the designated website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.**

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions (collectively, "**Severe Weather Signals**") in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 26 March 2025, the application lists will not open or close on that day. For details, please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares instructing your **broker** or **custodian** to give **electronic application instructions** to HKSCC to apply on your behalf through HKSCC's FINI system should refer to the paragraph headed "How to apply for the Hong Kong Offer Shares – A. Application for Hong Kong Offer Shares – 2. Application Channels" in this prospectus for further details.

(5) The Price Determination Date is expected to be on or before 12:00 noon on Thursday, 27 March 2025. If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us by 12:00 noon on Thursday, 27 March 2025, the Global Offering will lapse.

(6) None of the websites of our Company or any of the information contained on the websites of our Company forms part of this prospectus.

(7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates for the Hong Kong Offer Shares will only become valid evidence of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with their terms prior to 9:00 a.m. on the Listing Date. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so at their own risk.

(8) **White Form** e-Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

(9) Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar. Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share Certificates and Refund of Application Monies" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their application monies through single bank account may have refund monies (if any) despatched to the bank account, in the form of White Form e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions, in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant), by ordinary post at their own risk.

Any uncollected H Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the paragraph headed "How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of H Share Certificates and Refund of Application Monies" in this prospectus.

(10) In case a Severe Weather Signal in force is hoisted on Friday, 28 March 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Monday, 31 March 2025.

The H Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with their respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Monday, 31 March 2025. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The above expected timetable is a summary only. Please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, the procedures for application for the Hong Kong Offer Shares and the expected timetable, including conditions, effect of severe weather and the despatch of refund cheques and H Share certificates.

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering. Information contained in our website, ***www.hxsupermarket.cn****, does not form part of this prospectus.*

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CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

We are a wholesaler of grains and oil headquartered in Yangzhou, with retail operations of supermarket and convenience stores focusing on the central region of Jiangsu Province under our brand "宏信龍" (Hongxinlong*). According to the Industry Report, we ranked second among supermarket operators in Yangzhou in terms of sales in 2023 with a market share of approximately 9.1%, the fifth among supermarket operators in the central region of Jiangsu Province in terms of sales in 2023 with a market share of approximately 2.3%, and around the twentieth among supermarket operators in Jiangsu province in terms of sales in 2023 with a market share of approximately 0.4%. As at the Latest Practicable Date, we operated 51 supermarkets and 109 convenience stores in Jiangsu Province, out of which 49 supermarkets and 108 convenience stores are located in Yangzhou, and two supermarkets and one convenience store are located in Taizhou. Apart from supermarkets and convenience stores, we also operate two Malls located in Yangzhou, namely Jiangdu Mall* (江都商城) and Hongxinlong Mall* (宏信龍購物中心). Jiangdu Mall* (江都商城) was opened in 1995 and covers an area of approximately 6,000 square meters, and Hongxinlong Mall* (宏信龍購物中心) was opened in 2020 and it covers an area of approximately 3,000 square meters. For FY2021, FY2022, FY2023 and 9M2024, the revenue generated from our wholesale operations amounted to approximately RMB525.3 million, RMB512.3 million, RMB686.5 million and RMB572.4 million, representing approximately 36.7%, 38.6%, 49.0% and 56.9%, respectively. For the same years/period, the revenue generated from our retail operations amounted to approximately RMB888.5 million, RMB787.9 million, RMB688.6 million and RMB417.8 million, representing approximately 62.0%, 59.3%, 49.1% and 41.5% of our total revenue, respectively.

In terms of revenue contribution, our retail operations was our major revenue contributor for FY2021 and FY2022, but our wholesale operations caught up to level with our retail operations for FY2023 and overtook our retail operations for 9M2024. Such change in revenue mix was mainly attributable to the impact of COVID-19 pandemic and cessation of sales of tobacco products on our retail operations and the change in food consumption behaviour of consumer and that we gradually focused more on our wholesale operations.

According to the Industry Report, the growth of online retail sales in the PRC is creating a downward trend of offline retail sales. For instance, the share of online retail sales in total social retail sales in the PRC rose from 26.06% at the end of 2019 to 32.72% at the end of 2023, indicating a continuing increase in online retail sales, while at the same time the share of offline retail sales in total social retail sales in the PRC declined from 73.94% at the end of 2019 to 67.28% at the end of 2023, indicating a downward trend of the offline retail sales. In light of the increasing prevalence of e-commerce in the PRC, during the Track Record Period, we had operated two mini programmes "龍會易購" (Longhuiyigou*) and "宏信龍當日達" (Hongxinlong Same Day Delivery*) for our Retail Stores and a mini programme "江都商城" (Jiangdu Mall*) for our Malls. We have also cooperated with three e-commerce platforms, namely Douyin and JD.com and WeChat for online sale and delivery of our products to our customers. However, a substantial part of our revenue from our Retail Stores and Malls during the Track Record Period was generated from general sales at our Retail Stores and Malls, and our revenue generated from our mini programmes and e-commerce platforms only accounted for approximately 1.0%, 0.6%, 1.6% and 2.3% of our total revenue for FY2021, FY2022, FY2023 and 9M2024, respectively. For the associate risk, please refer to the paragraph headed "Risk Factors - We may not be able to successfully compete with online stores" in this prospectus.

OUR BUSINESS MODEL

Our business entails the following operations:

- **Wholesale operations:** We sell grains and oil, food products and other products to resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators. As at the Latest Practicable Date, we have secured our district distribution rights with 15 suppliers in respect of products of 29 brands or series of brands, including renowned brands of dairy products, oil and liquors, out of which six for distribution in Jiangdu District, Yangzhou, six for distribution in Yancheng City, one for Tinghu Town of Yancheng City, one for Yangzhou City and one for distribution of liquor of a renowned brand in designated store in Jiangdu District, Yangzhou. As at the Latest Practicable Date, we had successfully renewed the district distribution agreements with ten suppliers and we were attending to the renewal of the district distribution agreements with five suppliers, which continued to supply products of the authorised brands to us. Our Directors confirm that there is no impediments to the renewal of the district distribution agreements of these five suppliers. The distribution rights under the agreements are not expressed to be exclusive in nature. Pursuant to the agreements, we generally enjoy better pricing terms than other distributors without such district distributorship rights. We also sell garment and wooden products to overseas customers and household appliances to distributors and retailers.

  In respect of our wholesales, food was our major revenue contributor during the Track Record Period. Sales of food accounted for approximately 90.6%, 85.6%, 91.7%, 93.3% and 93.1% of our revenue from wholesales for FY2021, FY2022, FY2023, 9M2023 and 9M2024, respectively. In particular, oil was our major food product for our wholesale operations in term of revenue contribution. For FY2021, FY2022, FY2023, 9M2023 and 9M2024, sales of oil accounted for (i) approximately 74.6%, 73.4%, 70.0%, 72.3% and 73.2% of our revenue from sales of food under our wholesales, respectively; and (ii) approximately 67.7%, 62.8%, 64.2%, 67.5% and 68.2% of our revenue from wholesales, respectively.

Our Group commenced wholesale business since 2002 and has accumulated years of experience in the wholesale market in the PRC. Oil has been the one of our food products sold under our wholesale operations. During FY2021, we secured our district distributorship rights in Yangzhou City with Yihai Kerry Food Marketing Co., Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司) ("**Yihai Kerry**") for the distribution of oil in which the Yihai Kerry is the brand owner. Yihai Kerry is a PRC subsidiary of a company listed on the Shenzhen Stock Exchange engaging in oilseeds crushing, edible oils refining, manufacturing of specialty fats and oleochemicals, processing of corn, wheat and soybean, as well as the sustainable multi-stage processing of rice, raw food materials, central kitchen and R&D in grains and oil processing technology. According to publicly available information, Yihai Kerry group is one of the largest grains and oil production and processing groups in the PRC, and it held a dominant position with a market share of 39.0% in 2023, ranking first in the PRC. Our Directors are of the view that our district distribution rights with Yihai Kerry provided a solid foundation to our Group's purchase of oil for our wholesale operations and contributed to the growth of our wholesale operations during the Track Record Period. Prior to securing our district distributorship rights with Yihai Kerry, our Group purchased oil from more dispersed suppliers. For each of FY2022, FY2023 and 9M2024, Yihai Kerry became our largest supplier, and our purchase with Yihai Kerry amounted to approximately RMB141.9 million, RMB282.3 million and RMB284.5 million for FY2022, FY2023 and 9M2024, representing approximately 12.5%, 25.5% and 30.5% of our total purchase, respectively. As an illustration of the significance of our collaboration with Yihai Kerry to the growth of our wholesale operations, our revenue from sales of oil under our wholesales increased significantly from approximately RMB311.0 million for FY2022 to approximately RMB436.1 million for FY2023, and increased significantly from approximately RMB293.3 million for 9M2023 to approximately RMB387.6 million for 9M2024. Of which, for FY2022, FY2023 and 9M2024, our sales of oil purchased from Yihai Kerry accounted for approximately 52.5%, 72.3% and 84.3% of our revenue from sales of oil under our wholesales, respectively.

To the best knowledge of our Directors, Yihai Kerry granted similar district distributorship rights in Yangzhou City to not more than three companies including us. Despite our district distributorship rights with Yihai Kerry is not exclusive, our Directors are of the view that our Group was able to expand our wholesales and benefit from our district distributorship rights with Yihai Kerry primarily attributable to the following factors: (i) we offered favourable credit terms to our wholesale customers for oil. For example, for FY2022, FY2023 and 9M2024, our five largest customers were wholesale customers in each year/period during the Track Record

Period (save for Customer G for FY2022 which was a bulk sales customer) in which the products we sold to them were mainly oil we purchased from Yihai Kerry, and these customers were given a credit period of up to 90 days. According to the Industry Consultant, the credit terms for wholesalers of cooking oil in Jiangsu Province are typically up to 60 days. Nevertheless, certain wholesalers with longer history or a more established presence in the market may adopt more competitive credit policies by offering more favorable terms in an effort to enhance their market share and strengthen their market position. To the best knowledge of our Directors, our Group's credit terms are not least competitive than our competitors; (ii) in addition to oil and to a less extent, we also sell other day-to-day food products such as grains and milk, which we believe are essential for meeting the needs of our wholesale customers; and (iii) instead of being only a wholesaler, our brand was boosted by retail operations whereby we also operate supermarkets and convenience stores. According to the Industry Report, we ranked second among supermarket operators in Yangzhou in terms of sales in 2023 with a market share of approximately 9.1%, the fifth among supermarket operators in the central region of Jiangsu Province in terms of sales in 2023 with a market share of approximately 2.3%, and around the twentieth among supermarket operators in Jiangsu province in terms of sales in 2023 with a market share of approximately 0.4%.

Our latest distributorship agreement with Yihai Kerry will expire in end of December 2025, and pursuant to it, the agreement remains effective until a renewed distributorship agreement is entered into or if either party terminates the agreement. Our distributorship agreement with Yihai Kerry is renewable annually, and our Group has successfully renewed with Yihai Kerry since the first distributorship agreement with it.

- **Retail operations:** We operate our supermarkets and convenience stores under our brand "宏信龍" (Hongxinlong*), as well as two Malls, with geographical focus in the central region of Jiangsu Province. We receive sales proceeds from (i) general sales to consumers at our Retail Stores and Malls; and (ii) bulk sales to customers including corporate and government entities. We also receive sales amounts for concessionaire sales at our Retail Stores and Malls and charge the concessionaires certain percentage of gross sale amounts or the agreed sales target, whichever is the higher, as commissions.

  Our supermarkets provide a wide range of daily consumer products to cater for the daily needs of our customers, which could be broadly categorised as raw and fresh food, grains and oil, non-staple food and household products, while our convenience stores open for 16 or 24 hours a day to cater for quick purchases of everyday consumable products. We adopt the strategies of standardised branding and store design, centralised procurement, centralised inventory control and distribution as well as unified management for our Retail Stores for the purpose of our chain store management. These unities allow us to benefit from economies of scale, streamline operations, and provide a predictable shopping experience for our customers.

We sell fashion and apparel, children's wear, cosmetics and personal care, jewellery, accessories, footwear, household appliances, consumer electronics, liquor and miscellaneous products at our Malls. We endeavour to provide a wide range of merchandise to cater for the demand for trendy and fashionable products.

- **Rental operations:** Ancillary to our retail operations, we lease some shop floor area or shop premises in our Retail Stores and Malls to other retail operators like restaurant, hotels and pharmacies, etc. and receive rental income.

- **Supply and sales of meals:** We operate a central kitchen to produce meals and deliver to local corporates, schools or government entities. Leveraging our ability to source and supply quality and fresh food ingredients, we also operate a central kitchen to produce meals and deliver to local corporates, schools or government entities. As at the Latest Practicable Date, our central kitchen was located at Yangzhou and had the capacity to produce 10,000 sets of meals for lunch and 10,000 sets of meals for dinner per day.

To support our wholesale and retail operations, apart from having two warehouses, we operate a distribution centre in Jiangdu, Yangzhou to enable daily stocking, order picking and packing in a high flow velocity. The distribution centre is equipped with our WMS system to monitor real time inventory information and allow us to efficiently manage our inventory control. The WMS system is linked to the ERP system adopted by our supermarkets and convenience stores, which enables us to distribute products to our supermarkets and convenience stores in a timely manner. The WMS system is also linked to our B2B supply chain system, which facilitates us to place orders with our suppliers in an efficient and effective manner.

The table below sets forth a breakdown of our total revenue by operations during the Track Record Period:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Wholesale operations:										
– Sale of goods										
• Wholesales *(Note 1)*	515,654	36.0	495,056	37.3	679,641	48.5	434,820	44.0	568,338	56.5
– Commission income from sales and supply of goods	9,639	0.7	17,283	1.3	6,860	0.5	6,405	0.6	4,073	0.4
Sub-total	525,293	36.7	512,339	38.6	686,501	49.0	441,225	44.6	572,411	56.9
Retail operations:										
– Sale of goods *(Note 2)*										
• General sales:	751,615	52.5	613,209	46.2	616,813	44.0	472,480	47.8	362,049	36.0
– Supermarkets	*446,875*	*31.2*	*390,094*	*29.4*	*383,592*	*27.4*	*306,482*	*31.0*	*222,588*	*22.1*
– Convenience stores	*113,165*	*7.9*	*117,664*	*8.9*	*93,848*	*6.7*	*70,296*	*7.1*	*39,650*	*4.0*
– Malls	*191,575*	*13.4*	*105,451*	*7.9*	*139,373*	*9.9*	*95,702*	*9.7*	*99,811*	*9.9*
• Bulk sales	104,176	7.2	143,930	10.8	38,883	2.8	30,145	3.1	34,963	3.5
– Commission income from concessionaire sales	32,718	2.3	30,748	2.3	32,894	2.3	21,795	2.2	20,752	2.1
Sub-total	888,509	62.0	787,887	59.3	688,590	49.1	524,420	53.1	417,764	41.6
Rental income from operating lease	10,668	0.8	10,573	0.8	11,566	0.8	9,585	1.0	10,910	1.1
Supply and sales of meals	7,723	0.5	17,886	1.3	15,315	1.1	12,603	1.3	4,725	0.4
Total revenue	**1,432,193**	**100**	**1,328,685**	**100**	**1,401,972**	**100**	**987,833**	**100**	**1,005,810**	**100**

Notes:

1. Wholesales include the sale of grains and oil, food products and other products.

2. The revenue generated from our mini programmes and e-commerce platforms for Retail Stores and Malls amounted to approximately RMB14.6 million, RMB6.6 million, RMB22.7 million and RMB22.8 million for FY2021, FY2022, FY2023 and 9M2024, respectively.

3. Included in our total revenue was the insignificant amount of approximately RMB7.1 million, RMB1.3 million, RMB0.3 million and nil for FY2021, FY2022, FY2023 and 9M2024, respectively, attributable to our sales to our franchisees and franchise fee. We have terminated the franchise scheme in 2023.

The following table sets forth the gross profit and gross profit margin of our wholesales, general sales and bulk sales business segments (for which revenue is recognised on gross basis) for the years/periods indicated:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Wholesales	64,407	12.5	61,774	12.5	99,752	14.7	49,401	11.4	80,403	14.1
General sales:	145,048	19.3	130,255	21.2	138,102	22.4	113,630	24.0	83,578	23.1
– Supermarkets	*106,278*	*23.8*	*96,539*	*24.7*	*99,012*	*25.8*	*84,946*	*27.7*	*58,298*	*26.2*
– Convenience stores	*15,862*	*14.0*	*16,556*	*14.1*	*15,145*	*16.1*	*11,730*	*16.7*	*8,603*	*21.7*
– Malls	*22,908*	*12.0*	*17,160*	*16.3*	*23,945*	*17.2*	*16,954*	*17.7*	*16,677*	*16.7*
Bulk sales	21,449	20.6	46,776	32.5	8,113	20.9	6,202	20.6	8,160	23.3
Total	**230,904**	**16.8**	**238,805**	**19.1**	**245,967**	**18.4**	**169,233**	**18.1**	**172,141**	**17.8**

For FY2021, FY2022, FY2023, 9M2023 and 9M2024, we generated revenue of approximately RMB1,432.2 million, RMB1,328.7 million and RMB1,402.0 million, RMB987.8 million and RMB1,005.8 million, respectively. Owing to our business nature (i.e. wholesale and retail), cost of inventories constituted a significant portion of our cost of sales and at the same time we had to incur selling and distribution costs and administrative and other operating expenses to support our operations, we had thin profit margins during the Track Record Period. Our net profit margin was approximately 2.4%, 3.8%, 3.7% and 2.4% for FY2021, FY2022, FY2023 and 9M2024, respectively. For the associated risk, please refer to the paragraph headed "Risk Factors – We have thin profit margins and we may not be able to sustain our historical profitability and working capital position" in this prospectus. With a thin profit margin, we would record net cash used in operating activities when we have negative movement in our working capital (including inventories, trade and bills receivables and trade and bills payables) outweighing our operating profit. For instance, we had net cash used in operating activities of approximately RMB45.8 million, RMB11.1 million and RMB10.6 million for FY2021, 9M2023 and 9M2024, respectively, which were mainly driven by negative working capital movement outweighing our operating profit. For the associated risk, please refer to paragraph headed "Risk Factors – We had net cash used in operating activities for FY2021, 9M2023 and 9M2024 and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future" in this prospectus.

OUR PRODUCT PORTFOLIO

Through our wholesale and retail operations, we offer a wide range of daily consumer products for our customers.

The following table sets forth the breakdown of our revenue from sales of goods which was recognised on gross basis for the years/periods indicated:

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wholesale Operations					
Wholesales:					
Non-food products	48,257	71,379	56,377	29,029	39,064
Food	467,397	423,677	623,264	405,791	529,274
Oil	*348,887*	*310,971*	*436,086*	*293,345*	*387,592*
Grains	*15,282*	*24,697*	*33,425*	*15,662*	*39,202*
Alcoholic beverages	*56,550*	*50,237*	*97,661*	*51,976*	*60,063*
Milk	*42,976*	*33,111*	*34,314*	*26,374*	*26,900*
Others	*3,702*	*4,661*	*21,778*	*18,434*	*15,517*
Sub-total	515,654	495,056	679,641	434,820	568,338
Retail Operations					
Retail Stores and bulk sales:					
Food *(Note 1)*	525,228	491,901	384,236	297,524	253,733
Non-food products	75,735	64,945	81,813	58,177	46,874
Tobacco products	67,708	99,158	54,788	54,788	–
Discount and coupon deduction	(4,455)	(4,316)	(4,514)	(3,566)	(3,406)
	664,216	651,688	516,323	406,923	297,201
Malls:					
Electronic appliances	49,463	35,422	72,928	45,516	49,579
Fashion, apparel and children's wear	57,602	16,904	16,104	11,146	11,430
Gold, jewellery and accessories	61,619	43,751	43,732	34,226	35,357
Others *(Note 2)*	25,501	10,874	9,652	6,535	5,331
Discount and coupon deduction	(2,610)	(1,500)	(3,043)	(1,721)	(1,886)
	191,575	105,451	139,373	95,702	99,811
Sub-total	855,791	757,139	655,696	502,625	397,012
Aggregate revenue from wholesales, general sales and bulk sales	**1,371,445**	**1,252,195**	**1,335,337**	**937,445**	**965,350**

Notes:

1. Food under our retail operations mainly include raw and fresh food, grains, oil and non-staple food.

2. Others include cosmetics, beauty products, stationeries and other groceries.

In respect of our wholesale operations, food was the most significant type of goods in terms of revenue contribution during the Track Record Period. Our revenue from sales of food increased significantly from approximately RMB423.7 million for FY2022 to approximately RMB623.3 million for FY2023 and also increased significantly from approximately RMB405.8 million for 9M2023 to approximately RMB529.3 million for 9M2024. As advised by the Industry Consultant, the increase in wholesale of food in the PRC in 2023 and 2024, particularly as a result of recovery from COVID-19 pandemic, was driven by a combination of economic recovery and pent-up demand. In particular, as COVID-19 restrictions were lifted, businesses resumed normal operations, including resellers, retail operators such as operators of supermarkets and convenience stores as well as catering business operators. This resurgence in economic activity led to increased demand for wholesale food supplies as food service establishments sought to replenish stock. In addition, during the lockdowns, businesses in the PRC tended to postpone many purchases particularly in the food sector. As restrictions eased, there was a tendency to purchase food supplies to meet the needs of retail operators and catering business operators, thereby driving up wholesale sales. Furthermore, our increase in revenue from sales of food under our wholesale operations for 9M2024 as a result of a change in food consumption behaviour which in turn led to an increase in the demand for food ingredients (such as grains and oil) at the wholesale level. As advised by the Industry Consultant, in 2024, there has been a notable increase in the number of individuals dining out at restaurants, which was mainly driven by several key factors including, (1) the gradual recovery of the general economy in Yangzhou and the PRC has resulted in increased disposable income for consumers, enabling greater spending on dining out; (2) restaurants are proactively seeking to attract customers in order to recover from business losses incurred during the lockdowns; and (3) many people appreciate the social aspect of dining out, which fosters gatherings with friends and family in a lively atmosphere. As a result of the increasing number of individuals dining out at restaurants, consumers have reduced their spending on food purchased from supermarkets at the retail level, while at the same time the demand for food ingredients (such as grains and oil) at the wholesale level increased.

In respect of our retail operations, food was the most significant type of goods in terms of revenue contribution during the Track Record Period. For FY2021, FY2022, FY2023 and 9M2024, the percentage of revenue from sales of food to revenue from Retail Stores and bulk sales was approximately 79.1%, 75.5%, 74.4% and 85.4%, respectively. The increase in such percentage for 9M2024 was mainly driven by the nil revenue contribution from sales of tobacco products for 9M2024 as a result of our cessation of sales of tobacco products. On 31 December 2023, our Group ceased the sales of tobacco products. For details of such cessation, please refer to the paragraphs headed "History and Development – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" and "Business – Our product portfolio – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" in this prospectus.

Our revenue from sales of food under our retail operations decreased from approximately RMB525.2 million for FY2021 to approximately RMB491.9 million for FY2022, which was mainly driven by the negative impact brought by the epidemic measures/lockdown for COVID-19 in Yangzhou during 2022 in which our Retail Stores were required to shorten our operating hours. Our revenue from sales of food under our retail operations further decreased to approximately RMB384.2 million for FY2023, which was mainly driven by the negative impact of change in shopping habits on our bulk sales following the restrictions were lifted with COVID-19 pandemic largely behind in the PRC. For 9M2024, our revenue from sales of food under our retail operations decreased to approximately RMB253.7 million from approximately RMB297.5 million for 9M2023. Such decrease was mainly driven by the abovementioned change in food consumption behaviour of consumer.

Driven by the decrease in revenue from sales of food and our cessation of sales of tobacco products as disclosed above, our revenue from sales of goods (which was recognised on gross basis) under our retail operations decreased from approximately RMB502.6 million for 9M2023 to approximately RMB397.0 million for 9M2024.

Our revenue from sales of electronic appliances increased significantly from approximately RMB35.4 million for FY2022 to approximately RMB72.9 million for FY2023. As advised by the Industry Consultant, as the restrictions were lifted with COVID-19 pandemic largely behind in the PRC, consumers in the PRC were eager to spend on electronic appliances, leading to a surge in sales as people sought to upgrade or replace older devices, and in particular, with more time spent at home during lockdowns, many consumers in the PRC tended to take on home improvement projects.

Our revenue from sales of fashion, apparel and children's wear and gold, jewellery and accessories under our retail operations decreased significantly from approximately RMB57.6 million and RMB61.6 million for FY2021, respectively, to approximately RMB16.9 million and RMB43.8 million for FY2022, respectively. As advised by the Industry Consultant, the impact of lock-down in the PRC had led to a decline in the sales of fashion, apparel and children's wear and gold, jewellery and accessories in the PRC, primarily due to the priority of consumers in the PRC to focus their spending on essentials as well as the closing down of physical retail and department stores. In particular, (i) the need to stay at home and the unavailability of fitting rooms had hindered the sales of fashion, apparel and children's wear; and (ii) consumers tended to purchase luxury goods such as gold and jewellery physically in store, and were more cautious in buying luxury items in view of the uncertainty on the economic recovery after COVID-19 pandemic.

OUR CUSTOMERS

The customers of our wholesale operations mainly include resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators.

The customers of our retail operations mainly consist of general sale customers and bulk sales customers. General sale customers are primarily individuals, usually local residents living in the communities, who come to our Retail Stores or Malls in person to shop and purchase. Bulk sale customers include corporate and government entities, which purchase products in large quantities.

The customers for our meals are local corporates, schools or government entities.

For FY2021, FY2022, FY2023 and 9M2024, our revenue attributable to our largest customer in each year/period during the Track Record Period accounted for approximately 5.7%, 12.4%, 16.2% and 11.2% of our total revenue, respectively, while our revenue attributable to our five largest customers in each year/period during the Track Record Period in aggregate accounted for approximately 18.8%, 26.8%, 31.8% and 28.5% of our total revenue, respectively.

For further details of our five largest customers in each year/period during the Track Record Period, please refer to the paragraph headed "Business – Our customers" in this prospectus.

OUR SUPPLIERS

Our suppliers include manufacturers, suppliers and distributors of food products and merchandise.

For FY2021, FY2022, FY2023 and 9M2024, our purchase from our largest supplier in each year/period during the Track Record Period accounted for approximately 7.5%, 12.5%, 25.5% and 30.5% of our total purchase costs, respectively, while our purchase from our five largest suppliers in each year/period during the Track Record Period in aggregate accounted for approximately 28.0%, 35.9%, 42.4% and 50.0% of our total purchase costs, respectively.

For further details of our five largest suppliers in each year/period during the Track Record Period, please refer to the paragraph headed "Business – Our suppliers" in this prospectus.

PRICING POLICY

For our wholesale operations, when setting the wholesale price, we also consider the type of the merchandise, the sales volume, the profit margin under the prevailing market conditions and indicative price list from our suppliers. For our retail operations, we have adopted a “cost-plus” pricing policy, pursuant to which we set target prices with different profit margins over our products taking into consideration our costs of goods sold and the associated operational costs. We would also conduct market research from time to time and compare prices of similar products offered by our competitors, adjust our retail prices of our products based on the prevailing market trends, sourcing prices, seasonality and the pricing strategy as determined by our management.

COMPETITIVE LANDSCAPE

According to the Industry Report, competitions in the PRC markets of supermarket retail, convenience store, department store and prepared food such as ready meals, pre-cooked or semi-cooked foods are fierce despite that the levels and extents of market concentration in the respective markets are different. While the market concentration in the supermarket retail industry is relatively high, there are many brands or companies in the markets of convenience store, department store and prepared food, resulting in a relatively low market concentration. The grains and oil wholesale industry in China has shown a trend of centralization to a certain extent. As of June 2024, there were a total of 317,600 grains and oil wholesale enterprises in China. Among these, Jiangsu Province accounted for approximately 5.1%, totaling 16,100 enterprises. Within Jiangsu Province, central region of Jiangsu Province accounted for the approximately 15.3%. We ranked (i) in the supermarket retail industry, the second in Yangzhou with a market share of approximately 9.1%, the fifth in the central region of Jiangsu Province with a market share of approximately 2.3%, and around the twentieth among supermarket operators in Jiangsu province in terms of sales in 2023 with a market share of approximately 0.4%; (ii) in the convenience store market, the fourth in Yangzhou with a market share of approximately 6.1%; (iii) in the department store market, the fifth in Yangzhou with a market share of approximately 6.2%; and (iv) in the prepared food market, the fourth in Yangzhou with a market share of approximately 1.21%, in terms of sales in the respective markets in 2023. Please refer to the section headed “Industry Overview” and the paragraph headed “Business – Market and competition” in this prospectus for further details on the competitive landscape, analysis on market barriers, market opportunities and challenges of the supermarket retail industry, convenience store market, department store market, prepared meals and grains and oil wholesale markets.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths including: (i) our brand "宏信龍" (Hongxinlong*) is a recognised brand in Jiangsu Province; (ii) our retail operations and wholesale operations bring complementary benefits and synergies to each other; (iii) we have various procurement channels to secure stable supply of products; (iv) we have an established supply chain management systems; (v) we have an experienced and professional management team; and (vi) we adopt an approach that aims to maintain satisfactory customer services to our customers. For further details, please refer to the paragraph headed "Business – Our competitive strengths" in this prospectus.

BUSINESS STRATEGIES

The principal business objectives of our Group are to further strengthen our market position, increase our market share and capture the growth in the PRC retail industry. In furtherance of these objectives, we plan to adopt the following strategies: (i) expanding our presence and number of Retail Stores; (ii) expanding our warehousing capacity by establishing a new distribution centre; (iii) expanding our processing capacity of meals by establishing a new central kitchen; and (iv) enhancing our ERP system and infrastructure systems to improve our operational efficiency.

FOOD SAFETY

For FY2021, FY2022, FY2023 and 9M2024, our revenue from sales of food (including grains and oil, food products, etc.) accounted for approximately 69.3%, 68.9%, 71.9% and 77.9% of our total revenue, respectively. As such, food safety is a critical concern for our business. As a seller, we shall be responsible for establishing and implementing a system for inspecting and accepting incoming goods, verifying product qualification certificates and other labels of food products. For details of the relevant laws and regulations concerning food safety, please refer to the paragraph headed "Regulatory Overview – Food safety" in this prospectus.

We have adopted food safety measures including (i) checking the certifications for food safety and quality provided by the food suppliers during the selection of suppliers; (ii) checking the product information during the procurement process; (iii) conducting quality checks on food products upon delivery to us; (iv) monitoring logistics and warehouse conditions; and (v) checking food expiry and disposal of expired or rotten food products. For details, please refer to the paragraph headed "Business – Food safety" in this prospectus. In 2022, there was an incident in which we failed to verify the authenticity of the batch number, trademark registration and labelling information in respect of the vermicelli supplied by us to a local government authority at Hongqiao Town, Minhang District, Shanghai, the PRC (being Customer G). As a result, in 2022, we were ordered by the authority to pay fines of RMB370,000, which were duly settled in November 2022. For details, please refer to the paragraph headed "Business – Food safety – Immaterial food safety incidents" in this prospectus.

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk Factors" in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include the following: (i) our business might be adversely affected if we could not identify and secure desirable locations for our Retail Stores; (ii) our success depends on our ability to respond effectively to changes in customer preferences and needs; (iii) we may not be able to successfully compete with online stores; (iv) we have thin profit margins and we may not be able to sustain our historical profitability and working capital position; (v) we had net cash used in operating activities for FY2021, 9M2023 and 9M2024, and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future; (vi) we rely on the performance of our Retail Stores and Malls which can be adversely affected by factors which might be beyond our control; (vii) our wholesale operations rely on sales of oil from Yihai Kerry with whom our district distributorship rights are not exclusive and may be subject to revocation or termination; (viii) we may not be able to successfully implement our business plans and our growth prospects may be restricted; (ix) if we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected; and (x) our plan of expansion involving acquisition of land and constructing a new central kitchen and a new distribution centre may require substantial capital expenditure, and result in increase in depreciation that may adversely affect our financial results and conditions.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR OPERATIONS

Due to the emergence of the COVID-19 pandemic in the PRC in early 2020, the PRC government imposed various lockdown measures during the Track Record Period (FY2021 and FY2022) to contain its spread. Such measures included but not limited to, stay-at-home orders for residents, with only one person per household allowed to leave for essential tasks every few days, massive testing for the whole population and contact tracing efforts to identify and isolate close contacts of positive cases. These stringent measures imposed restrictions on residents' mobility which in turn had adverse impacts on the number of customers visiting and shopping in our Retail Stores and Malls and thus our revenue generated therefrom. Besides, our operations experienced material disruptions as a result of (i) temporary closure of certain of our Retail Stores and Malls during FY2021 and FY2022; and (ii) shortening of the opening hours of our Retail Stores and Malls. For instance, during FY2021, over 20 of our Retail Stores and our Malls experienced temporary closure in August and September 2021 and the temporary closure in FY2021 for each of the relevant Retail Stores and Malls lasted for no more than 45 days. In addition, towards the end of FY2022 when the restriction was initially lifted, the infection cases significantly increased which adversely affected the number of customers visiting and shopping in our Retail Stores and Malls over the high-season end of year sales, despite that only one of our Retail Stores was temporarily closed for 7 days due to the restrictions imposed by the PRC government during the end of FY2022. As a result of these, our revenue from general sales decreased significantly from approximately RMB751.6 million for FY2021 to approximately RMB613.2 million for FY2022. Apart from the above, delivery of products from and to us was adversely affected as a result of restrictive transportation measures such as heavy restriction on travelling from and to Yangzhou and suspension of public transportation within Yangzhou.

Despite these challenges, we managed to maintain a relatively stable gross profit from sales of goods at approximately RMB230.9 million and RMB238.8 million for FY2021 and FY2022, respectively, which was primarily contributed by our bulk sales, the revenue and gross profit of which increased from approximately RMB104.2 million and RMB21.4 million for FY2021, respectively, to approximately RMB143.9 million and RMB46.8 million for FY2022. As advised by the Industry Consultant, during the lock-downs in the PRC, driven by uncertainty about future availability and the desire to minimise shopping trips, consumers in the PRC exhibited a stock piling behaviour as they tended to rush to stockpile essentials such as rice, oil, canned foods and hygiene products, which contributed to the increase in bulk sales in the PRC market.

During the COVID-19 pandemic, we assisted in procuring and distributing essential daily necessities when various lockdown measures were imposed by the PRC government to ensure prevention and control of spread, and were recognised as a (i) Key Supply Unit for Prevention and Control in Jiangdu District, Yangzhou City* (揚州市江都區防控重點保障供應單位) by the Office of the Command for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新型冠狀病毒肺炎疫情防控指揮部辦公室) in 2020; and (ii) Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業) by the Commerce Bureau of Yangzhou City* (揚州市商務局) and Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業) by the Command for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新冠肺炎疫情防控工作指揮部) in 2021.

In April 2022, a white list was established by Shanghai Municipal Commission of Commerce (上海市商務委員會) for enterprises providing daily necessities during the COVID-19 pandemic in Shanghai to ensure effective epidemic prevention and the guarantee of daily necessities. Due to the normalisation of production and daily life order and resumption of business operations in Shanghai, the white list had ceased to be updated and used since 1 June 2022 and all information contained thereon is no longer available for inspection.

SUMMARY OF KEY FINANCIAL INFORMATION

Summary of the consolidated statements of profit or loss

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	1,432,193	1,328,685	1,401,972	987,833	1,005,810
Gross profit	282,685	302,138	301,376	209,881	208,434
Profit before taxation	47,696	68,487	70,058	41,796	35,102
Profit for the year/period	35,080	51,065	51,602	30,528	24,078

Non-IFRS financial measure

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also presented the adjusted net profit (Non-IFRS measure) and adjusted net profit margin (Non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRSs. We believe that the presentation of non-IFRS financial measures when shown in conjunction with the corresponding IFRS financial measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period. Such non-IFRS financial measures allow investors to consider matrices used by our management in evaluating our performance.

The use of non-IFRS financial measures has limitations as an analytical tool, and investors should not consider these in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial conditions as reported in accordance with IFRSs. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

We adjusted for certain items as our non-IFRS financial measures, in order to provide potential investors with an overall and fair understanding of our operating results and financial performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance. Listing expenses are mainly expenses related to the Listing and are added back because they were incurred only for the purposes of the Listing.

Adjusted net profit (Non-IFRS measure)

We defined adjusted net profit (Non-IFRS measure) as net profit for the year adjusted by adding back Listing expenses. The table below sets forth the adjusted net profit (Non-IFRS measure) and the adjusted net profit margin (Non-IFRS measure) for each respective year/period during the Track Record Period:

	FY2021	**FY2022**	**FY2023**	**9M2023**	**9M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period	35,080	51,065	51,602	30,528	24,078
Adjusted:					
Listing expenses	–	1,747	3,449	3,125	7,276
Adjusted net profit (Non-IFRS measure) for the year/period	**35,080**	**52,812**	**55,051**	**33,653**	**31,354**
Adjusted net profit margin (Non-IFRS measure)	**2.4%**	**4.0%**	**3.9%**	**3.4%**	**3.1%**

The decrease in our revenue of approximately RMB103.5 million from FY2021 to FY2022 was mainly driven by the decrease in our revenue from general sales in Retail Stores and Malls due to the epidemic measures/lockdown due to COVID-19. In particular, the sales of our key Retail Stores and Malls during our high-season period such as Chinese New Year period and the period around National Day were generally affected. Our revenue increased from approximately RMB1,328.7 million for FY2022 to approximately RMB1,402.0 million for FY2023, and increased from approximately RMB987.8 million for 9M2023 to approximately RMB1,005.8 million for 9M2024. The increase during FY2023 was mainly driven by the increase in revenue contributed by our five largest customers in 2023, which are mainly our wholesale customers. Our revenue from wholesales increased during FY2023 and 9M2024 mainly driven by the increase in sales of food.

Our profit before taxation increased from approximately RMB47.7 million for FY2021 to approximately RMB68.5 million for FY2022. Such increase was mainly contributed by the increase in gross profit margin from approximately 19.7% for FY2021 to approximately 22.7% for FY2022. Our profit before taxation decreased from approximately RMB41.8 million for 9M2023 to approximately RMB35.1 million for 9M2024, mainly due to the impact of Listing expenses.

For details, please refer to the paragraph headed "Financial Information – Principal components of the consolidated statements of profit or loss" in this prospectus.

Summary of the consolidated statements of financial position

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	412,336	397,990	377,772	374,343
Current assets	764,664	933,549	1,029,364	1,025,631
Current liabilities	683,875	796,414	819,983	745,206
Non-current liabilities	95,614	88,345	93,812	136,293
Net current assets	80,789	137,135	209,381	280,425
Net assets	397,511	446,780	493,341	518,475

Our current assets increased by approximately RMB168.8 million from approximately RMB764.7 million as at 31 December 2021 to approximately RMB933.5 million as at 31 December 2022. Such increase was mainly driven by the increase in our prepayments, deposits and other receivables during FY2022. Our current assets further increased to approximately RMB1,029.4 million as at 31 December 2023, which was mainly driven by the increase in our cash and cash equivalents due to net cash generated from operating and financing activities. Our current assets decreased slightly to approximately RMB1,025.6 million as at 30 September 2024, which was primarily driven by the decrease in our cash and cash equivalents due to net cash used in operating activities.

Our current liabilities increased by approximately RMB112.5 million from approximately RMB683.9 million as at 31 December 2021 to approximately RMB796.4 million as at 31 December 2022 mainly due to the increase in our trade and bills payables. Our current liabilities decreased by approximately RMB74.8 million from approximately RMB820.0 million as at 31 December 2023 to approximately RMB745.2 million as at 30 September 2024 mainly due to the decrease in our trade and bills payables and bank loans and other borrowings.

Overall, our net current assets increased throughout the Track Record Period.

Our net assets increased throughout the Track Record Period, from approximately RMB397.5 million as at 31 December 2021 to approximately RMB446.8 million as at 31 December 2022 to approximately RMB493.3 million as at 31 December 2023 to approximately RMB518.5 million as at 30 September 2024. Such increase was mainly driven by our net profit generated from each year/period during the Track Record Period while we have not paid or declared dividends during the Track Record Period.

For further details, please refer to the paragraph headed "Financial Information – Description of certain line items in the consolidated statements of financial position" in this prospectus.

Summary of the consolidated statements of cash flows

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating profit before changes in working capital	136,890	153,365	163,623	117,466	109,855
Changes in working capital	(164,601)	(72,463)	(75,001)	(111,558)	(105,735)
Cash (used in)/generated from operations	(27,711)	80,902	88,622	5,908	4,120
Income tax paid	(18,116)	(10,867)	(19,403)	(17,051)	(14,745)
Net cash (used in)/generated from operating activities	(45,827)	70,035	69,219	(11,143)	(10,625)
Net cash used in investing activities	(24,749)	(25,813)	(34,536)	(32,127)	(26,680)
Net cash generated from/(used in) financing activities	78,375	(65,498)	35,729	(6,375)	(50,681)
Net increase/(decrease) in cash and cash equivalents	7,799	(21,276)	70,412	(49,645)	(87,986)
Effect of foreign exchange rate changes	(1,565)	2,377	327	(214)	(448)
Cash and cash equivalents at beginning of year/period	178,152	184,386	165,487	165,487	236,226
Cash and cash equivalents at end of year/period	184,386	165,487	236,226	115,628	147,792

We recorded net cash used in investing activities for all years/periods presented. During the Track Record Period, save for FY2022, 9M2023 and 9M2024, we recorded net cash generated from financing activities. For FY2022, 9M2023 and 9M2024, the net cash used in financing activities was mainly due to net repayment of bank loans and other borrowings. During the Track Record Period, save for FY2021, 9M2023 and 9M2024, we recorded net cash generated from operating activities. For FY2021, the net cash used in operating activities for FY2021 of approximately RMB45.8 million primarily reflected the negative movements in change in working capital mainly driven by the increase in inventories of approximately RMB84.4 million primarily driven by the increase of our revenue from sales of goods from the year ended 31 December 2020 to FY2021. For 9M2024, the net cash used in operating activities of approximately RMB10.6 million primarily reflected the negative movements in change in working capital mainly driven by the increase in trade and other receivables of approximately RMB37.9 million, the increase in inventories of approximately RMB51.3 million and decrease in trade and other payables of approximately RMB18.7 million. For the associated risk, please refer to paragraph headed "Risk Factors – We had net cash used in operating activities for FY2021, 9M2023 and 9M2024 and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future" in this prospectus.

For further details of our cash flows analysis, please refer to the paragraph headed "Financial Information – Liquidity and capital resources – Cash flows" in this prospectus.

Key financial ratios

	As at/For the years ended 31 December			As at/For the nine months ended 30 September
	2021	2022	2023	2024
Gross profit margin(1)	19.7%	22.7%	21.5%	20.7%
Net profit margin(2)	2.4%	3.8%	3.7%	2.4%
Return on equity(3)	8.8%	11.4%	10.5%	6.2%
Return on assets(4)	3.0%	3.8%	3.7%	2.3%
Current ratio(5)	1.1	1.2	1.3	1.4
Quick ratio(6)	0.7	0.8	0.9	1.0
Gearing ratio(7)	78.2%	70.1%	68.8%	83.3%
Interest coverage ratio(8)	3.6	4.2	4.5	3.2

Notes:

(1) Gross profit margin represents gross profit for the year/period divided by total revenue for the respective year/period.

(2) Net profit margin represents profit for the year/period divided by total revenue for the respective year/period.

(3) Return on equity represents profit for the year/period divided by total equity as at the end of that year/period. For the purpose of illustration, return on equity for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

(4) Return on assets represents profit for the year/period divided by total assets as at the end of that year/period. For the purpose of illustration, return on assets for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

(5) Current ratio represents total current assets divided by total current liabilities as at the relevant year/period end.

(6) Quick ratio represents total current assets less inventories divided by total current liabilities as at the relevant year/period end.

(7) Gearing ratio represents total bank loans and other borrowings and lease liabilities, less cash and cash equivalents, divided by total equity as at the relevant year/period end.

(8) Interest coverage ratio represents profit before net finance costs and taxation divided by net finance costs for the relevant year/period.

During the Track Record Period, our current ratio was above 1.0 while our quick ratio (except as at 30 September 2024) was below 1.0 as inventories were our material assets, which constituted approximately 24.3%, 24.3%, 18.9% and 22.7% of our total assets as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively. During the Track Record Period, we did not have prolonged average inventory turnover days. For FY2021, FY2022 and FY2023, our average inventory turnover days were approximately 77.5 days, 108.5 days and 97.9 days, respectively. For 9M2024, our annualised average inventory turnover days was approximately 100.2 days.

For further details, please refer to the paragraph headed "Financial Information – Selected financial ratios" in this prospectus.

CONTROLLING SHAREHOLDERS

Pursuant to the Acting-in-concert Confirmation, Mr. Gao, Ruichuanda Investment (which is in turn wholly-owned by Mr. Gao), Mr. Yuan and Mr. Zhang confirm that they have been acting in concert in the management and operation of our Group since January 2019, and they have agreed to continue to act in concert and reach consensus on any proposal related to the daily management and operation of our Group presented to the general meeting of the Shareholders of our Company for voting.

As at the Latest Practicable Date, Mr. Gao is able to exercise approximately 29.68% of the voting rights in our Company through (i) his personal capacity as to approximately 16.36%; and (ii) Ruichuanda Investment as to approximately 13.32%. Mr. Yuan is able to exercise approximately 6.95% voting rights in our Company through his personal capacity. Mr. Zhang is able to exercise approximately 4.85% voting rights in our Company through his personal capacity. As such, as at the Latest Practicable Date, the Concert Parties are able to exercise voting rights of approximately 41.48% of the total issued shares of our Company.

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the Concert Parties will be entitled to exercise voting rights of approximately 31.11% of the total issued shares of our Company, and are considered as our Controlling Shareholders upon Listing. Accordingly, Mr. Gao, Ruichuanda Investment, Mr. Yuan and Mr. Zhang are a group of Controlling Shareholders acting in concert.

PRE-IPO INVESTMENTS

From June 2019 to September 2020, our Company had entered into several rounds of Pre-IPO Investments with our Pre-IPO Investors, which include Jiangdu Fund, Jiequan Fund, Minsheng Agricultural, Batch A Investors and Batch B Investors. For further details of the Pre-IPO Investments and the identity and background of the Pre-IPO Investors, please refer to the paragraph headed "History and Development – Pre-IPO Investments" in this prospectus.

OFFERING STATISTICS

Number of the Offer Shares	:	53,562,000 H Shares (subject to the Over-allotment Option)
Offer Price	:	Not more than HK$3.00 per Offer Share and is expected to be not less than HK$2.50 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%

	Based on an Offer Price of HK$2.50 Per Offer Share *HK$*	**Based on an Offer Price of HK$3.00 Per Offer Share** *HK$*
Market capitalisation *(Note 1)*	535,617,275	642,740,730
Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share *(Note 2)*	3.03	3.15

Notes:

1. The calculation of the market capitalisation of the Shares is based on 214,246,910 H Shares in issue and H Shares to be issued immediately after completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

2. The unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is arrived at after the above adjustment and on the basis that a total of 214,246,910 Shares were in issue immediately following the completion of the Global Offering assuming the Global Offering had been completed on 30 September 2024 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

3. No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company to reflect our trading results or other transactions entered into subsequent to 30 September 2024.

   Please refer to Appendix IIA to this prospectus for the bases and assumptions in calculating the figures.

LISTING EXPENSES

The total amount of Listing expenses in connection with the Global Offering, including underwriting commissions, is estimated to be approximately RMB38.9 million (equivalent to approximately HK$42.2 million) (based on the mid-point of the indicative Offer Price range), representing approximately 28.6% of our estimated gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). We estimate that our Listing expenses will comprise (i) underwriting-related expenses, including underwriting commission, of approximately RMB8.1 million; and (ii) non underwriting-related expenses of approximately RMB30.8 million, including (a) fees paid and payable to legal advisers and reporting accountant of approximately RMB17.6 million; and (b) other fees and expenses including sponsor fee of approximately RMB13.2 million. The Listing expenses of: (i) approximately RMB14.8 million (equivalent to approximately HK$16.1 million) is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard; and (ii) approximately RMB24.1 million (equivalent to approximately HK$26.1 million) has been or is to be charged to the consolidated statements of profit or loss, of which (a) nil, approximately RMB1.7 million, RMB3.4 million and RMB7.3 million have been charged for FY2021, FY2022, FY2023 and 9M2024, respectively; and (b) nil and approximately RMB11.7 million is expected to be charged for the three months ended 31 December 2024 and the three months ending 31 March 2025, respectively, prior to or upon Listing. Expenses in relation to the Listing are non-recurring in nature.

DIVIDENDS

No dividend has been paid or declared by our Company during the Track Record Period and up to the date of this prospectus.

Currently, we do not have a formal dividend policy or a pre-determined dividend distribution ratio. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account of factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any non-compliance incidents save as (i) failure to obtain certain land use right certificates and property ownership certificates; (ii) title defects and non-registration of our leased properties; (iii) failure to complete Fire Safety Approvals; and (iv) non-compliance with social insurance and housing provident fund contributions. For details, please refer to the paragraph headed "Business – Non-compliance" in this prospectus.

FUTURE PLAN AND USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK$105.1 million, assuming an Offer Price of HK$2.75 per Share, being the mid-point of the Offer Price range stated in this prospectus and the Over-allotment Option is not exercised. We intend to apply these net proceeds as follows: (i) approximately RMB30.0 million or 30.9% will be used for the opening of new Retail Stores; (ii) approximately RMB40.0 million or 41.2% will be used for establishing a new distribution centre; (iii) approximately RMB26.0 million or 26.8% will be used for establishing a new central kitchen; and (iv) approximately RMB1.1 million or 1.1% will be used for enhancing our ERP system and infrastructure systems to improve our operational efficiency.

CSRC FILING

On 20 February 2025, the CSRC issued a notification on our Company's completion of the PRC filing procedures for the Listing and the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares. A copy of this notification can be found on the official website of the CSRC. As advised by our PRC Legal Advisers, our Company has completed all necessary filings with the CSRC in the PRC in relation to the Global Offering and the Listing, and upon completion of overseas offering and listing, we shall report information on overseas offering and listing pursuant to the provisions of relevant guidelines.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business operation remained stable after the Track Record Period and up to the date of this prospectus and there was no material adverse change to our business and its industry, market or regulatory environment. Subsequent to the Track Record Period and up to the date of this prospectus, wholesale and retail operations continued to be our main stream of revenue. In addition, (i) as at the Latest Practicable Date, the number of our supermarkets remained stable at 51 and the number of our convenience stores increased two to 109, respectively; and (ii) subsequent to the Track Record Period and up to the Latest Practicable Date, we had commenced business relationship with not less than 30 wholesale customers and 10 suppliers.

Based on our unaudited financial information for the year ended 31 December 2024 as set out in Appendix IIB to this prospectus, our Directors expect that there will be a decrease in our net profit for the year ended 31 December 2024 as compared to that for FY2023, which was primarily attributable to (i) the decrease in our revenue from our retail operations mainly driven by the decrease in revenue from sales of food as a result of the change in food consumption behaviour of consumer and our cessation of sales of tobacco products as disclosed above; and (ii) the increase in Listing expenses, and was partially offset by the increase in our revenue from our wholesale operations mainly driven by the increase in revenue from sales of food as a result of the change in food consumption behaviour of consumer as disclosed above. For further details, please refer to the section headed "Unaudited Preliminary Financial Information for the year ended 31 December 2024" in Appendix IIB to this prospectus. The unaudited financial information in respect of our consolidated statement of financial position as at 31 December 2024, our consolidated statement of profit or loss, our consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the section headed "Unaudited Preliminary Financial Information for the year ended 31 December 2024" in Appendix IIB to this prospectus has been agreed by the Reporting Accountants to the amounts set out in the Group's unaudited consolidated financial statements for the year ended 31 December 2024 following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountants on the unaudited preliminary financial information.

Our Directors expect that there will be a decrease in our net profit for the year ending 31 December 2025 as compared to that for the year ended 31 December 2024, which is primarily attributable to (i) the increase in Listing expenses; (ii) increase in professional service fee for compliance following the Listing; and (iii) the increase in relocation expenses in respect of our relocation plan in respect of Muyuan Central Kitchen (the details of which is disclosed in the paragraph headed "Business – Non-compliance – (1) Failure to obtain certain land use right certificates and property ownership certificates – current status and remedies" in this prospectus).

After due and careful consideration, our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2024, and there is no event since 30 September 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Accountants' Report"	the accountants' report set out in Appendix I to this prospectus
"Acting-in-concert Confirmation"	the acting-in-concert confirmation dated 5 September 2023 entered into between the Concert Parties
"affiliate(s)"	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"Batch A Investors"	Jiaqi LLP and 23 individuals, among which 13 individuals are directors, supervisors, senior management members of our Group or their associates (being Mr. Zhang, Hu Qinghua (胡慶華), Yin Qin (印勤), Zhu Zheng (朱政), Zhan Mingyu (詹明玉), Yao Xinhua (姚新華), Guo Xia (郭霞), Shen Zhigen (沈志艮), Xia Zhonglin (夏忠林), Wang Ying (汪穎), Wu Jie (吳潔), Li Qian (李倩) and Zhu Aizhen (朱愛珍)), and 10 individuals are Independent Third Parties (being Lu Shouping (陸壽萍), Kan Chuanling (闞傳玲), Jiang Xianyue (江顯月), Yin Yizuo (殷義左), Huang Haiyan (黃海燕), Xu Chunling (徐春玲), Yan Shuqin (嚴書琴), Guan Jianzhong (管建忠), Zhu Hairong (朱海榮) and Chen Yan (陳豔)). All of these 23 individuals are employees or ex-employees of our Group

"Batch B Investors"	Yongqi LLP and eight individuals, among which three individuals are directors, supervisors, senior management members of our Group or their associates (being Hu Qinghua (胡慶華), Xia Zhonglin (夏忠林) and Li Qian (李倩)), and five individuals are Independent Third Parties (being Kan Chuanling (闞傳玲), Jiang Xianyue (江顯月), Yin Yizuo (殷義左), Huang Haiyan (黃海燕) and Zhu Hairong (朱海榮)). All of these eight individuals are employees or ex-employees of our Group
"Board" or "Board of Directors"	our board of Directors
"Business Day(s)"	any day(s) (other than Saturday(s), Sunday(s) or public holidays) on which banks in Hong Kong are generally open for normal banking business
"Capital Market Intermediaries" or "Capital Market Intermediary(ies)" or "CMI(s)"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chairman"	chairman of our Board
"China" or "PRC"	the People's Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company" or "the Company"	Jiangsu Horizon Chain Supermarket Company Limited (江蘇宏信超市連鎖股份有限公司) (formerly known as Jiangdu Mall Hongxin Supermarket Chain Co., Ltd.* (江都商城宏信超市連鎖有限公司)), a limited liability company established in the PRC on 19 October 2005 and subsequently converted into a joint stock company with limited liability on 30 September 2007
"Concert Parties"	collectively, Mr. Gao, Ruichuanda Investment, Mr. Yuan and Mr. Zhang, and "Concert Party" means any one of them
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. Gao, Ruichuanda Investment, Mr. Yuan and Mr. Zhang
"Conversion of Domestic Unlisted Shares into H Shares"	the conversion of 160,684,910 Domestic Unlisted Shares in aggregate held by the Shareholders into H Shares on a one-for-one basis upon the completion of Global Offering. Such conversion of Domestic Unlisted Shares into H Shares has been approved by the CSRC on 20 February 2025 and an application for H Shares to be listed on the Stock Exchange has been made to the Stock Exchange. For further details, please refer to the paragraph headed "Share Capital – Conversion of Domestic Unlisted Shares into H Shares" in this prospectus
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 12 March 2025 entered into by our Controlling Shareholders with and in favour of our Company (for itself and as trustee for its subsidiaries) as referred to in the section headed "Appendix VI – Statutory and General Information – 5. Other Information – A. Tax and other indemnity" in this prospectus
"Deed of Non-competition"	the deed of non-competition dated 12 March 2025 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the section headed "Relationship with Controlling Shareholders – Deed of Non-competition" in this prospectus

"Director(s)" or "our Director(s)"	the director(s) of our Company
"Domestic Unlisted Share(s)"	the ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which is/are subscribed for and paid up in Renminbi and are unlisted Shares not currently listed or traded on any stock exchange
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by the government of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Fire Safety Approval(s)"	has the meaning ascribed to it in the paragraph headed "Business – Non-compliance – (3) Failure to complete Fire Safety Approvals" in this prospectus
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ended 31 December 2022
"FY2023"	the financial year ended 31 December 2023
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "the Group", "us" or "we"	our Company, its subsidiaries or any of them, or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, our Company's current subsidiaries or the business operated by such subsidiaries or their predecessors (as the case may be)

"H Share(s)"	the ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in Hong Kong dollars and to be listed and traded on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shareholder(s)"	holder(s) of H Share(s)
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI System to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK$" and "cents"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the H Shares initially offered by our Company (subject to reallocation) pursuant to the Hong Kong Public Offering

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares by our Company for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the paragraph headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated 20 March 2025, relating to the Hong Kong Public Offering and entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters
"Hongxin Pharmacy"	Yangzhou Hongxin Pharmacy Co., Ltd.* (揚州宏信大藥房有限公司), a limited liability company established in the PRC on 14 May 2014, which is a direct wholly-owned subsidiary of our Company
"Hongxin Trading"	Jiangsu Hongxin Trading Co., Ltd.* (江蘇宏信商貿股份有限公司) (formerly known as Jiangdu Mall Co., Ltd.* (江都商城股份有限公司)), a joint stock company with limited liability established in the PRC on 26 June 1994, which is a direct non-wholly-owned subsidiary of our Company
"Hongxin Trading Acquisition"	the acquisition of 95.68% of the equity interest in Hongxin Trading by our Company pursuant to an acquisition agreement dated 29 December 2018
"Hongxinlong Agricultural Products"	Jiangsu Hongxinlong Agricultural Products Co., Ltd.* (江蘇宏信龍農產品產銷有限公司), a limited liability company established in the PRC on 5 July 2013, which is a direct wholly-owned subsidiary of our Company
"Hongxinlong Mall"	Hongxinlong Shopping Centre (宏信龍購物中心), a shopping mall located at Daqiao Town, Jiangdu, Yangzhou operated by us

"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	person(s) or company(ies) who or which, to our Directors' best knowledge, information and belief after having made all reasonable enquiries, is/are not a connected person(s) of our Company
"Industry Consultant"	HCR Co., Ltd., the independent industry consultant commissioned by us to conduct research on the industry in which we operate
"Industry Report"	the industry research report commissioned by us and prepared by the Industry Consultant on the industry in which our Group operates
"Internal Control Consultant"	SHINEWING Risk Services Limited, an independent internal control consultant engaged by us
"International Offer Shares"	48,205,000 H Shares offered by our Company pursuant to the International Offering (subject to reallocation as described in "Structure of the Global Offering") together with any additional H Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States and in offshore transactions in accordance with Regulation S under the U.S. Securities Act, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering

"International Underwriting Agreement"	the underwriting agreement relating to the International Offering expected to be entered into by, among others, our Company and the International Underwriters on or around the Price Determination Date, as further described in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – The International Offering" in this prospectus
"Jiangdu Fund"	Yangzhou Jiangdu District Major Projects Special Investment Fund Co., Ltd.* (揚州市江都區重大項目專項投資基金有限公司), a limited liability company established in the PRC on 9 October 2017, which is owned as to approximately 99.9% by Wuhu Xinning Investment Partnership Enterprise (Limited Partnership)* (蕪湖信寧投資合夥企業(有限合夥)) ("**Wuhu Xinning**") and 0.1% by Yangzhou Longchuan Holdings Financial Investment Co., Ltd.* (揚州龍川控股金融投資有限公司). Wuhu Xinning is a limited partnership established in the PRC, which is owned as to approximately 69.75% by China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (whose shares are listed on the Stock Exchange (stock code: 1359)) ("**China Cinda**"), approximately 15.63% by Yangzhou Longchuan Holding Financial Investment Co., Ltd.* (揚州龍川控股金融投資有限公司) ("**Longchuan Financial**"), approximately 14.45% by Yangzhou Longchuan Holding Group Co., Ltd.* (揚州龍川控股集團有限責任公司) ("**Longchuan Holding**"), and approximately 0.17% by Cinda Capital Management Co., Ltd.* (信達資本管理有限公司) ("**Cinda Capital**"). Each of Longchuan Financial and Longchuan Holding is indirectly wholly-owned by Yangzhou Guolian Holding Group Co., Ltd.* (揚州市國聯控股集團有限公司), which is a wholly-state-owned enterprise. Cinda Capital is the general partner of Wuhu Xinning, which is indirectly wholly-owned by China Cinda
"Jiangdu Fund Capital Increase Agreement"	the capital increase agreement (江蘇宏信超市連鎖股份有限公司增資協議) entered into among Jiangdu Fund, Mr. Gao and our Company on 20 June 2019 in relation to, among others, the Pre-IPO Investment by Jiangdu Fund. For further details, please refer to the paragraph headed "History and Development – Pre-IPO Investments – Background of the Pre-IPO Investments and Information of the Pre-IPO Investors – Jiangdu Fund" in this prospectus

"Jiangdu Fund Supplemental Agreement"	the supplemental agreement (關於《江蘇宏信超市連鎖股份有限公司增資協議》之補充協議) entered into among Jiangdu Fund, Mr. Gao and our Company on 23 August 2023 in relation to the Jiangdu Fund Capital Increase Agreement. For further details, please refer to the paragraph headed "History and Development – Pre-IPO Investments – Special rights granted to the Pre-IPO Investors" in this prospectus
"Jiangdu Fund Undertaking"	the undertaking (承諾函) given by Jiangdu Fund on 17 May 2024 in relation to the Jiangdu Fund Capital Increase Agreement and the Jiangdu Fund Supplemental Agreement. For further details, please refer to the paragraph headed "History and Development – Pre-IPO Investments – Special rights granted to the Pre-IPO Investors" in this prospectus
"Jiangdu Mall"	Jiangdu Mall (江都商城), a shopping mall located at Gongnong Road, Jiangdu, Yangzhou operated by us
"Jiangdu Supply and Marketing Trade Union Committee"	Yangzhou Jiangdu District Supply and Marketing Cooperative System Trade Union Committee* (揚州市江都區供銷系統工會委員會) (formerly known as Jiangdu Supply and Marketing Cooperative System Trade Union Committee* (江都市供銷社系統工會委員會))
"Jiangsu Horizon (HK)"	Jiangsu Horizon (Hong Kong) Co., Limited (江蘇宏信(香港)有限公司), a limited liability company incorporated in Hong Kong on 31 March 2011, which is an indirect non-wholly-owned subsidiary of our Company

"Jiaqi LLP"	Yangzhou Jiaqi Management Consulting Partnership Enterprise (Limited Partnership)* (揚州佳祺管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on 22 July 2019, which is held by 32 partners, with Xu Jun (徐俊), an Independent Third Party, as the general partner holding 7.53% of partnership interest, and 31 limited partners holding 92.47% of partnership interest in aggregate, including four individuals who are directors or supervisors of our Group holding 19.71% of partnership interest in aggregate and 27 individuals who are Independent Third Parties holding 72.77% of partnership interest in aggregate. The general partners and all limited partners of Jiaqi LLP are employees or ex-employees of our Group. For further details, please refer to the paragraph headed "History and Development – Corporate Structure" in this prospectus
"Jiequan Fund"	Jiangsu Jiequan Supply and Marketing Cooperative Industrial Development Fund (Limited Partnership)* (江蘇省疌泉供銷合作產業發展基金(有限合夥)), a limited partnership established in the PRC on 17 April 2018. The general partners of Jiequan Fund are Jiangsu New Supply and Marketing Fund Management Co., Ltd.* (江蘇新供銷基金管理有限公司) ("**NSM Fund**"), which held 0.74% partnership interest in Jiequan Fund, and Jiangsu Houji Private Equity Fund Management Co., Ltd.* (江蘇厚積私募基金管理有限公司), which held 0.26% partnership interest in Jiequan Fund and is also the fund manager of Jiequan Fund. NSM Fund is ultimately controlled by All-China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社). The limited partners of Jiequan Fund are Nanjing New Supply and Marketing Enterprise Management Co., Ltd.* (南京新供銷企業管理有限公司) which held 49.60% partnership interest in Jiequan Fund, Jiangsu Government Investment Fund (Limited Partnership)* (江蘇省政府投資基金(有限合夥)) which held 29.64% partnership interest in Jiequan Fund and Nanjing Yangzi State-owned Assets Investment Group Co., Ltd.* (南京揚子國資投資集團有限責任公司) which held 19.76% partnership interest in Jiequan Fund. Jiequan Fund is a substantial shareholder of our Company

"Jiequan Fund First Supplemental Agreement"	the first supplemental agreement (江蘇省疌泉供銷合作產業發展基金(有限合夥)與江蘇宏信超市連鎖股份有限公司股份認購及增資協議之補充協議) entered into among Jiequan Fund, Mr. Gao, Ruichuanda Investment and Yangzhou Xianda Toyota Automobile Sales and Service Co., Ltd.* (揚州仙達豐田汽車銷售服務有限公司) (a limited liability company established in the PRC owned as to 60% by Mr. Gao and 40% by an Independent Third Party) on 20 June 2020 in relation to the Jiequan Fund Subscription Agreement. For further details, please refer to the paragraph headed "History and Development – Pre-IPO Investments – Background of the Pre-IPO Investments and Information of the Pre-IPO Investors – Jiequan Fund" in this prospectus
"Jiequan Fund Second Supplemental Agreement"	the second supplemental agreement (關於《江蘇省疌泉供銷合作產業發展基金(有限合夥)與江蘇宏信超市連鎖股份有限公司股份認購及增資協議》之補充協議二) entered into among Jiequan Fund, Mr. Gao, our Company, Ruichuanda Investment and Yangzhou Xianda Toyota Automobile Sales and Service Co., Ltd.* (揚州仙達豐田汽車銷售服務有限公司) on 18 September 2023 in relation to the Jiequan Fund Subscription Agreement and the Jiequan Fund First Supplemental Agreement. For further details, please refer to the paragraph headed "History and Development – Pre-IPO Investments – Special rights granted to the Pre-IPO Investors" in this prospectus
"Jiequan Fund Subscription Agreement"	the share subscription agreement (江蘇省疌泉供銷合作產業發展基金(有限合夥)與江蘇宏信超市連鎖股份有限公司股份認購及增資協議) entered into among Jiequan Fund, Mr. Gao and our Company on 20 June 2020 in relation to, among others, the Pre-IPO Investment by Jiequan Fund. For further details, please refer to the paragraph headed "History and Development – Pre-IPO Investments – Background of the Pre-IPO Investments and Information of the Pre-IPO Investors – Jiequan Fund" in this prospectus
"Joint Bookrunners" and "Joint Lead Managers"	Red Solar Capital Limited, CMBC Securities Company Limited, CCB International Capital Limited, CMB International Capital Limited, uSMART Securities Limited, Star River Securities Limited, Eddid Securities and Futures Limited, Innovax Securities Limited and Long Bridge HK Limited

"Joint Global Coordinators"	Red Solar Capital Limited, CMBC Securities Company Limited and CCB International Capital Limited
"Joint Overall Coordinators"	Red Solar Capital Limited and CMBC Securities Company Limited
"Latest Practicable Date"	11 March 2025, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our Shares on the Main Board
"Listing Date"	the date expected to be on or about Monday, 31 March 2025, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Malls"	Jiangdu Mall and Hongxinlong Mall
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Minsheng Agricultural"	Yangzhou Jiangdu District Minsheng Agricultural Service Co., Ltd.* (揚州市江都區民生農業服務有限公司), a limited liability company established in the PRC on 9 December 2016 which is owned as to 75% by Yangzhou Yuantou Agricultural Service Co. Ltd.* (揚州市源頭農業服務有限公司), 15% by Yangzhou Jiangdu Agricultural Services Association* (揚州市江都區農業服務協會) and 10% by Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司)

"Minsheng Agricultural and Batch A Investors Capital Increase Agreement"	the capital increase agreement entered into among Minsheng Agricultural, Batch A Investors, Mr. Gao and other then existing Shareholders on 28 October 2019 in relation to, among others, the Pre-IPO Investment by Minsheng Agricultural and Batch A Investors. For further details, please refer to the paragraph headed "History and Development – Pre-IPO Investments – Background of the Pre-IPO Investments and Information of the Pre-IPO Investors – Minsheng Agricultural and Batch A Investors" in this prospectus
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Gao"	Mr. Gao Feng (高峰先生), our Chairman and an executive Director, one of the Concert Parties, and a Controlling Shareholder
"Mr. Yuan"	Mr. Yuan Yuan (袁原先生), the vice chairman of our Board and an executive Director, one of the Concert Parties, and a Controlling Shareholder
"Mr. Zhang"	Mr. Zhang Jiaan (張佳安先生) (with a former name as Zhang Jiaan (張家安)), an executive Director and the general manager of our Company, one of the Concert Parties, and a Controlling Shareholder
"Muyuan Central Kitchen"	our central kitchen operated by Muyuan Supply Chain and situated at Xiezhuang Village, Shaobo Town, Jiangdu District, Yangzhou City, serving as the processing and distribution centre for meals
"Muyuan Supply Chain"	Yangzhou Muyuan Modern Supply Chain Co., Ltd.* (揚州沐源現代供應鏈有限公司), a limited liability company established in the PRC on 26 August 2019, which is a direct non-wholly-owned subsidiary of our Company owned as to 72% by our Company, 14% by Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司) and 14% by Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"Offer Price"	the offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) of not more than HK$3.00 per Offer Share and is expected to be not less than HK$2.50 per Offer Share, at which the Offer Shares are to be subscribed for pursuant to the Global Offering, to be determined in the manner as further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, with the additional H Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by our Company to the International Underwriters exercisable by the Sponsor-Overall Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 8,034,000 additional H Shares, representing up to 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"Overseas Listing Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by CSRC on 17 February 2023
"PRC Company Law" or "Company Law"	the Company Law of the PRC《中華人民共和國公司法》, as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	PRC Accounting Standards for Business Enterprises
"PRC government", "Central Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them

"PRC Legal Advisers"	Beijing DHH Law Firm, the legal advisers to our Company as to the laws of the PRC
"Pre-IPO Investments"	the investments made by the Pre-IPO Investors in our Company, details of which are set out in the paragraph headed "History and Development – Pre-IPO Investments" in this prospectus
"Pre-IPO Investors"	Jiangdu Fund, Jiequan Fund, Minsheng Agricultural, Batch A Investors and Batch B Investors
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to determine the Offer Price
"Price Determination Date"	the date expected to be on or before Thursday, 27 March 2025 or such other date as may be agreed between our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters)
"Regulation S"	Regulation S under the U.S. Securities Act
"Retail Stores"	our supermarkets and convenience stores and/or any one of them operated by us
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Ruichuanda Investment"	Jiangsu Ruichuanda Investment Co., Ltd.* (江蘇瑞川達投資有限公司), a limited liability company established in the PRC on 23 November 2009, which is owned as to 100% by Mr. Gao, and is one of our Controlling Shareholders
"Runbaijia Trading"	Yancheng Runbaijia Trading Co., Ltd.* (鹽城潤佰佳商貿有限公司), a limited liability company established in the PRC on 12 December 2019, which is a direct wholly-owned subsidiary of our Company
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (國家稅務總局)
"SFC"	the Securities and Futures Commission

"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Sponsor" or "Sponsor-Overall Coordinator"	Red Solar Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
"Stabilising Manager"	Red Solar Capital Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tobacco Business Cooperation Agreement"	the cooperation agreement (關於江蘇宏信超市連鎖股份有限公司煙草零售業務的合作協議) dated 6 June 2024 entered into between our Company and Jiangsu Hongxinlong Supermarket Chain Co., Ltd.* (江蘇宏信龍連鎖超市有限公司) in relation to, among others, the transfer of tobacco product inventory assets relating to the business of tobacco product sales of our Group. For further details, please refer to the paragraph headed "History and Development – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" in this prospectus
"Track Record Period"	FY2021, FY2022, FY2023 and 9M2024
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

"United States" or "U.S." or "US"	the United States of America
"US dollars" "US$"	United States dollar(s), the lawful currency of the United States
"U.S. Legal Advisers"	Loeb & Loeb LLP, the legal advisers to our Company as to the laws of the United States
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the regulations and rules promulgated thereunder
"VAT"	value added tax
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **White Form eIPO** Service Provider, at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Xintongyuan Trading"	Yangzhou Xintongyuan Trading Co., Ltd.* (揚州新通源商貿有限公司), a limited liability company established in the PRC on 30 January 2007, which is a direct wholly-owned subsidiary of our Company
"Yangzhou"	Yangzhou City in Jiangsu Province of the PRC
"Yongqi LLP"	Yangzhou Yongqi Management Consulting Partnership Enterprise (Limited Partnership)* (揚州永祺管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on 3 August 2020, which is held by 40 partners, with Zhu Shu (朱澍), an Independent Third Party, as the general partner holding 1.87% of partnership interest, and 39 limited partners holding 98.13% of partnership interest in aggregate, including an individual being an associate of a Director holding 1.87% of partnership interest and 38 individuals who are Independent Third Parties holding 96.28% of partnership interest in aggregate. The general partner and 38 limited partners of Yongqi LLP are employees or ex-employees of our Group. For further details, please refer to the paragraph headed "History and Development – Corporate Structure" in this prospectus
"%"	per cent.
"9M2023"	the nine months ended 30 September 2023

"9M2024"	the nine months ended 30 September 2024

Unless otherwise expressly stated or the context otherwise requires, in this prospectus,

- *all references to times and dates refer to Hong Kong times and dates;*
- *the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms under the Listing Rules;*
- *all data in this prospectus is as at the Latest Practicable Date;*
- *certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and*
- *all relevant information in this prospectus assumes no exercise of the Over-allotment Option.*

The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and titles etc. mentioned in this prospectus, including those marked with "", are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"bulk sales"	the sales of products from our Retail Stores to customers, which mainly include corporate and government entities, which purchase products in large quantities
"B2B supply chain system"	business-to-business supply chain system which connects us with our suppliers where we place orders, handle product returns, conduct accounts reconciliations and settlement with our suppliers, and is connected to our ERP system for invoicing and data reports
"CAGR"	compound annual growth rate, calculated by subtracting one from the result of dividing the ending value by its beginning value raised to the power of one divided by the period length
"central kitchen"	a kitchen which consolidates the processing and cooking of meals for different entities
"central region of Jiangsu Province"	region including Yangzhou City, Taizhou City and Nantong City
"concessionaire sales"	the sales of products of our concessionaires at our Retail Stores and Malls, pursuant to which we will charge our concessionaires commission
"convenience stores"	small chained or independent grocery retail outlets offering a narrower range of everyday items
"ERP system"	enterprise resource planning system which integrate internal and external management information across an entire organisation, comprising business activities such as finance and accounting, inventory, sales, service and customer relationship management, and automate these activities with an integrated software application
"GDP"	gross domestic product
"general sales"	the sales of products at our Retail Stores or Malls to individuals, usually local residents living in the communities, who come to our Retail Stores or Malls in person to shop and purchase

"GFA"	gross floor area
"mini programme"	a light feature within the WeChat interface which connects service providers and WeChat users
"POS system"	point of sale system, which consists of hardware and software which work together to process sales and payment transactions in our Retail Stores and Malls
"prepared food"	foods that are typically produced for immediate consumption or simply require heating
"supermarkets"	chained or independent grocery retail outlets (excluding discounters, convenience stores and independent grocery stores), exhibiting a broad offering of groceries including grains and oil, fresh food, snacks and beverages, as well as non-food products such as general merchandise, cosmetics, skin care, electronics and appliance products, etc.
"WMS system"	warehouse management system, which monitor real time inventory information of our distribution centre and allow us to efficiently manage our inventory control

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Future Plans and Use of Proceeds", "Industry Overview", "Business" and "Financial Information" in this prospectus.

The words and expressions such as "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward" "intend", "may", "ought to", "plan", "potential", "predict", "project", "seek", "shall", "should", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements include statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- our capital expenditure plans and future capital requirements;
- the amount and nature of, and potential for, future development of our business;
- our operations and the business opportunities that we may pursue;
- the general regulatory environment of the industry of which we are operating in;
- future developments, trends and conditions in the industry and markets in which we operate;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- our ability to control costs;
- the actions and developments of our competitors; and
- changes in general political, economic, legal, market and business conditions.

These forward-looking statements are subject to certain risks, uncertainties and assumptions, some of which are beyond our control. Further, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including the risk factors set out in the section headed "Risk Factors" in this prospectus. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus completely with the understanding that our actual future results or performance may be materially different from which we expect.

You should carefully consider each of the risks described below and all of the other information contained in this prospectus, including the Accountants' Report, before deciding whether to invest in the Offer Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks. You should pay particular attention to the fact that our subsidiary in the PRC is governed by legal and regulatory environments that in some respects differ significantly from that of other countries. The trading price of the Offer Shares could decline due to any of these risks, as well as additional risks and uncertainties not presently known to us, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business might be adversely affected if we could not identify and secure desirable locations for our Retail Stores

As a wholesaler of grains and oil with retail operations of supermarket and convenience stores, our performance in retail operations, to a significant extent, is affected by our ability to identify and secure desirable locations of our Retail Stores. Besides, we aim to further strengthen our market position in the central region of Jiangsu Province particularly in Yangzhou and Taizhou through expansion of our retail network in the neighbouring cities of our existing markets in Jiangsu Province. Our ability to find and secure or continue to lease stores at prime locations is therefore critical to the success of our business as well as our business strategies. When selecting locations for our Retail Stores, we would take into account various factors including size of the store, proximity to our existing stores or existence of any similar competitors nearby, consumption power of the target customers in the area, population density, customer mix of the local population, transportation and accessibility. There is no assurance that we will be able to identify and secure desirable locations. Besides we cannot assure you that even if we successfully identify prime locations, we will be able to secure or renew tenancy agreements on terms that are favourable or commercially acceptable to us for our business. If we fail to secure or renew tenancy agreements for our Retail Stores at desirable locations, our business, financial condition, results of operations, future prospects and our plan of expansion and growth could be adversely affected.

As at the Latest Practicable Date, our Group operated an aggregate of 160 Retail Stores and two Malls, and among all Retail Stores, 157 Retail Stores were located at leased properties and 168 tenancy agreements were entered into in respect of the said 157 Retail Stores. The tenancy agreements in respect of 33, 22 and 34 Retail Stores will expire during the years ending 31 December 2025, 2026 and 2027, respectively. If we are unable to renew our tenancy agreements on terms commercially acceptable to us, or if our tenancy agreements are terminated for any reason prior to their expiration, we will need to close or relocate the relevant Retail Stores. Such closure or relocations will cause disruptions to our business, including loss of revenue during the period of closure of business, and may incur extra expenses such as renovation cost and rents. In addition, we cannot assure you that we will be able to secure another prime location for relocation or the relocated Retail Stores can generate the same or more revenue and profit previously generated from the closed Retail Stores.

Our success depends on our ability to respond effectively to changes in customer preferences and needs

As at the Latest Practicable Date, our products covered a wide range of products for daily life of our customers, including raw and fresh food, grains and oil, non-staple food, household products, fashion and apparel, children's wear, cosmetics and personal care, jewellery, accessories, footwear, household appliances, consumer electronics, liquor and miscellaneous products.

We believe that our success depends, to a large extent, on our ability to offer a wide product portfolio meeting the daily needs of our customers and changing consumer preferences. There is no assurance that our existing product portfolio will be or continue to be able to satisfy our customers' existing needs, or to cope with the changes in consumer preferences and needs or we could bring new products in a timely manner. If we fail to anticipate or respond to changes in customer preferences or fail to bring to market in a timely manner products that satisfy customers' evolving preferences, we may either experience inventory shortage or, on the other hand, end up with outdated products leading to obsolescence or impairment of inventories, our market share and our sales and profitability could be adversely affected.

We may not be able to successfully compete with online stores

In recent years, various popular e-commerce platforms and mini programmes have launched online stores and such online stores offer greater efficiency, convenience and accessibility through the use of internet and a wide range of products that are commonly found in our Retail Stores are offered at such online stores at more competitive prices due to generally lower operational costs. Given the prevalence of e-commerce in recent years, customers might also shift from shopping physically at malls to e-commerce platforms for all kinds of products. According to the Industry Report, the growth of online retail sales in the PRC is creating a downward trend of offline retail sales. For instance, the share of online retail sales in total social retail sales in the PRC rose from 26.06% at the end of 2019 to 32.72% at the end of 2023, indicating a continuing increase in online retail sales, while at the same time the share of offline retail sales in total social retail sales in the PRC declined from 73.94% at the end of 2019 to 67.28% at the end of 2023, indicating a downward trend of the offline retail sales. During the Track Record Period, we had operated two mini programmes "龍會易購" (Longhuiyigou*) and "宏信龍當日達" (Hongxinlong Same Day Delivery*) for our Retail Stores and a mini programme "江都商城" (Jiangdu Mall*) for our Malls. We have also cooperated with three e-commerce platforms, namely Douyin and JD.com and WeChat for online sale and delivery of our products to our customers. However, a substantial part of our revenue from our Retail Stores and Malls during the Track Record Period was generated from general sales at our Retail Stores and Malls, and our revenue generated from our mini programmes and e-commerce platforms only accounted for approximately 1.0%, 0.6%, 1.6% and 2.3% of our total revenue for FY2021, FY2022, FY2023 and 9M2024, respectively. If we fail to develop and enhance our mini programmes to grab more market shares from internet retailing or cooperate with other third party e-commerce platforms to compete with the other e-commerce platforms to cater for the trend of internet retailing, our sales, business and financial condition may be adversely affected.

We have thin profit margins and we may not be able to sustain our historical profitability and working capital position

We have had thin net profit margin during the Track Record Period. Our net profit margin was approximately 2.4%, 3.8%, 3.7% and 2.4% for FY2021, FY2022, FY2023 and 9M2024, respectively.

In terms of working capital position, we recorded net cash used in operating activities of approximately RMB45.8 million and RMB10.6 million for FY2021 and 9M2024, respectively, and net cash generated from operating activities of approximately RMB70.0 million and RMB69.2 million for FY2022 and FY2023, respectively.

Our profitability and working capital position mainly depend on a number of factors, including our sales volume, selling prices, procurement costs of our products and these factors may be beyond our control. The selling prices, procurement costs of our products and our sales volume may fluctuate as a result of our relative bargaining power, market demand and supply, or the market price trend. The selling prices for our products fluctuated and may continue to fluctuate due to seasonality or fluctuation in costs of goods. Depending on the price fluctuations of the products that we procured from our suppliers, we may need to adjust the selling price of our products. However, there is no assurance that we can pass all increase in costs onto our customers in a timely manner or at all. If there is any unfavourable change in our volume of products sold, selling prices or costs of sales, our financial condition or working capital position may be adversely affected, and we may not be able to sustain our historical profitability and amount of operating cash flow.

We had net cash used in operating activities for FY2021, 9M2023 and 9M2024, and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future

We had net cash used in operating activities of approximately RMB45.8 million, RMB11.1 million and RMB10.6 million for FY2021, 9M2023 and 9M2024, respectively, and we may experience cash flow mismatch in our business. Our net cash used in operating activities were primarily due to increase in inventories and trade and other receivables and decrease in contract liabilities. For detailed analysis of our cash flows, please refer to the paragraph headed "Financial Information – Liquidity and capital resources – Cash flows" in this prospectus. We may continue to experience net cash used in operating activities in the future. Our operating cash flows may be adversely affected by a number of factors beyond our control, including but not limited to, market condition and the macroeconomic environment. Our future liquidity, the payment of trade payables and repayment of any debt obligations, as they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities. If we are unable to maintain adequate cash inflows from operating activities, we may default on our payment obligations, which may materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on the performance of our Retail Stores and Malls which can be adversely affected by factors which might be beyond our control

The revenue derived from our retail operations accounted for approximately 62.0%, 59.3%, 49.1% and 41.5% of our total revenue for FY2021, FY2022, FY2023 and 9M2024, respectively. Our business, profitability and financial performance depend on our ability to increase sales volume and efficiently manage costs in our Retail Stores and Malls. Various factors, such as increasing competition in the retail industry in the PRC, changes in consumer preferences, customer sensitivity to changes in our product prices, our reputation and consumer perception of our brand and our offerings in terms of variety, quality and price, consumer experiences from shopping in our stores, which might be beyond our control could adversely affect the number of customer visits and the average spending per transaction, and hence the sales of our Retail Stores and Malls. On the other hand, increase in our rental expenses, procurement costs of our products, staff costs and other costs might also affect our profitability. If any of the above happens, our business, reputation, financial condition, results of operation and prospects will be materially and adversely affected.

Our wholesale operations rely on sales of oil from Yihai Kerry with whom our district distributorship rights are not exclusive and may be subject to revocation or termination

In respect of our wholesales, food was our major revenue contributor during the Track Record Period. Sales of food accounted for approximately 90.6%, 85.6%, 91.7%, 93.3% and 93.1% of our revenue from wholesales for FY2021, FY2022, FY2023, 9M2023 and 9M2024, respectively. In particular, oil was our major food product for our wholesale operations in term of revenue contribution. For FY2021, FY2022, FY2023, 9M2023 and 9M2024, sales of oil accounted for (i) approximately 74.6%, 73.4%, 70.0%, 72.3% and 73.2% of our revenue from sales of food under our wholesales, respectively; and (ii) approximately 67.7%, 62.8%, 64.2%, 67.5% and 68.2% of our revenue from wholesales, respectively. We secured our district distributorship rights in Yangzhou City with Yihai Kerry Food Marketing Co., Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司) ("**Yihai Kerry**") for the distribution of oil in which the Yihai Kerry is the brand owner. Yihai Kerry was our largest supplier for FY2022, FY2023 and 9M2024, and our purchase with Yihai Kerry amounted to approximately RMB141.9 million, RMB282.3 million and RMB284.5 million for FY2022, FY2023 and 9M2024, representing approximately 12.5%, 25.5% and 30.5% of our total purchase, respectively. On the other hand, our revenue from sales of oil under our wholesales increased significantly from approximately RMB311.0 million for FY2022 to approximately RMB436.1 million for FY2023, and increased significantly from approximately RMB293.3 million for 9M2023 to approximately RMB387.6 million for 9M2024. Of which, for FY2022, FY2023 and 9M2024, our sales of oil purchased from Yihai Kerry accounted for approximately 52.5%, 72.3% and 84.3% of our revenue from sales of oil under our wholesales, respectively.

Our district distributorship rights with Yihai Kerry was not exclusive. To the best knowledge of our Directors, Yihai Kerry granted similar district distributorship rights in Yangzhou City to not more than three companies including us. If Yihai Kerry grants district distributorship rights to more companies, the competition for sales of Yihai Kerry's branded oil may increase and our business, financial conditions and results of operations may be materially and adversely affected. In addition, we cannot assure you that Yihai Kerry will not revoke or terminate our district distributorship rights with it. If we are unable to identify suitable alternative suppliers or enter into agreements with them in similar or favourable terms, our business, financial conditions and results of operations may be materially and adversely affected.

We may be subject to food safety issue, product liability claims or product recalls relating to defective products sold by us

While we are not involved in the production of the products sold at our Retail Stores and Malls, according to the applicable PRC laws and regulations, both the manufacturers and the sellers of goods shall be responsible for the quality of goods sold. For details, please refer to the paragraph headed "Regulatory Overview – Laws, Regulations and Policies relating to our Industry – Product Liability" in this prospectus. The Product Quality Law of the PRC provides that a set of arrangements such as supervision and on-site inspections shall be carried out to ensure that the quality of goods sold shall achieve the national and industrial standards. If there is any quality issues found in the products sold in our Retail Stores and Malls, we may be ordered by the relevant government authorities to rectify the quality issues such as to replace the products we sold or make refunds to our customers. Therefore, we are subject to product liability claims or product recalls if the products sold in our Retail Stores and Malls are found to be defective, unfit for consumption or causing illness, which are risks inherent in the retail businesses. During the Track Record Period, we had received administrative penalties for supplying certain products which failed to comply with the food safety laws and regulations. For example, there was an incident in which we failed to verify the authenticity of the batch number, trademark registration and labelling information in respect of the vermicelli supplied by us to Customer G in 2022. During the Track Record Period, we have generated revenue of approximately RMB41.7 million from Customer G and the vermicelli concerned accounted for a negligible amount of revenue generated from Customer G. As a result, in 2022, we were ordered by the Shanghai City Minhang District Administration for Market Regulation* (上海市閔行區市場監督管理局) to pay fines of RMB370,000. Please refer to the paragraph headed "Business – Procurement and quality control – Selection of suppliers" and the paragraph headed "Business – Food safety – Immaterial food safety incidents" in this prospectus for details about the incident. We cannot assure you that our internal control measures on food safety and/or selection of suppliers and products will be effective and/or we will not be subject to any product recall or product liability claims due to deficiencies in product quality, product contamination or other food safety issues in the future. In the event that the use or consumption of the products sold by us results in any damage to our customers, we may face product liabilities claims and be held liable to pay compensation and damages to the customers. Such claims may disrupt our business, divert the attention of our management and consume much of the resources of our Group. In case any of such claims materialises, our corporate image and reputation may suffer which may result in our customers losing loyalty, faith and confidence to purchase from us. Our business prospects and results of operations may be adversely affected as a result.

We have included in some of our supply agreements provisions to require our suppliers to indemnify us against any claims by our customers for any product liabilities claims relating to defective products manufactured and/or supplied by them. There is no assurance that we will be able to get full indemnification from our suppliers in a timely manner, or our suppliers will remain solvent or have adequate financial resources to indemnify us for all product liabilities claims. If there are any claims relating to product liabilities against us and we could not get full indemnification from our suppliers in a timely manner, our corporate image, business performance and results of operations may be adversely affected.

We had not obtained land use right certificates for part of our self-owned land and property ownership certificates for part of our self-owned properties in the PRC as at the Latest Practicable Date and we may be subject to penalties

As at the Latest Practicable Date, we had not obtained land use right certificates with an aggregate site area of approximately 68 mu (equivalent to approximately 45,300 sq.m.) in the land owned by us. Our PRC Legal Advisers have advised us that the relevant competent authorities may impose fines or penalties on us. Obtaining land use right certificates is also a prerequisite for applying for subsequent construction related permits and building ownership certificates. For details, please refer to the paragraph headed "Business – Non-compliance" in this prospectus. We cannot assure you that our titles to or uses of the relevant land and buildings will not be further challenged in the future or that we will be able to obtain the land use right certificates as planned. Any of these would adversely affect our business, financial condition and results of operations.

As at the Latest Practicable Date, we had not obtained the property ownership certificates for properties with an aggregate gross floor area of approximately 26,000 sq.m.. As such, our rights to these buildings may be limited or challenged by relevant competent authorities and we may also be subject to administrative fines or other penalties, which may materially and adversely affect our business operations, divert management attention and other resources and incur significant costs. For details, please refer to the paragraph headed "Business – Non-compliance" in this prospectus.

We may be subject to fines for failing to register the lease agreement of leased property

As at the Latest Practicable Date, most lease agreements of properties, whether leased by or leased to us, had yet to be registered with the relevant government authorities. For details, please refer to the paragraph headed "Business – Properties – Leased properties" in this prospectus. As advised by our PRC Legal Advisers, lease agreements have to be registered with the relevant authorities within 30 days of signing according to the Administration Measures for Commodity House Leasing (《商品房屋租賃管理辦法》). According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. Furthermore, there can be no assurance that the PRC government will not amend or revise existing property laws, rules and regulations in respect of leasing of properties to require additional approvals, licences or permits, or impose stricter requirements on the leased properties that we use or lease to others.

We have certain non-compliance with the PRC laws and regulations. Any enforcement action against us may adversely affect our business and reputation

As at the Latest Practicable Date, our Group operated an aggregate of 160 Retail Stores and two Malls, among which 17 outlets (approximately 10.5% in terms of the total number of outlets) did not obtain the required "Fire Safety Inspection Certificate before the Use or Business Operation of Public Venues" (《公眾聚集場所投入使用、營業前消防安全檢查合格證》) or a "Fire Safety Inspection Opinion before the Use or Business Operation of Public Venues" (《公眾聚集場所投入使用、營業前消防安全檢查意見書》) (collectively, the "**Fire Safety Inspection Certificate(s)**") pursuant to relevant PRC laws and regulations. We also failed to make adequate social insurance and housing provident fund contributions for all our employees in accordance with certain legal and statutory requirements in the PRC during the Track Record Period. In respect of our failure to obtain the Fire Safety Inspection Certificates for some of our Retail Stores and Malls, the possible legal consequences include discontinuation of the use of properties, suspension of business and payment of fine. In respect of our failure to make adequate social insurance and housing provident fund contributions for all our employees, pursuant to the relevant laws and regulations, the possible legal consequences include payment of all outstanding contributions and fines imposed by relevant government authorities and compulsory enforcement by the PRC court. For further details of the non-compliance, please refer to the paragraph headed "Business – Non-compliance" in this prospectus. If any of the government authorities takes enforcement action against us in relation to the non-compliance incidents, we may be ordered to pay fines and/or other penalties, which could adversely affect our business and reputation.

We may not be able to successfully implement our business plans and our growth prospects may be restricted

We plan to expand our business by opening additional Retail Stores in Jiangsu Province, in particular in Yangzhou and Taizhou. Our ability to implement our expansion plan and grow would be subject to numerous factors such as our ability to identify suitable sites for new Retail Stores, our ability to attract and retain sufficient management staff for our expanded operations, availability of resources and fund for our expansion plan, our ability to obtain necessary governmental licences and permits in a timely manner, our ability to enhance our operational and management systems, including our information technology systems to support an expanded retail network, our ability to effectively control and manage our costs such as human resources, logistics and rents for our expanded network etc. There is no assurance that we will be able to maintain our competitive edges or leverage our experience to expand our market share. Our inability to effectively manage our development strategies, or any delay in execution of our business plan, may result in our incapability to capture market growth or to compete successfully with our competitors, which may in turn weaken our market position and adversely affect our business and results of operations.

If our expansion plans were wholly or partially unsuccessful or we cannot properly manage our additional Retail Stores in new markets or geographical locations which are full of uncertainties and challenges, we may need to modify our business strategies, restructure our business models and adjust our product portfolio and services in order to cater for the customers' need or in line with the market trends. However, we cannot assume you that we will be able to analyse the challenges and difficulties accurately, take appropriate approaches and make necessary changes. Any failure by us to leverage our retail experience to effectively manage our business plan and growth may result in us losing the advantages or chances to grow our business.

If we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected

For opening additional Retail Stores in the PRC, we would require additional funding from time to time to cope with our growth needs such as funding our Retail Stores' renovation and replenishing our cash flow during the renovation period before the new Retail Stores are ready for operation. We also plan to expand our warehousing capacity by establishing a new distribution centre and increase our processing capacity of meals by establishing a new central kitchen. The rental expenses, land acquisition cost and the purchase of new equipment will incur a significant amount of fixed costs and our investment may not be paid back in a timely manner or at all. Our working capital requirements and the cash flow provided by future operating activities, if any, will vary greatly from period to period. We may not be able to obtain adequate levels of additional financing, whether through equity financing, debt financing or other sources in the event that our internal resources are insufficient to fulfil our cash needs. Incurring indebtedness would increase our finance costs and could result in imposition of operating and financing covenants that may, among other things, restrict our expansion plans and operations, and/or our ability to pay dividends. Further, as our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties that could be beyond our control, we cannot assure you that future financing will be available to us in amounts or on terms acceptable and/or favourable to us, or at all. If we are unable to raise additional financing, we may be unable to implement our long-term business plan, develop or enhance our products and services, take advantage of future opportunities or maintain our competitive advantages on a timely basis, or at all. In addition, a lack of additional financing could force us to substantially curtail our business plan.

Our plan of expansion involving acquisition of land and constructing a new central kitchen and a new distribution centre may require substantial capital expenditure, and result in increase in depreciation that may adversely affect our financial results and conditions

As part of our business strategies, we intend to expand our processing capacity for meals and warehousing capacity by setting up a new distribution centre with a gross floor area of approximately 10,000 sq.m. and establishing a new central kitchen with a gross floor area of approximately 3,000 sq.m. on the same parcel of land to be acquired. Please refer to the paragraph headed "Business – Our business strategies" and the section headed "Future Plans and Use of Proceeds" in this prospectus for further details of our expansion plan.

We estimate that the total capital expenditure for the expansion plan (namely, acquiring a parcel of land with a total site area of approximately 13,000 sq.m., constructing a new central kitchen and a new distribution centre) will be approximately RMB74.8 million. Nonetheless, we may turn out incurring greater capital expenditures for such expansion plan since the capital expenditure which we may incur will depend on the cost of the individual land which our Group may acquire, the condition of the volatile property market and the costs of materials and labour in establishing the new central kitchen and the new distribution centre. We may need to raise additional funds through bank borrowing or issuance of debt or equity securities to finance these capital expenditures, which will involve costs of financing such as interest expenses. Besides, we may expose to risks and problems associated with acquisition of land and construction of the new central kitchen and the new distribution centre, including but not limited to the risk of delay in the construction, the requirement of different management expertise for the construction works and the risk of volatility in property price for the acquired land. All these risks and costs associated with acquisition of land and construction of the new central kitchen and the new distribution centre may have a material negative impact on our business and financial position in the long term.

Furthermore, it is expected that after implementation of the expansion plan, additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results.

Our planned expansion will increase our costs (including depreciation expenses) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to utilise the expanded processing capacity for meals and warehouse capacity and increase our profitability after such planned investments, our business and financial position and prospects may be adversely affected.

We rely on the reputation and brand image of our brand "宏信龍" (Hongxinlong*)

Our brand "宏信龍" (Hongxinlong*) is important to our business and we rely on our brand to attract customers to our Retail Stores and Malls and build up trust, confidence and loyalty from our customers. Brand value is based largely on subjective customer perception. According to the Industry Report, we are known for offering high-quality and reasonably priced commodities, comfortable and convenient shopping environment, attentive customer service and the ability to accurately grasp the consumption habits and shopping preferences of local consumers, and the local consumers have strong recognition and loyalty to our brand. We believe that this high degree of brand recognition is a valuable asset of our Group, which enables us to differentiate ourselves from our competitors and attract more customers. If we are unable to protect and enhance our brand recognition, the market perception of our brands and our customers' confidence on us may be eroded and our brand value could be significantly reduced, which in turn could materially and adversely impact our business and results of operations. Furthermore, any adverse claims, media speculation and other negative incident or negative publicity concerning our Group, our Retail Stores, Malls and products sold in our Retail Stores and Malls could also adversely affect our reputation and business.

We lease certain areas in our Retail Stores and Malls to tenants and arrange concessionaires to sell their products in our Retail Stores and Malls. We have only limited influence over the daily business and management of our tenants and concessionaires. There is no assurance that our tenants or concessionaires will always strictly comply with our agreements, and their poor management or business performance may have an adverse effect on our corporate image, reputation and business operations.

Our business relies on stable and reliable supply of products, and any failure or delay in supply of products or any significant increase in the purchase prices may significantly impact on our business and results of operation

As a wholesaler of grains and oil with retail operations of supermarkets and convenience stores, our business, financial performance and continued success is premised upon our ability to offer a diverse and wide product mix to meet our customers' need, which requires stable and reliable supply of products from our suppliers. Nonetheless, not all of our suppliers are contractually bound by long-term supply agreements. Even if we have entered into long-term supply agreements with some suppliers, there is no assurance that they will not early terminate such long-term supply agreements for any reason before their expiration or will continue to supply their products to our Group in a timely manner and at a favourable price. If there is any failure or delay in supply of products or any significant increase in the purchase prices of our products, our business and results of operation may be adversely affected. Even if we are able to secure alternative suppliers, we cannot guarantee that the contract terms entered into with the alternative suppliers will be similar or more favourable than those entered into with our original suppliers or such alternative suppliers could supply products of similar quality at prices and terms acceptable to us. In such event, we may lose our existing customers if we cannot provide a stable supply of our products and our business, financial condition and operation results may be materially and adversely affected.

We may be subject to claims relating to counterfeit products and intellectual property infringement for products sold in our Retail Stores and Malls

We are not involved in the production of products sold at our Retail Stores and Malls and all our products sold at our Retail Stores and Malls are finished products procured from our suppliers. During the Track Record Period and up to the Latest Practicable Date, save for the passing-off incident involving certain vermicelli products procured from a supplier, further details of which are set out in the paragraph headed "Business – Food safety – Immaterial food safety incidents" in this prospectus, our Group was not subject to any material claims relating to counterfeit products or intellectual property infringement. There is no assurance that our internal control measures could prevent our suppliers from providing any counterfeit products to us. Counterfeit products are also usually characterised as sub-standard and poor quality, and may even pose health and safety issues to the end consumers and users. If we fail to identify any counterfeit products supplied to us by our suppliers, and sell such products at our Retail Stores and Malls, our reputation and business might be adversely affected. If any of the counterfeit products had resulted in any health and safety issues, we might also be subject to product liability claims, which would adversely affect our reputation and business.

Products sold at our Retail Stores and Malls might bear logos and brand names of suppliers or other third parties. We primarily rely on the intellectual property representations of our suppliers and would not require our suppliers to provide us with the intellectual property information of those products delivered to us by our suppliers. As a result, we may not be able to detect or deter any intellectual property infringement of the products supplied to us. If there is any intellectual property infringement for the products sold by us, we may be requested to suspend the sale of the relevant products by the intellectual property right owners, or compelled to do so by the courts. Further, we may be subject to risks and losses as a result of any actions and litigations taken by the intellectual property right owners against us.

There is no assurance that all products sold by us will not have counterfeit issues or will be free from intellectual property infringements, or we will be able to recover all damages or compensation from our suppliers relating to third party claims against counterfeit products or intellectual property infringements. If we are unable to deter and avoid the sale of products susceptible to counterfeit problems or intellectual property infringements, or recover our loss from our suppliers, our brand image and business may be adversely affected.

We procure finished products from our suppliers and we have limited control over our suppliers in respect of the supply and quality of our products

We do not have our own production facilities for products sold at our Retail Stores and Malls, and we procure our products from our suppliers. We place great emphasis on the choice of our suppliers and have standard operating procedures for quality check of the products sold by us. However, our control over our suppliers in respect of their production process and their products is to some extent limited. We cannot assure you that (i) there will not be any unexpected interruption of their supply of products to us or any increase in the production costs for any reason beyond our control or expectation, such as introduction of new regulatory requirements, import restrictions, loss of their certifications or licences, power interruptions, fires or other events; or (ii) the products provided to us by them can meet our quality requirements. Any interruption in the supply of the products could have a material adverse impact on our business. Any quality issues of our products may affect our corporate image, reputation and confidence of our customers to purchase from us. If we are unable to detect, deter and effectively manage the risks relating to products quality, this may expose us to product liabilities claims and our business and results of operations may be adversely affected.

We may be subject to the risk of shortages or unavailability of products due to transportation problems or disruptions to our supply chain

The business of our Retail Stores and Malls depends on our ability to maintain sufficient inventory of our major products to meet the demands of our customers. Even if we have established and maintained a stable relationship with our suppliers, there is no assurance that we will not experience any disruption of product delivery due to reasons out of our control including but not limited to travel restrictions imposed by the government, mishandling of products, natural disasters, unfavourable weather conditions and labour strikes. Any delays, losses or damages in delivery may result in insufficient level of inventory to meet the market demand in a timely manner, our reputation, business operations and profitability may be adversely affected.

Our meal business is susceptible to food-borne illness claims

Our meal business is susceptible to food-borne illness claims. Since our supply of meals depends on the supply of food ingredients, we may be exposed to product safety or quality issues, such as food contamination or spoilage of food ingredients and meals during storage. As part of our quality control, we require our suppliers and staff at our central kitchen to follow our standards and guidelines. We cannot guarantee that they fully understand and are in full compliance with all the relevant hygiene, health and safety standards that would efficiently and effectively spot and eliminate the risks of food infectious disease. The consumption of contaminated or spoiled food products may result in illness, injury or, in extreme cases, death. During the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any material claims relating to product safety or quality issues in relation to our meal business. Food safety issues, actual or perceived, even when false or unfounded, may require our Group and/or our suppliers to recall the affected products from all markets in which they are distributed. Such issues or recalls could adversely affect our business and reputation. In addition, negative publicity regarding these types of issues may tarnish the image of our brand and discourage consumers from buying meals or even products from our Retail Stores. We may not be able to handle the negative comments effectively and in a timely manner and additional resources may be required to handle the issues and rebuild trust and confidence from customers if there is any damage to our reputation. Damage to our reputation or loss of consumer confidence in our products could lower the demand of meals or even our products at Retail Stores and thus have a material adverse effect on our business, results of operation and financial performance.

We may not be able to respond promptly or adapt to future changes in laws and regulations governing our business and industry

We are required to possess various licences to operate our business and we are also subject to a wide range of laws and regulations governing our pricing or quality control. Any changes in such laws and regulations such as the imposition of more stringent requirements relating to our business and operations such as those relating to quality control or employee-related protection may result in increased operational and compliance costs and thus lower profit margin. There is no assurance that we will be able to adapt to any future changes in laws and regulations applicable to us, or we will be able to effectively manage our business and operations in view of such changes. Our business and results of operations may be adversely affected as a result.

The sale of our products as well as our business might be adversely affected if we fail to maintain volume of sales to, continue the business relationship or renew the sales agreements with our wholesale customers which on-sell our products to their customers

We sell grains and oil, food products, garment, wooden products, household appliances and other products to our wholesale customers on a wholesale basis. Our wholesale customers including resellers and other retail operators on-sell our products to their respective customers through their sales network. For FY2021, FY2022, FY2023 and 9M2024, our revenue from sales of goods to our wholesale customers accounted for approximately 36.0%, 37.3%, 48.5% and 56.5% of our total revenue, respectively.

During the Track Record Period, we generally entered into sales agreements with our wholesale customers. We cannot assure you that the sales agreements we have with the existing wholesale customers will be renewed on the same or similar terms, or at all, upon or before the expiration of these sales agreements, nor can we assure you that existing wholesale customers will not terminate these sales agreements before they expire. There is no assurance that we will be able to maintain the existing business relationship with our wholesale customers or that the existing wholesale customers will continue to place orders with us at historical levels, or at all. If any of our major wholesale customers substantially reduces its volume of purchases from us or ceases to do business with us at all, our sales may decrease substantially and our financial condition and results of operation may be materially and adversely affected.

We may not be able to assess the sales and inventory levels of our wholesale customers or correctly predict the sales trends of our products

We have a buyer/seller relationship with our wholesale customers and we recognise revenue when control over a product or service is transferred to the wholesale customer. We have limited control over our wholesale customers and they are under no contractual obligation to provide us with any information regarding their inventory levels and sales data in respect of the products sold by us in a timely manner, or at all.

If our wholesale customers do not disclose data of their inventory and sales level of our products to us, we may not have any effective means in assessing their sales and inventory levels of our products, or whether their orders placed with us are indeed backed by back-to-back orders from end customers. Even if our wholesale customers are willing to share with us such data, we may not be able to ensure the accuracy and reliability of such data. As a result, we may not be able to predict or rely on the data provided by our wholesale customers to correctly predict customers' preferences and anticipate the real market demands of our products. Any incorrect forecast or anticipation of market trends may end up in our inability to effectively manage our inventory and sales strategies. This may adversely affect our business performance and financial condition.

Our business and results of operations may be affected by our lack of control over our wholesale customers and their business strategies and performance

We do not have control over or contractual right to control our wholesale customers, their business models, market competitiveness and financial performances since our relationship with our wholesale customers is a buyer/seller relationship. The performance of our wholesale customers, their sales network and their ability to expand their businesses are crucial to the future growth of our business and directly affect our sales volume and profitability. If our wholesale customers fail to market and sell our products efficiently to end customers, maintain a sustainable business or even cease to carry on their business, our wholesale customers may decrease their amount of purchases from us, ask for discounts, cease to on-sell our products or choose to sell products supplied by our competitors. We may experience reduced orders from them or even lose our wholesale customers and this may adversely affect our business growth and results of operations.

Any further increase in the tariff imposed on our products exporting to the U.S. may have a material adverse impact on us

During the Track Record Period, we engaged in export sales and we sold garment to a customer in the United States under our wholesale operations. In relation to our export sales to the United States, we are advised by our U.S. Legal Advisers that we will not be the party responsible for the payment of any tariffs if we ship our products to our U.S. customer on a free on board (FOB) basis. As such, as all of our products to the U.S. customer were shipped on FOB basis, our U.S. customer is the importer of record and is responsible for payment of tariffs, if any. The U.S. government announced to impose additional tariff of 10% on goods from the PRC in February 2025 and imposed a further additional tariff of 10% in March 2025. As advised by our U.S. Legal Advisers, the garment we mainly sold to the U.S. during the Track Record Period would be subject to a tariff ranging from approximately 34.6% to 59.5% if those products are shipped from or originated from the PRC and entered the U.S. on or after 4 March 2025.

We cannot assure you that the tariff imposed by the U.S. government on garment imported from the PRC will remain unchanged or will not further increase in the future. In the event the tariff imposed by the U.S. government increases and our U.S. customer have difficulty to pass on all or any such additional costs to their onward customers, our U.S. customer may reduce their orders from us or we may have to lower our pricing, which may materially and adversely affect our financial performance and financial conditions.

We are exposed to credit risks with respect to the settlement by our customers for bulk sales and wholesale. Any significant delay in payment or defaults by our customers may materially and adversely affect our financial conditions and results of operations

During the Track Record Period, the average turnover days of trade and bills receivables were approximately 21.3 days, 44.1 days, 53.9 days and 64.2 days (annualised) for FY2021, FY2022, FY2023 and 9M2024, respectively. The credit terms offered by us to our customers for bulk sales and wholesale ranged from 0 to 90 days. We may adjust our credit terms for our customers for bulk sales and wholesale based on their payment and credit history. However, in the event that our customers for bulk sales and wholesale delay or default in their payment obligations to us, our collection period will be lengthened causing an increase in our trade receivables cycles. There is no assurance that our customers for bulk sales and wholesale will meet their payment obligations to us on time or in full. Their failures will increase our trade receivables cycles and we may need to obtain third party finance to fund our daily operations. Our business and results of operations may be adversely affected by any such delay or default in the payments by our customers for bulk sales and wholesale.

We rely on our information technology system for our operation

We rely on our existing information technology systems, such as our ERP system, POS system, WMS system and B2B supply chain system for exchange of information between our individual Retail Stores and our distribution centre in order to manage our purchases from our suppliers and sales data, monitor and control our inventory level, logistics arrangement, membership information and product labelling system. There is no assurance that our information technology would not experience breakdown, interruption or malfunction in the future. Any loss of data or break down of our information technology systems may cause interruptions to our operations and as a result of which our business and results of operations may be adversely affected.

Substantial part of our inventory are stored in our distribution centre and warehouses, and any force majeure event affecting our distribution centre and warehouses and their functionality may severely disrupt our business and bring loss and damage to our Group

Our distribution centre and warehouses are located in Jiangdu, Yangzhou. Substantial part of our inventory are stored there before they are being delivered to our Retail Stores, Malls or customers. During the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any material claims relating to unexpected disruptions at warehouse and/or distribution centre. In the event there is any material unexpected disruption at or in the vicinity of our distribution centre and/or warehouse premises as a result of the occurrence of any force majeure events, including fire, power and flooding beyond our control, it may directly cause substantial damage or destruction to our distribution centre and/or warehouses and our inventory. We cannot guarantee that any precautionary measures implemented at our distribution centre and/or warehouses such as fire safety facilities and CCTV surveillance system could mitigate the risk and minimise the business disruptions and potential loss and damages. There is no assurance that we could take adequate and appropriate steps to mitigate the potential impact of such disruptions effectively. The occurrence of any of such force majeure incidents in the future may cause partial or total loss of our inventory, and result in material damage or destruction to our warehousing facilities and equipment. We maintain various types of insurance policies to cover our business operations, including property all risks insurance. However, such coverage may be limited. For example, we may not be able to get fully compensated in case that our losses attributed to any force majeure event exceed the maximum amount of indemnification we are able to seek under the insurance policies. Our operation may be severely impaired or even put to a halt, which may lead to material adverse impact on our results of operations.

We depend on key management personnel, and their departure would seriously and adversely hinder our ability to maintain or grow our business

Our success and growth has been, and will continue to be, heavily dependent upon our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors take the view that the experience and qualifications of our Directors and members of senior management are important to us. For details, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus. Our Directors and members of senior management have been key members of our management team and play a pivotal role in conducting our daily operations and formulating our long-term business strategies. In particular, each of Mr. Gao, our Chairman and executive Director, and Mr. Yuan, our executive Director, has over 40 years of experience in the supermarket and supply chain businesses, respectively. Further, Mr. Zhang and Mr. Yao Jun, our executive Directors and members of our senior management, have over 30 years and 15 years of experience in the supermarket and supply chain businesses, respectively. They have contributed significantly to our result during the Track Record Period. If we lose the services of any member of our management team for any reason, we may not be able to locate, or may incur great costs to recruit and train suitable or qualified replacements in a timely manner, or at all, which could result in disruption of our business and inefficiency in execution of development strategies.

We may be subject to the risk of obsolescence for our inventory

Our inventory primarily comprised trade merchandise with different shelf lives. In particular, our products such as raw and fresh food might have shorter shelf lives. As such, our procurement team would closely monitor our inventory level on our ERP system to minimise the risk of overstocking and obsolescence of our inventory. Our balances of inventories as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024 amounted to approximately RMB286.4 million, RMB324.0 million, RMB266.3 million and RMB317.6 million, respectively.

Our inventory inevitably faces obsolescence risks where there are unexpected material fluctuations or abnormalities in the supply and demand of our products by suppliers and customers, respectively, or where there are changes in end consumers' tastes and preferences or introduction of new products in the market which may lead to decreased demand and overstocking of particular products, which in turn increases the risk of obsolescence. In case we fail to manage our inventory effectively or sell our products before the expiry of the shelf lives, we may be subject to risks of inventory obsolescence, a decline in our inventory values and significant write-downs or write-offs. If we carry out promotional activities in order to reduce or boost up the sale of the slow-moving inventories and our inventory level, we may have to reduce the sale price of our products, which may lead to lower gross margins. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations may fluctuate due to seasonality

Our business performance may fluctuate from period to period due to various factors, including the seasonal shopping and consumption habits. For instance, we generally have higher sales during festivals, holidays and promotional activities, in particular Chinese New Year and anniversary of our Group. Furthermore, some of our products might also be seasonal in nature and may only be available for certain seasons or offered during certain festivals. We believe that our results of operations will continue to experience seasonal fluctuation be affected by the seasonal consumption pattern in the future. Therefore, comparing our results of operations across different periods of a given year to assess our business performance may not be meaningful and should not be relied upon as indicator of our future performance. Furthermore, if our operations are disrupted or affected by unpredictable events during these festive seasons, our business, financial condition and results of operations would be adversely affected.

Our insurance coverage may not provide our Group with adequate protection against risks related to our business and operations

We maintain various insurance such as property all risks insurance and public liability insurance. We did not maintain any product liability insurance for our product liabilities. Our insurance may not fully cover all the potential losses and claims arising from our operations. Our Group and/or our officers (as the case may be) may be exposed to claims in respect of matters that are not covered by the insurance policies we maintained. In addition, most of our insurance policies are subject to standard deductions, exclusions and limitations. We believe these insurance policies are generally in accordance with customary industry practices, including deductibles and limits of coverage, but we cannot be fully insured against all potential hazards incidental to our business, including losses resulting from business interruptions, or all potential losses, including damage to our reputation.

If we were to incur significant liabilities for which we are not fully insured, it may have an adverse effect on our results of operations and financial conditions. As a result of market conditions, premiums and deductibles for certain insurance policies may increase substantially and, in some instances, certain insurance policies may become unavailable at a reasonable cost or available only for certain risks. If we were for any reason no longer covered by our existing insurance policies, we may not be able to obtain alternative insurance policies at acceptable terms or at all, which may have an adverse effect on our results of operations.

With respect to losses and claims which are covered by insurance policies, the process for us to recover such losses from insurers may be lengthy and complicated. In addition, we may not be able to recover the full amount of such losses from the insurers. There can be no assurance that insurance policies would be sufficient to cover all potential losses, regardless of the cause, or that we can recover such losses from the insurers.

Our production of meals may be interrupted by production difficulties due to machinery failures, utility shortages or stoppages, fire, acts of God or other calamities at or near our central kitchen

Our production of meals relies on the continued and proper function of equipment and steady and reliable supply of electricity and other utilities. Any interruption to our production may result in delay or failure in the supply of meals in a timely matter, or at all, loss of sales, reputational damage, workplace safety issues or other consequences that may materially and adversely affect our business.

We rely on a number of machinery with different specifications to prepare and pack the meals. Any mechanical failures or breakdown of our machinery could materially disrupt our production of meals and cause us to incur additional costs to repair or replace the affected machinery. There can be no assurance that we will not experience any problems with our machinery or that we will be able to address any such problems or obtain replacements in a timely manner. Problems with any machinery in our central kitchen for meals may affect our ability to prepare and pack the meals or cause us to incur significant expense to repair or replace the affected machinery. Any of these could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, the operation of our central kitchen for meals depends on a continuous and adequate supply of electricity and other utilities. If there are any shortage of electricity, the PRC authorities may require our central kitchen to be shut down periodically. Any disruption in the supply of electricity at our central kitchen would disrupt our production of meals and could cause delay or failure in the supply of meals in a timely matter, or at all, or deterioration or loss of our food ingredients. This could materially and adversely affect our ability to fulfil our orders and consequently may have a material adverse effect on our business and operations, results of operations, financial conditions and reputation.

In addition, our central kitchen for meals are subject to various risks. Fire, earthquakes, natural disasters, pandemic or extreme weather, including droughts, floods, excessive cold or heat, typhoon or other storms, causing power outages, damage to our central kitchen or disruption of transportation channels, among other events, could significantly interfere with our operations. Any failure to take adequate steps to mitigate the potential impact of unforeseeable events or to effectively respond to such events could materially and adversely affect our business, financial condition and results of operations.

We may not be able to obtain or renew all requisite licences, approvals and permits for our business on time

Our Group as well as our Retail Stores are required to obtain and hold relevant licences, approvals and permits for our business in accordance with the PRC laws and regulations. For details, please refer the paragraph headed "Business – Licences and registrations" in this prospectus. There is no assurance that we can continue to comply with the relevant regulatory regimes or we could successfully obtain or renew the requisite licences and permits in a timely manner. If we or any of our Retail Stores fail to obtain or renew the requisite licences and permits in a timely manner, we may be subject to fines and sanctions and some of our Retail Stores and/or our central kitchen may be ordered to temporarily or permanently suspend its operations, which may disrupt our operations and materially and adversely affect our business, results of operations and financial condition.

RISKS RELATING TO OUR INDUSTRY

We operate in a competitive industry

According to the Industry Report, the supermarket industry in the PRC is very competitive and is moderately concentrated with over 6,000 industry players in 2023. We have to compete with cross-province chain supermarkets and convenience stores, as well as those of local brands in the province or city. We believe our ability to compete effectively depends on various factors, including our Retail Store network and our established supply chain. If we fail to compete effectively or cost-efficiently against our competitors, we may lose or be unable to maintain or increase our market shares, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be affected by any adverse change in economic and social conditions of Jiangsu Province

Jiangsu Province has been and will continue to be the principal market of our Group's business. During the Track Record Period, most of our Group's business operations were in Yangzhou and all of them were in Jiangsu province. Besides, our distribution centre as well as our two warehouses where a substantial part of our products are stored are located within Jiangsu Province. Our Directors expect that Jiangsu Province will continue to our Group's operation and asset base and our results of operations and business are therefore heavily dependent on the economic and social conditions of Jiangsu Province. If there is any adverse change in the Jiangsu Province that is out of our control such as downturn of the local economy, outbreak of any pandemic, natural disasters or acts of god, it may adversely affect our business and operations. We cannot assure you that there will not be any unexpected change or unpredictable or disastrous events in Jiangsu Province and our business and results of operations may be adversely affected as a result.

Our business may be adversely affected by the new retail model

According to the Industry Report, research and applications in artificial intelligence, big data analytics, Internet of Things and smart hardware have achieved new breakthroughs and progresses in recent years, resulting in the emergence of a new retail model in the PRC. The new retail model generally involves the use of unmanned shelves, vending machines, smart payment technologies, etc. in retail business, which reflects a shift towards more automated and efficient retail environments. It is generally believed that by adopting the new retail model, stores will be able to provide more personalised and intelligent shopping experiences to customers while at the same time lowering their operational costs.

During the Track Record Period and up to the Latest Practicable Date, our Group had not implemented the new retail model in our business. Considering the rise of the new retail model adopted by other market players in the industry, we may be required to respond to such change by spending extra resources in adapting new technology in order to offer more personalised and intelligent shopping experiences to customers and stay afloat in the industry. However, we cannot assure you that we will be able to cope with such change in a timely manner, or at all. If we fail to respond to such change in the retail model, we may not be able to stay competitive in the industry, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We are subject to a wide range of laws and regulations and changes in such laws and regulations may affect our business

Our business and operations are subject to a wide range of laws and regulations such as those relating to pricing, consumer protection, quality of goods and food safety. For details, please refer to the section headed "Regulatory Overview" in this prospectus. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations on pricing, consumer protection, quality of goods and food safety or provide more stringent or comprehensive monitoring and regulation on pricing, consumer protection, quality of goods and food safety, which may lead to an increase in our costs of complying with such regulations. Government authorities may inspect, examine or enquire on our compliance with the relevant statutory and regulatory requirements from time to time. These laws and regulations, as well as any associated inquiries, examinations, investigations or any other actions from the government, may be costly to comply with and may result in negative publicity, increase in our operating costs, and/or demand for significant management time and attention, and may subject us to remedies that may harm our business, including fines or demands or orders that requires us to modify or cease any of our existing business practices. In addition, we may be unable to pass these additional costs on to our customers, which may result in a material adverse effect on our results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

We may be subject to additional approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities

On 20 February 2025, the CSRC issued a notification on our Company's completion of the PRC filing procedures for the Listing and the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares. A copy of this notification can be found on the official website of the CSRC. As advised by our PRC Legal Advisers, our Company has completed all necessary filings with the CSRC in the PRC in relation to the Global Offering and the Listing, and upon completion of overseas offering and listing, we shall report information on overseas offering and listing pursuant to the provisions of relevant guidelines.

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our future financing activities. If it is determined in the future that additional approval from or filing with the CSRC or other regulatory authorities or other procedures are required, there is no guarantee that we will be able to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorisation, or perform filing procedures, for our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the proceeds from our future financing activities into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

Changes in economic, political and social conditions in China could affect our business and prospects

Substantially all of our operations, assets and revenue are located in or derived from our businesses in China. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and regulatory landscape in China, including changes in international, national, regional and local economic conditions, employment levels, consumer demand and discretionary spending. The PRC government has implemented various measures to encourage, and to guide, the economic growth and the allocation of resources, some of which may have an effect on our business.

You may experience additional procedures in effecting service of process or enforcing foreign judgments against us, our Directors, supervisors or senior management residing in China

Our Company was incorporated under the laws of the PRC. Substantially all of our assets are located in China and all of our Executive Directors, supervisors and senior management reside in China. This may result in additional procedures to effecting service of process within Hong Kong or elsewhere outside of China upon us or our Directors, supervisors or senior management.

On 14 July 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), pursuant to which a party having obtained a final enforceable judgment rendered by a designated People's Court of the PRC requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong, and vice versa.

Nonetheless, the Arrangement is subject to a choice of court agreement in writing which is defined as any agreement in writing entered into between the parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. In the case where the parties in the dispute do not agree to enter into a choice of court agreement in writing, the Arrangement would not be available for a party who seeks to enforce a final judgment against our assets or our Directors, supervisors or senior management in China.

We cannot guarantee that all foreign court judgments made against us or any of our directors, supervisors or senior management in China will be effectively enforced.

The PRC regulations on foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares

Currently, the RMB cannot be freely converted into any foreign currency, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There can be no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements such as performing foreign currency-denominated contracts. Under the current foreign exchange regulations in the PRC, RMB can generally be converted for foreign exchange transactions under our current account including the payment of dividends without the need for prior approval from the SAFE. Nonetheless, we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business.

Meanwhile, foreign exchange transactions for capital account purposes may require the prior approval or registration with the SAFE. If we fail to obtain the SAFE's approval to convert RMB into foreign currencies for foreign exchange transactions or there are changes in the foreign exchange regulations or policies, our capital expenditure plans, business operations, results of operations, financial condition and our ability to pay dividends could be materially and adversely affected.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any dividends paid to investors and gains on the sale of our Shares by our investors may be subject to PRC tax

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of up to 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realised upon the sale or other disposition of our Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) issued by the MOF and SAT on 13 May 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprises are exempted from individual income tax for the time being.

According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (《財政部國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) effective as of 30 March 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On 3 February 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On 8 February 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). These documents indicates that the PRC government is planning to cease foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering these uncertainties, non-resident individual holders of our Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realised from the Shares.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realised upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our Shares (including HKSCC Nominees and payments through CCASS). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of any such refund will be subject to the PRC tax authorities' verification.

There remains uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT Law tax on gains derived by holders of our Shares from their disposition of our Shares may be collected. If any such tax is collected, the value of our Shares may be materially and adversely affected.

Payment of dividends is subject to conditions under PRC law and regulations

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we can not guarantee that we will have sufficient or any distributable profit which enables us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Fluctuations in exchange rates could result in foreign currency exchange losses

Fluctuations in exchange rates between RMB and U.S. dollar and other currencies may be affected by, among other things, changes in China's political and economic conditions, as well as economic and political developments around the globe. There is no assurance that the value of RMB will remain at the current level against U.S. dollar or any other foreign currency. Potential appreciation or depreciation of RMB against U.S. dollar or any other foreign currency will have mixed effects on our business and there is no assurance that the overall effect will be positive. In addition, being a PRC-based company listed in Hong Kong, any significant change in the exchange rates of Hong Kong dollar against RMB may materially and adversely affect any dividends payable on our Shares in Hong Kong dollars.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price range for our Shares was the result of negotiations among us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied to list and deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

Any disposal or perceived disposal of a substantial number of the Shares by our Controlling Shareholders or substantial shareholders in the public market could adversely affect the market price of the Shares

There is no assurance that our Controlling Shareholders will not dispose of their shareholdings following the expiration of their respective lock-up periods after the Listing. Disposal of a substantial number of the Shares in the public market after the completion of the Global Offering, or the perception that disposal may occur could materially and adversely affect the prevailing trading price of the Shares. We cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders or substantial shareholders may have on the market price of the Shares.

Shareholders' interests may be diluted and market price of the Shares may decrease if we issue additional Shares in the future

We may need to raise additional funds in the future to finance our further business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage shareholding of such Shareholders in our Company may be diluted, and such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Our Controlling Shareholders' interests may not be aligned with the interests of other Shareholders

Immediately following the Global Offering, our Controlling Shareholders will control the exercise of approximately 31.11% of the Shares in issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option). Therefore, our Controlling Shareholders will continue to be able to exercise controlling influence over our business through the ability to direct us to take actions or omit from taking actions without the consent or approval of other Shareholders. Accordingly, our Controlling Shareholders have substantial influence over our business, including but not limited to decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors, timing and distribution of dividends, if any, and other significant corporate actions.

There is no assurance that our Controlling Shareholders will act in our best interests or that of our minority Shareholders. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If there exists any conflict of interests between our Controlling Shareholders and minority Shareholders, our Controlling Shareholders may have the power to prevent us from proceeding with any proposed transactions at the general meeting which could be beneficial to us and other Shareholders, regardless of the underlying reasons.

As the initial Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share of HK$3.03 and HK$3.15, respectively, assuming an Offer Price of HK$2.50 per Offer Share and HK$3.00 per Offer Share, respectively, and existing Shareholders will receive an increase in the pro forma adjusted and consolidated net tangible asset value per Share of their Shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts, statistics and data contained in this prospectus with respect to the industry may not be accurate and should not be unduly relied upon

Certain facts, statistics and data in this prospectus are derived from various sources including publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in the section headed "Industry Overview" have been extracted from the Industry Report. We believe that the sources of information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the Global Offering including the Industry Consultant have independently verified, or make any representation as to, the accuracy of such information and statistics from the official government sources. It cannot be assured that statistics derived from the official government sources are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics from the official government sources may not be accurate and should not be unduly relied upon.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus includes various forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "aim", "anticipate", "believe", "can", "could", "estimate", "expect", "go forward", "intend", "may", "might", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these terms and other similar words or statements identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking statement. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Investors should read the entire prospectus carefully and should not place any reliance on any information contained in press articles, other media and/or research reports regarding our Group or the Global Offering

There may be press and media coverage regarding our Group or the Global Offering, which may include certain operating and financial information and projections, valuations and other information that do not appear in this prospectus. We strongly caution our investors not to rely on any such information. Our Group has not authorised the disclosure of any such information to the press or media and do not accept any responsibility for such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it. In making your decision as to whether to subscribe for the Offer Shares, you should rely only on the information contained in this prospectus.

In preparation for the Global Offering, we have applied for waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the relevant provisions of the Companies (Winding up and Miscellaneous Provisions) Ordinance as set out below.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

However, our Company would not be able to satisfy the requirements under Rules 8.12 and 19A.15 of the Listing Rules due to the following reasons:

(a) our Group's headquarters and principal place of business are located in the PRC, the business operations of our Group are substantially managed and conducted in the PRC and our Group does not have any substantial business activities or operations in Hong Kong;

(b) our executive Directors and members of our Group's senior management ordinarily reside in the PRC and are expected to continue to reside in the PRC, the principal base of our Group's operations;

(c) substantially all of our Group's assets are based in the PRC;

(d) for the purposes of the management and operations of our Group, the appointment of additional executive Directors who are ordinarily resident in Hong Kong will not only increase the administrative expenses of our Group, but will also reduce the effectiveness and responsiveness of our Board in making decisions for our Group, especially when business decisions are required to be made on a timely basis. In addition, appointing new executive Directors, who may not be familiar with the operations of our Group, to our Board for the sole purpose of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules may not be in the best interest of our Company and our Shareholders as a whole;

(e) if additional executive Directors who are ordinary residents of Hong Kong are appointed, they will not be able to fully understand the daily operations of the core business of our Group or fully appreciate the circumstances surrounding or affecting the core business operations and development of our Group from time to time, as they will not be physically present in the operation and management base of our Group in the PRC all the time. As such, such executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgments that are most beneficial to the operations and development of our Group; and

(f) each of the executive Directors has a vital role in the business and operations of our Group and it is of paramount importance for them to be based in the PRC and physically close to our Group's operations. To relocate any of the existing PRC-based executive Directors to Hong Kong for the sole purpose of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules will take time to process the application for residency in Hong Kong and the application will be unnecessarily burdensome and costly for our Company and may not be approved by the Listing Date. Since such executive Directors, after the relocation, will not be physically present at the operation and management base of our Group in the PRC all the time, they may encounter management difficulties.

Therefore, our Directors consider that the appointment of additional executive Directors who are ordinarily residents in Hong Kong or to relocate Directors who are currently based in the PRC to Hong Kong is not beneficial to or appropriate for our Group. Accordingly, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the following conditions. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures between us and the Stock Exchange:

1. we have appointed Mr. Gao, our executive Director, and Mr. Hui Hung Kwan (許鴻群先生), one of our joint company secretaries as our authorised representatives (the "**Authorised Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorised Representatives will act as our Company's principal channel of communication with the Stock Exchange. Each of the Authorised Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

2. when the Stock Exchange wishes to contact our Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes in the Authorised Representatives. We have

provided the Stock Exchange with the contact details (i.e., mobile phone number, office phone number, fax number and email address) of each of our Authorised Representatives and Directors to facilitate communication with the Stock Exchange;

3. all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time upon request;

4. in compliance with Rules 3A.19 of the Listing Rules, we have appointed Red Solar Capital Limited as our compliance adviser (the "**Compliance Adviser**"), which has access at all times to our Authorised Representatives, Directors and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. Our Company will keep the Stock Exchange up to date in respect of any change to such details. Our Authorised Representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, the authorised representatives, our Directors and other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, our Company will keep the Compliance Adviser informed of all communications and dealings between our Company and the Stock Exchange; and

5. we shall ensure that there are adequate and efficient means of communication among our Company, our Authorised Representatives, our Directors, other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers that the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules provides that the Stock Exchange will consider the following factors in assessing an individual's "relevant experience":

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Hui Hung Kwan (許鴻群先生) ("**Mr. Hui**") and Ms. Xu Chunling (徐春玲女士) ("**Ms. Xu**") as the joint company secretaries of our Company. Ms. Xu, as the manager of our Company and secretary to the Board, is mainly responsible for managing the corporate affairs of our Group, managing the archives and qualification certificates, drafting and preparing legal and other documents and managing their receipt and dispatch. Given Ms. Xu's experience and she currently serves as the secretary to our Board, our Directors are of the view that, with Ms. Xu's thorough understanding of corporate governance matters of our Group, she is considered as a suitable person to act as a company secretary of our Company. In addition, as the core business and operations of our Group are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Ms. Xu as a company secretary whose presence in the headquarters of our Group enables her to attend to the day-to-day corporate secretarial matters concerning our Group. However, given Ms. Xu does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfil the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. While Ms. Xu may not be able to solely fulfil the requirements of the Listing Rules, our Company believes that it would be in the best interests of our Company and the corporate governance of our Company to appoint Mr. Hui as one of our joint company secretaries due to his thorough understanding of the internal administration and business operations of our Group. In order to provide assistance to Ms. Xu and to enable Ms. Xu to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules, we have also appointed Mr. Hui, a member of the Hong Kong Institute of Certified Public Accountants, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Xu for an initial period of three years from the Listing Date.

Since Ms. Xu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Xu may act as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants published by the Stock Exchange, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver for Rules 3.28 and 8.17 of the Listing Rules will be revoked immediately if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Mr. Hui, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms. Xu in the discharge of her duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations, for an initial period of three years commencing on the Listing Date.

Given Mr. Hui's professional qualifications and experience, he will be able to explain to both Ms. Xu and our Company the relevant requirements under the Listing Rules. Mr. Hui will also assist Ms. Xu in organising Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. He is expected to work closely with Ms. Xu, and will maintain regular contact with Ms. Xu, our Directors, Supervisors and the senior management of our Company. The waiver will be revoked immediately if Mr. Hui ceases to provide assistance to Ms. Xu as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company.

In addition, Ms. Xu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing. Ms. Xu will also be assisted by (a) the Compliance Adviser, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisers of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three year period, we shall re-evaluate and demonstrate to the Stock Exchange that Ms. Xu, having benefited from the assistance of Mr. Hui for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for the biographical information of Ms. Xu and Mr. Hui.

WAIVER IN RESPECT OF STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Applicable Listing Rules and legal requirements

Requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires, subject to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, all prospectuses to state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a listing applicant is required to include in its prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of the listing applicant during each of the three financial years immediately preceding the issue of its prospectus, as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a listing applicant is required to include in its prospectus a report by the auditors of the listing applicant with respect to profits and losses and assets and liabilities in respect of each of the three financial years immediately preceding the issue of the prospectus.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as it thinks fit, a certificate of exemption from compliance with the relevant requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with the relevant requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Listing Rules

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the listing applicant and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the prospectus of the listing applicant, or such shorter period as may be acceptable to the Stock Exchange, be included in the accountants' report of the prospectus.

Rule 13.49(1) of the Listing Rules requires issuers to publish preliminary financial results not later than three months after the end of each financial year.

Requirements under the Guide for New Listing Applicants

Pursuant to paragraph 19 of Chapter 1.1A of the Guide for New Listing Applicants published by the Stock Exchange, in view of the shortened deadline for releasing preliminary results announcements and to enable potential investors to have adequate and timely information, where an applicant issues its listing document within three months after the latest year end, the Stock Exchange has provided the conditions for granting waiver from strict compliance with Rules 4.04(1) of the Listing Rules as follows:

(i) the listing document must include the financial information for the latest financial year and a commentary on the results for the year. The financial information to be included in the listing document must (a) follow the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) be agreed with the reporting accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants;

(ii) the applicant must list on the Stock Exchange within three months after the latest year end; and

(iii) the applicant must obtain a certificate of exemption from the SFC on compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements.

Grounds for waiver and exemption application

The financial year of our Company ends on 31 December. This prospectus contains the consolidated results of our Group for the three years ended 31 December 2023 and the nine months ended 30 September 2024, but does not include the consolidated results of our Group in respect of the full year immediately preceding the proposed date of issue of this prospectus, being the full year ended 31 December 2024, as required under Rule 4.04(1) of the Listing Rules, paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The waiver and exemption applied for would not prejudice the interest of the investing public. The strict compliance with the requirements under Rule 4.04(1) of the Listing Rules, paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for the following reasons:

(a) there would not be sufficient time for our Company and the Reporting Accountants to finalise the audited consolidated financial statements of our Group for the year ended 31 December 2024 for inclusion in this prospectus. It would be unduly burdensome for our Company and the Reporting Accountants to undertake the considerable amount of work required to prepare, update and finalise the Accountants' Report to cover such additional period within a short period of time. If the results for the full year ended 31 December 2024 are to be included in this prospectus, there would be a significant delay in the listing timetable;

(b) our Company has included in this prospectus (i) the Accountants' Report covering the three years ended 31 December 2023 and the nine months ended 30 September 2024; (ii) the unaudited preliminary financial information of our Group for the year ended 31 December 2024 and a commentary on the results for the year, which has been agreed with the Reporting Accountants, following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules (the "**Preliminary Financial Information and Commentary**"); and (iii) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date;

(c) our Company is of the view that the Accountants' Report covering the three years ended 31 December 2023 and the nine months ended 30 September 2024, as set out in Appendix I to this prospectus, the unaudited pro forma financial information as set out in Appendix IIA to this prospectus, unaudited preliminary financial information for the year ended 31 December 2024 as set out in Appendix IIB to this prospectus, together with other disclosure in this prospectus, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this prospectus. Therefore, the waiver and the exemption would not prejudice the interests of the investing public;

(d) our Company will not be in breach of its Articles of Association or laws and regulations of the PRC or other regulatory requirements as a result of not publishing its preliminary results announcement for the year ended 31 December 2024 in accordance with Rule 13.49(1) of the Listing Rules. Pursuant to the Note to Rule 13.49(1) of the Listing Rules, our Company will publish an announcement after Listing and no later than 31 March 2025 stating that the relevant financial information has been included in this prospectus; and

(e) our Company will comply with the requirements under Rule 13.46 of the Listing Rules in respect of the publication of our annual report. Our Company currently expects to issue our annual report for the financial year ended 31 December 2024 on or before 30 April 2025. In this regard, our Directors consider that our Shareholders, the investing public, as well as potential investors of our Company, will be kept informed of the financial results of our Group for the financial year ended 31 December 2024.

The waiver and exemption application

In light of the above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 4.04(1) of the Listing Rules relating to inclusion in the Accountants' Report of the consolidated results of our Group in respect of the full financial year ended 31 December 2024, on the conditions that: (i) this prospectus will be issued on or before Friday, 21 March 2025 and the Listing Date shall not be later than three months after the latest financial year end of our Company (i.e., on or before 31 March 2025); (ii) we have obtained from the SFC a certificate of exemption from strict compliance with the requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (iii) the Preliminary Financial Information and Commentary shall be included in this prospectus; and (iv) our Company is not in breach of its constitutional documents or laws and regulations of PRC or other regulatory requirements regarding its obligation to publish preliminary results announcements.

We have also applied for, and the SFC has granted us, a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that: (i) the particulars of this exemption are set out in this prospectus; (ii) this prospectus will be issued on or before Friday, 21 March 2025 and our Company's H Shares will be listed on or before 31 March 2025 (i.e., three months after the latest financial year-end).

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC FILING

On 20 February 2025, the CSRC issued a notification on our Company's completion of the PRC filing procedures for the Listing and the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares. A copy of this notification can be found on the official website of the CSRC. As advised by our PRC Legal Advisers, our Company has completed all necessary filings with the CSRC in the PRC in relation to the Global Offering and the Listing, and upon completion of overseas offering and listing, we shall report information on overseas offering and listing pursuant to the provisions of relevant guidelines.

In issuing such notice, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus. No other filing with the CSRC are required to be obtained for the listing of the H Shares on the Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 5,357,000 H Shares and the International Offering of initially 48,205,000 H Shares (subject, in each, to reallocation on the basis as set out in the section headed "Structure of the Global Offering" in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation, please refer to the section headed "Structure of the Global Offering" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us on or before Thursday, 27 March 2025 or such later date as may be agreed upon between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us, and in any event no later than 12:00 noon on Thursday, 27 March 2025. If the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Overall Coordinators and Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Our Domestic Unlisted Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorised approval authorities of the State Council, details of which are set out in the paragraph headed "Share Capital – Conversion of Domestic Unlisted Shares into H Shares" in this prospectus.

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 31 March 2025. Except for our pending application to the Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The H Shares will be traded in board lot of 1,000 H Shares. The stock code of the H Shares is 2625.

Under section 44B(l) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

H SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on the H Share register of our Company maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our register of members will also be maintained by us at our legal address in the PRC.

Dealings in the H Shares registered on the H Share register of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders thereof; and

(iv) authorises us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposing of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event that there is any inconsistency between the Chinese names of such laws and regulations, authorities, persons, entities or enterprises established in or relating to China mentioned in this prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

EXCHANGE RATE CONVERSION

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, the translations of Renminbi into Hong Kong dollars in this prospectus are based on the rate of HK$1.00: RMB0.92 and USD1.00: HK$7.80.

No representation is made that any amounts in HK$, RMB or US$ can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

COMMENCEMENT OF DEALING IN THE H SHARES

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 31 March 2025.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Gao Feng (高峰先生) *(Chairman)*	Room 001, Building 48 Zhongtian Apartment No. 103, Xindu North Road Jiangdu District, Yangzhou City Jiangsu Province PRC	Chinese
Mr. Yuan Yuan (袁原先生)	Room 001, Building 50 Zhongtian Apartment No. 103, Xindu North Road Jiangdu District, Yangzhou City Jiangsu Province PRC	Chinese
Mr. Zhang Jiaan (張佳安先生) (with a former name as Zhang Jiaan (張家安))	Room 307, Unit 3, Building 6 Longchuan Commercial Pedestrian Street Jiangdu District, Yangzhou City Jiangsu Province PRC	Chinese
Mr. Yao Jun (姚駿先生)	Room 208, Building 88 No. 18 Wenchang Middle Road Guangling District, Yangzhou City Jiangsu Province PRC	Chinese
Ms. Shen Zhigen (沈志艮女士) (with a former name as Qian Wen (錢雯))	Room 601, Building 19 Shengdi Runyuan, Longchuan North Road Jiangdu District, Yangzhou City Jiangsu Province PRC	Chinese
Ms. Nai Jingjing (佴晶晶女士)	Room 1001, Building 1 Bishui Jiayuan Phase 2 No. 2 Xindu Road Jiangdu District, Yangzhou City Jiangsu Province PRC	Chinese

Name	Address	Nationality
Mr. Wang Fei (王飛先生)	Room 2305, Building 17 No. 8 Tuanjie Road, Jiangpu Street Pukou District, Nanjing City Jiangsu Province PRC	Chinese
Non-executive Director		
Ms. Wei Yan (韋燕女士)	Room 403, Unit 1, Building 3 Jinsui Garden, No. 99 Zhonghe Road Jianye District, Nanjing City Jiangsu Province PRC	Chinese
Independent non-executive Directors		
Mr. Lam Ka Tak (林嘉德先生)	Flat A, 4th Floor Tai Gardens No. 285 Prince Edward Road West Kowloon Hong Kong	Chinese
Mr. Zheng Manjun (鄭滿軍先生)	No. 2, 8th Floor, Unit 1, Building 3 No. 126 Tianshun Road High-tech Zone, Chengdu City Sichuan Province PRC	Chinese
Mr. Zheng Yu (鄭宇先生)	Room 401 No. 3, Yingao Lane Qinhuai District, Nanjing City Jiangsu Province PRC	Chinese
Mr. Zhu Bo (朱波先生)	Room 701, Unit 1, Building 9 19 Xingyue Street Jianye District, Nanjing City Jiangsu Province PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Ms. Zhan Mingyu (詹明玉女士) (with a former name as Zhan Mingyu (占明玉))	Room 403, Building 80 Century Garden, Xiannu Town Jiangdu District, Yangzhou City Jiangsu Province PRC	Chinese
Mr. Xia Zhonglin (夏忠林先生)	Room 408, 1st Floor, Jiangdu Mall No. 2 Gongnong Road Jiangdu District, Yangzhou City Jiangsu Province PRC	Chinese
Ms. Zhu Aizhen (朱愛珍女士)	Room 306, Building 1 Jinse Yangguang Jiangdu District, Yangzhou City Jiangsu Province PRC	Chinese

For further information on the profile and background of our Directors and Supervisors, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Red Solar Capital Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)
402B, 4/F China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

Sponsor-Overall Coordinator	**Red Solar Capital Limited** *(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)* 402B, 4/F China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
Joint Overall Coordinators	**Red Solar Capital Limited** *(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)* 402B, 4/F China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
	CMBC Securities Company Limited *(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities)* 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**Red Solar Capital Limited** *(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)* 402B, 4/F China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong

CMBC Securities Company Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities)
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CCB International Capital Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities)
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Red Solar Capital Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)
402B, 4/F China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

CMBC Securities Company Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities)
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

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12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMB International Capital Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

uSMART Securities Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)
Room 2406, 24/F
FWD Financial Centre
308 Des Voeux Road Central
Sheung Wan
Hong Kong

Star River Securities Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities)
Room 2402, Wing On Centre
111 Connaught Road Central
Hong Kong

Eddid Securities and Futures Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities)
21/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Innovax Securities Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities)
Unit A–C, 20/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Long Bridge HK Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities)
Unit No. 3302, 33/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Capital Market Intermediaries and Hong Kong Underwriters

Red Solar Capital Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)
402B, 4/F China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

CMBC Securities Company Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities)
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

CCB International Capital Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities)
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMB International Capital Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

uSMART Securities Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities)
Room 2406, 24/F
FWD Financial Centre
308 Des Voeux Road Central
Sheung Wan
Hong Kong

Star River Securities Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities)
Room 2402, Wing On Centre
111 Connaught Road Central
Hong Kong

Eddid Securities and Futures Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities)
21/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Innovax Securities Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities)
Unit A–C, 20/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Long Bridge HK Limited
(A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities)
Unit No. 3302, 33/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Legal Advisers to our Company	*As to Hong Kong law* **DeHeng Law Offices (Hong Kong) LLP** *Solicitors, Hong Kong* 28/F, Henley Building 5 Queen's Road Central & Room 3507, 35/F, Edinburgh Tower The Landmark, 15 Queen's Road Central Central, Hong Kong
	As to PRC law **Beijing DHH Law Firm** *Registered law firm in the PRC* 12/F, Tower C Beijing Yintai Centre No. 2 Jianguomenwai Avenue Chaoyang District Beijing, PRC
	As to U.S. law **Loeb & Loeb LLP** *Attorneys-at-law* 345 Park Avenue New York, NY 10154 United States
Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **ONC Lawyers** *Solicitors, Hong Kong* 19/F, Three Exchange Square 8 Connaught Place Central Hong Kong
	As to PRC law **Beijing Dacheng Law Offices, LLP** *Registered law firm in the PRC* 16–21F, Tower B ZT International Center No. 10, Chaoyangmen Nandajie Chaoyang District, Beijing PRC

Reporting Accountants and Independent Auditor	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8th Floor, Prince's Building 10 Chater Road, Central Hong Kong
Industry Consultant	**HCR Co., Ltd.** 6th Floor, Building 102, No. 10 No. 10 Jiuxianqiao North Road Chaoyang District Beijing 100016 PRC
Internal Control Consultant	**SHINEWING Risk Services Limited** 17/F., Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Compliance Adviser	**Red Solar Capital Limited** *(A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)* 402B, 4/F China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
Fire Safety Consultants	**Jiangsu Yilun Construction Engineering Co., Ltd.* (江蘇易倫建設安裝工程有限公司)** No. 16 Hongyuan Road Shaobo Town Jiangdu District Yangzhou PRC

	Shanghai Yuanning Fire Technology Co., Ltd.* (上海遠寧消防技術有限公司) Room 1906, Building A No. 1555 Kongjiang Road Yangpu District Shanghai PRC
Construction Safety Consultant	**Shanghai Biaogu Construction Engineering Testing Technology Co., Ltd.* (上海標固建設工程檢測技術有限公司)** No. 155 Anzhi Road Jiading District Shanghai PRC
Receiving Bank	**Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC Tower 3 Garden Road, Central Hong Kong

Registered Office	Shao Bo Town Industrial Park Logistics Park Jiangdu District, Yangzhou City Jiangsu Province PRC
Headquarters and Principal Place of Business in the PRC	Shao Bo Town Industrial Park Logistics Park Jiangdu District, Yangzhou City Jiangsu Province PRC
Principal Place of Business in Hong Kong	Room 2109 21st Floor C C Wu Building 302–308 Hennessy Road Wanchai Hong Kong
Company's Website	**www.hxsupermarket.cn** *(information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	Ms. Xu Chunling (徐春玲女士) Room 506 Building 1-20 Zhongyuan Ouzhoucheng Tixiangjun No. 333 Pujiang Road Jiangdu District, Yangzhou City Jiangsu Province PRC Mr. Hui Hung Kwan (許鴻群先生) *(an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and a fellow of the Association of Chartered Certified Accountants)* Flat B, 2/F, Block 7 Aldrich Garden 2 Oi Lai Street Shau Kei Wan Hong Kong

Authorised Representatives (for the purpose of the Listing Rules)	Mr. Gao Feng (高峰先生) Room 001, Building 48 Zhongtian Apartment No. 103, Xindu North Road Jiangdu District, Yangzhou City Jiangsu Province PRC Mr. Hui Hung Kwan (許鴻群先生) Flat B, 2/F, Block 7 Aldrich Garden 2 Oi Lai Street Shau Kei Wan Hong Kong
Audit Committee	Mr. Lam Ka Tak (林嘉德先生) *(Chairperson)* Mr. Zheng Manjun (鄭滿軍先生) Mr. Zheng Yu (鄭宇先生) Mr. Zhu Bo (朱波先生) Ms. Wei Yan (韋燕女士)
Nomination Committee	Mr. Zheng Manjun (鄭滿軍先生) *(Chairperson)* Mr. Lam Ka Tak (林嘉德先生) Mr. Zheng Yu (鄭宇先生) Mr. Zhu Bo (朱波先生) Ms. Wei Yan (韋燕女士)
Remuneration Committee	Mr. Zheng Yu (鄭宇先生) *(Chairperson)* Mr. Lam Ka Tak (林嘉德先生) Mr. Zheng Manjun (鄭滿軍先生) Mr. Zhu Bo (朱波先生) Ms. Wei Yan (韋燕女士)
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Principal Banks

Agricultural Bank of China Yangzhou Jiangdu Branch
No. 1289 Wenchang East Road
Jiangdu District, Yangzhou City
Jiangsu Province
PRC

Bank of China Jiangdu Branch
No. 19 Longcheng Road
Jiangdu District, Yangzhou City
Jiangsu Province
PRC

China Construction Bank Corporation Jiangdu Branch
No. 1 Xiancheng Road
Jiangdu District, Yangzhou City
Jiangsu Province
PRC

Agricultural Development Bank of China Yangzhou Jiangdu Branch
No. 10 Dong Fang Hong East Road
Jiangdu District, Yangzhou City
Jiangsu Province
PRC

Jiangsu Jiangdu Rural Commercial Bank Co., Ltd.
No. 21 Longcheng Road
Jiangdu District, Yangzhou City
Jiangsu Province
PRC

The data and statistical information set out in this chapter are sourced from the independent industry report compiled by HCR. The industry report is based on data from its database, publicly available sources, industry reports, data obtained from interviews, official government and other publications, and other sources. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government resources has not been independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of our and their respective directors, supervisors, officers, affiliates, advisers, or representatives, or any other person or party involved in the Global Offering and neither do we make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned HCR, an independent market research and consulting company, to analyse and prepare the industry report on the retail industry, grains and oil wholesale and prepared food in the PRC. We agreed to pay HCR a fee of RMB500,000, which we believe is reflective of the market rate for such reports. We have extracted certain information from the industry report in this section, as well as in the sections headed “Summary”, “Risk Factors”, “Business”, “Financial Information” and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

Founded in 2008, HCR focused on providing data analysis, industry research, and other services to commercial clients and government agencies. The company holds the Foreign-Related Investigation Licence issued by the National Bureau of Statistics. HCR has experience in researching and tracking the retail industry, grains and oil wholesale and prepared food in the PRC. During the preparation and compilation of the research, HCR utilises research parameters and assumptions, collecting data from multiple primary and secondary sources, including statistical data published by the National Bureau of Statistics and local statistical bureaus, data from annual reports of listed companies, and company websites, as well as data obtained from interviews with industry experts. During the preparation of the report, HCR assumes that: (i) the social, economic, and political conditions in the PRC and around the world will remain stable during the forecast period; (ii) government policies related to the chain supermarket industry in the PRC will remain unchanged during the forecast period; (iii) all data published by relevant statistical bureaus are accurate; and (iv) all data related to the sales scale of companies collected from their annual reports are accurate.

DIRECTOR'S CONFIRMATION

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the report which may qualify, contradict or have an impact on the information in this section.

MACRO-ECONOMIC ENVIRONMENT IN CHINA

Since the initiation of economic reforms, China's economy has consistently maintained rapid growth. In recent years, China's economy has faced increased risks and challenges due to factors such as the COVID-19 pandemic, the Russia-Ukraine conflict and conflict in the Middle East. However, the fundamental long-term prospects of China's economy remain positive. In 2023, China's nominal Gross Domestic Product (GDP) amounted to RMB126,058.2 billion, representing a year-on-year growth of 5.2% and a CAGR of 7.17% from 2017 to 2023, and solidifying its position as the world's second-largest economy. The per capita disposable income of the PRC residents had increased from approximately RMB26,000 in 2017 to approximately RMB39,000 in 2023, representing a CAGR of 6.99%.

Overview of the Food and Household Products Market

In 2023, the per capita consumption expenditure of Chinese residents reached RMB26,796, representing a year-on-year increase of 9.0%. Among which, the per capita expenditure on food, beverages, and tobacco was RMB7,983, representing a year-on-year increase of 6.7%; per capita clothing expenditure was RMB1,479, representing a year-on-year increase of 8.4%; and per capita expenditure on daily necessities and services was RMB1,526, representing a year-on-year increase of 6.6%. In 2023, the expenditure of the residents on food and household products, including food, beverages, clothing, daily necessities and services, accounted for 41.01% of the per capita consumption expenditure of the residents. In line with the improving living standards, consumers are inclined to choose high-quality consumer goods, which will promote the continuous development of the consumer goods market.

YANGZHOU AND TAIZHOU

Yangzhou is a prefecture-level city in Jiangsu Province, with a GDP of approximately RMB781.0 billion in 2024, representing a year-on-year increase of 6.0%, and a CAGR of 6.6% from 2020 to 2024. In 2024, the resident population of Yangzhou City was approximately 4.6 million, and the total retail sales of consumer goods in Yangzhou City reached RMB177.1 billion, representing a year-on-year increase of 6.6%. The per capita disposable income of residents in Yangzhou City was approximately RMB50,000, with a year-on-year increase of 5.7%, which indicates a strong consumption capacity. As a historical and cultural city, Yangzhou City's economy is supported by tourism, manufacturing and service industries. With convenient transportation, it is a modern city with steady economic development.

Taizhou City, another prefecture-level city in Jiangsu Province, had a GDP of RMB702.1 billion in 2024, representing a year-on-year growth of 4.3%, and a CAGR of 7.2% from 2020 to 2024. In 2024, the resident population of Taizhou City was approximately 4.5 million, and the total retail sales of consumer goods reached RMB179.3 billion, representing a year-on-year increase of 4.9%. The per capita disposable income of residents in Taizhou City was approximately RMB62,000, representing a year-on-year increase of 4.7%. Taizhou City is predominantly driven by manufacturing, with developed industries such as pharmaceuticals, shipbuilding and chemicals.

RETAIL MARKETS

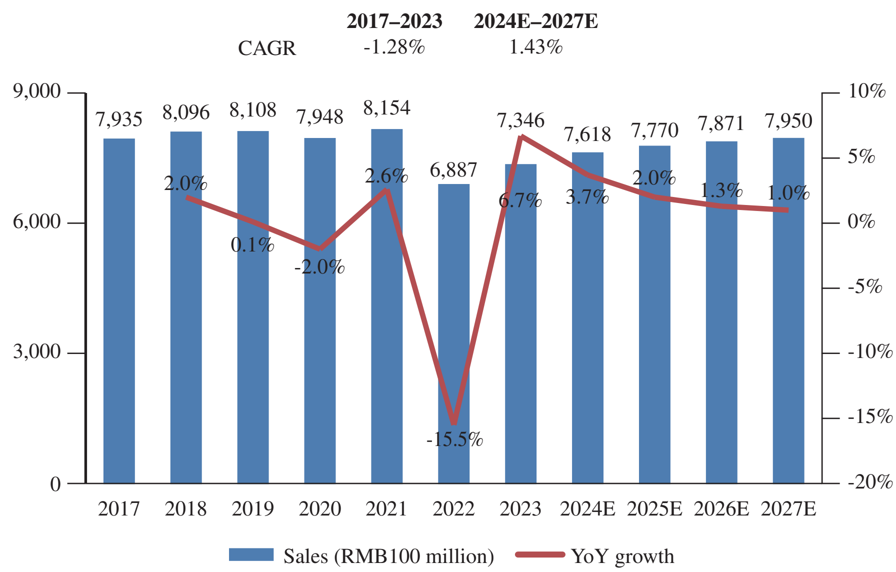
Overview

In line with the popularity and development of e-commerce, the omni-channel sales model that integrates online and offline channels is transforming traditional retail formats, introducing consumers to more diverse shopping experiences. By the end of 2023, online retail sales in the PRC amounted to RMB15.4 trillion, representing a year-on-year increase of 11%. The share of online retail sales in total social retail sales in the PRC rose from 26.06% at the end of 2019 to 32.72% at the end of 2023, indicating a continuing increase in online retail sales. As a result of the accelerated integration of online and offline retail market, the share of online retail sales is expected to increase continuously in the future. Meanwhile, by the end of 2023, the PRC's offline retail sales reached RMB31.8 trillion, representing a year-on-year increase of 5.5%, while the share of offline retail sales in total social retail sales in the PRC declined from 73.94% at the end of 2019 to 67.28% at the end of 2023, indicating a downward trend of the offline retail sales.

1. Supermarket Chain Market in China

Chain supermarkets play a vital role as a significant commodity distribution channel in the PRC. In 2023, the retail sales of chain supermarkets in the PRC amounted to RMB734.6 billion. In recent years, due to factors such as slower economic growth leading to reduced consumer demand, the live streaming e-commerce and e-commerce capturing market share in retail market, and the rapid development of business forms such as unmanned stores and convenience stores, the retail sales of chain supermarkets nationwide experienced an overall decline from 2017 to 2023, with a CAGR of -1.28% from 2017 to 2023. Looking ahead, as the global economy gradually recovers from adverse factors such as the pandemic, the domestic economy also will witness a significant boost. With consumer confidence strengthening, the consumer sentiment is growing, which directly drives growth in the retail market. The government has introduced a volley of policies aimed at stimulating consumption, such as tax cuts and consumption vouchers, effectively stimulating market demand and promoting the development of the retail sector. As urbanization continues to intensify, a significant influx of rural populations into cities will usher in new consumer demands and purchasing power, providing reliable market space for chain supermarkets. As the income of residents continues to increase, their purchasing power also increasingly strengthens, driving a robust demand for quality consumer goods and services. This undoubtedly presents more opportunities for chain supermarkets. Well-known chain supermarkets have carved out a strong brand image among consumers through ongoing brand building and marketing activities, fostering consumer loyalty that helps stabilise and expand their market share. It is projected that the retail sales of chain supermarkets nationwide will resume growth from 2024E to 2027E. HCR expects the supermarket chain retail market in the PRC to grow at a CAGR of 1.43% from 2024E to 2027E.

Sales and Forecasts in the Supermarket Chain Retail Market in China (RMB100 million), 2017–2027E



Source: The data for the period 2017–2023 is sourced from the National Bureau of Statistics, and the data for the period 2024E–2027E is estimated by HCR

The National Standard of Retail Format Classification (GB/T18106–2004) defines supermarkets with a sales area larger than 6,000 square meters as large supermarkets, while those with a sales area below 6,000 square meters are defined as small and medium-sized supermarkets.

The era of rapid expansion for China's chain supermarkets has come to an end, although it remains to deal with a massive consumer market with strong sustainable development capabilities, boasting numerous changes and opportunities. Different market segments within the supermarket industry in the PRC demonstrate differentiated development status. For instance, due to reasons such as severe homogenization of goods, inefficiencies in the supply chain, lack of convenience, and market squeeze by e-commerce channels, the market scale of traditional large supermarket format is gradually declining. The standardised product range and pricing of large supermarkets are weaker than e-commerce channels, and their immediacy in meeting consumer demands is lower than convenience stores, enabling several traditional large supermarkets to close down their stores successively. While closing down their stores, they continue to open new ones in search of a second growth curve in performance. A number of large supermarket enterprises start to explore the membership store model, transitioning from the "channel-oriented retailer" to the "product-driven retailer".

In contrast, small and medium-sized supermarkets offer higher convenience, personalization, and community interaction, leading to increasing market scale. In particular, small community stores that primarily sell fresh food, are more capable of meeting daily consumption needs. Fresh products, characterised by high gross profits, high repurchase rates, and strong customer loyalty, have become key attractions for small and medium-sized supermarkets. In addition, regional chain supermarkets experience relatively less development pressure, primarily benefitting from the rooted operations of regional enterprises at the local level, which builds strong connections and loyalty with consumers. Future adjustments, mergers and acquisitions, and reorganizations will occur successively in the industry. Small and medium-sized supermarkets are defined to be supermarkets with a sales area of below 6,000 square meters. As of the Latest Practicable Date, the sales area of all supermarkets of our Group are below 6,000 square meters and hence all supermarkets of the Group fall within the category of small and medium-sized supermarkets.

In 2023, the proportion of retail market scale of large supermarkets in the PRC amounted to 52.6%. The retail sales of large supermarket from 2024E to 2027E increases at a CAGR of -1.9%. In 2023, the retail sales of small and medium-sized chain supermarkets were approximately RMB348.1 billion, accounting for 47.4%. The retail sales of small and medium-sized chain supermarkets from 2024E to 2027E increases at a CAGR of 4.9%.

After experiencing a decline in 2019, the supermarket chain retail market in Jiangsu Province has gradually resumed its growth since 2020. In 2023, the retail sales of chain supermarkets in Jiangsu Province amounted to RMB119.9 billion, representing a year-on-year growth of 6.7% and a CAGR of -1.97% in Jiangsu Province from 2017 to 2023. In 2023, the number of the chain supermarkets in Jiangsu Province decreased by more than 50%. However, the total sales increased instead of decreasing, reflecting a rapid growth in sales per store and an improvement in the operational efficiency of the chain supermarkets.

In Jiangsu Province, retail sales of small and medium-sized chain supermarkets amounted to approximately RMB47.95 billion in 2023. The retail sales of small and medium-sized chain supermarkets from 2017 to 2023 increased at a CAGR of 15.7%. It is expected that the retail sales of small and medium-sized chain supermarkets in Jiangsu Province from 2024E to 2027E will increase at a CAGR of 8.7%.

The central region of Jiangsu Province, including Yangzhou City, Taizhou City, and Nantong City, is one of the economically developed areas in China. It has a relatively high per capita income level and strong consumer purchasing power. The region also experiences a relatively dense population and a rapid urbanisation process. Consequently, there exists significant potential for the growth of the supermarket chain retail market. In 2023, the nominal GDP of the central region of Jiangsu Province amounted to RMB2,596.8 billion. The per capita disposable income of the central region of Jiangsu Province had grew from approximately RMB31,500 in 2017 to approximately RMB50,000 in 2023, representing a CAGR of 8.01%. Such increasing trends indicate a growing purchasing power and willingness to spend on food and household products by retail customers in the central region of Jiangsu Province, which will contribute to the growing retail sales of chain supermarkets and convenience stores in such region. According to the estimates by HCR, the retail sales of chain supermarkets in central region of Jiangsu Province amounted to RMB20.0 billion in 2023, with a CAGR of -3.0% in central region of Jiangsu Province from 2017 to 2023.

In the central region of Jiangsu Province, the retail sales of small and medium-sized chain supermarkets amounted to approximately RMB7.99 billion in 2023. The retail sales of small and medium-sized chain supermarkets from 2017 to 2023 increased at a CAGR of 14.5%. It is expected that the retail sales of small and medium-sized chain supermarkets in the central region of Jiangsu Province from 2024E to 2027E will increase at a CAGR of 7.7%.

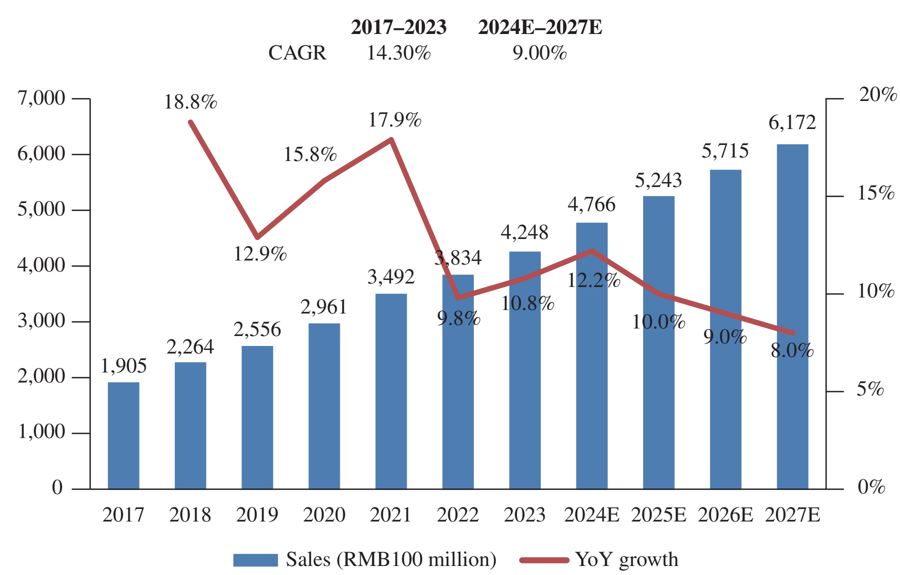
In Yangzhou City, the retail sales of chain supermarkets amounted to RMB4.37 billion in 2023, with a CAGR of -2.9% in Yangzhou City from 2017 to 2023. HCR estimates that the retail sales of chain supermarkets in Yangzhou City in 2027E will amount to RMB4.41 billion, with a CAGR of 0.3% from 2024E to 2027E.

In Yangzhou City, the retail sales of small and medium-sized chain supermarkets amounted to RMB1.75 billion in 2023. The retail sales of small and medium-sized chain supermarkets from 2017 to 2023 increased at a CAGR of 14.6%. It is expected that the retail sales of small and medium-sized chain supermarkets in Yangzhou City from 2024E to 2027E will increase at a CAGR of 4.7%.

2. *Convenience Store Market in China*

As the convenience store aligns with consumer demands for "fast-paced" and "convenience-oriented" experiences, and accelerates its digital transformation to achieve a high level of digitization in logistics and distribution, the sales in China's convenience store industry has been growing rapidly in recent years. The retail sales of nationwide convenience stores continued to rise from 2017 to 2023. In 2023, the retail sales of convenience stores in China amounted to RMB424.8 billion, with a CAGR of 14.30% from 2017 to 2023. With future economic recovery, the implementation of policies to promote consumption at the national and local levels, growth in the number of convenience stores and average sales per store, and accelerated transformation in digitization and intellectualization of convenience stores, it is projected that the retail sales of nationwide convenience stores will maintain continuous growth from 2024E to 2027E, with a CAGR of 9.00%. The details are as follows:

Sales and Forecasts in the Convenience Store Retail Market in China (RMB100 million), 2017–2027E



Source: The data for the period 2017–2023 is sourced from the China Chain Store & Franchise Association, and the data for the period 2024E–2027E is estimated by HCR

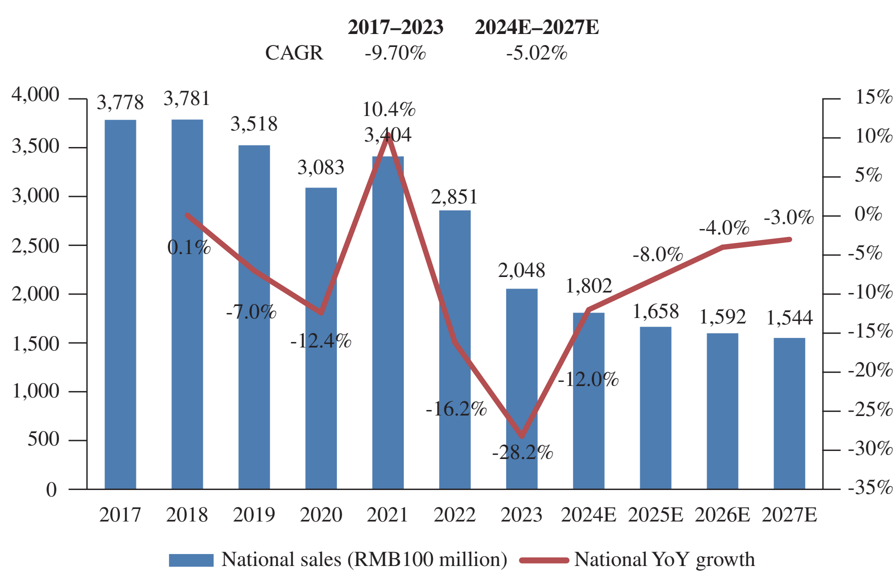
The regional sales scale of the convenience store retail market has also maintained a rapid growth trend. In 2023, the retail sales of convenience stores in Jiangsu Province amounted to RMB41.0 billion, with a CAGR of 15.4% in Jiangsu Province from 2017 to 2023. HCR expects a CAGR of 12.1% in Jiangsu Province from 2024E to 2027E. In 2023, the retail sales of convenience stores in central region of Jiangsu Province amounted to RMB6.83 billion, with a CAGR of 14.2% in central region of Jiangsu Province from 2017 to 2023. Driven by strong economic growth momentum and continuously rising income levels and expenditures, HCR expects a CAGR of 11.0% in central region of Jiangsu Province from 2024E to 2027E. In 2023, the retail sales of convenience stores in Yangzhou City amounted to RMB1.50 billion, with a

CAGR of 14.3% from 2017 to 2023. HCR estimates that the retail sales of convenience stores in Yangzhou City from 2024E to 2027E will increase at a CAGR of 8.0%.

3. Department Store Market in China

Department stores with a long history of development in China serve as a traditional channel for selling goods. The overall retail sales of nationwide above-designated-size (according to the industry practice, being department stores with annual operating revenue exceeding RMB5 million and employing more than 60 staff at year-end) department stores showed a downward trend from 2017 to 2023, with the retail sales of above-designated-size department stores of RMB204.8 billion in China in 2023 and a CAGR of -9.70% from 2017 to 2023, which were attributable to several factors, including a decrease in demands for high-end and luxury products as a result of a slowdown in economic growth, lack of competitiveness of traditional department store goods due to consumer upgrading and changes in consumption patterns, emergence of numerous shopping centres due to the rapid urbanisation process, and a decline in sales at physical stores owning to the convenience of online shopping in recent years. In the future, with the continuous development of convenience stores, live-streaming sales, e-commerce, and others, it is expected that the retail sales of nationwide above-designated-size department stores will continue to decline from 2024E to 2027E, with a CAGR of -5.02% from 2024E to 2027E as estimated by HCR.

Sales and Forecasts in the Above-Designated-Size Department Store Retail Market in China (RMB100 million), 2017–2027E



Source: The data for the period 2017–2023 is sourced from the National Bureau of Statistics, and the data for the period 2024E–2027E is estimated by HCR

Note: According to the industry practice, the above-designated-size department stores refer to those with annual operating revenue exceeding RMB5 million and employing more than 60 staff at year-end

The regional sales scale of the department store retail market also shows a downward trend. In 2023, the retail sales of above-designated-size department stores in Jiangsu Province amounted to RMB75.6 billion, representing a year-on-year decrease of 17.8% and a CAGR of -5.4% in Jiangsu Province from 2017 to 2023. HCR expects a CAGR of -7.0% in Jiangsu Province from 2024E to 2027E. In 2023, the retail sales of department stores in central region of Jiangsu Province amounted to RMB12.6 billion, with a CAGR of -6.3% in central region of Jiangsu Province from 2017 to 2023. The sales in central region of Jiangsu Province from 2024E to 2027E will increase at a CAGR of approximately -7.9%. In 2023, the retail sales of above-designated-size department stores in Yangzhou City amounted to RMB2.75 billion, with a CAGR of -6.3% in Yangzhou City from 2017 to 2023. HCR estimates that the retail sales of above-designated-size department stores in Yangzhou City from 2024E to 2027E will increase at a CAGR of -10.5%.

Competitive Landscape

1. Supermarket Chain Market in China

The supermarket retail industry in the PRC has developed over the years, leading to fierce competition and a relatively high market concentration. The Group has a market share of approximately 0.4% in supermarket chains in Jiangsu Province, ranking approximately 20th in the market. The following table sets forth the ranking of the top five chain supermarkets by sales value in central region of Jiangsu Province and Yangzhou City:

Ranking of the Chain Supermarkets in central region of Jiangsu Province by Sales Value in 2023

Ranking	Company name	Sales value *(RMB100 million)*	Market share
1	Company A[(1)]	26.1	13.1%
2	Company B[(2)]	11.2	5.6%
3	Company C[(3)]	8.3	4.2%
4	Company D[(4)]	7.6	3.8%
5	The Group	4.3	2.2%

Source: Company annual reports, and HCR

Ranking of the Chain Supermarkets in Yangzhou City, Jiangsu Province by Sales Value in 2023

Ranking	Company name	Sales value *(RMB100 million)*	Market share
1	Company A	6.27	14.3%
2	The Group	4.01	9.2%
3	Company C	3.33	7.6%
4	Company B	2.40	5.5%
5	Company D	0.78	1.8%

Source: Company annual reports, and HCR

(1) Founded in 2000, Company A is a retail enterprise listed on the H-share market that operates large, medium, and small supermarket businesses through multiple brands. It owns over 400 large supermarkets and more than 30 medium supermarkets *(Note 1)*.

(2) Founded in 2009, Company B is a specialised chain supermarket management enterprise, with a focus on localised operation strategies and more than a hundred of stores in Jiangsu Province.

(3) Founded in 2020, Company C, the predecessor of which was founded in 1991, is a well-known comprehensive retail enterprise. The company's business encompasses supermarkets, convenience stores, raw and fresh food market, with thousands of stores nationwide.

(4) Founded in 2001, Company D is a chain supermarket enterprise listed on the A-share market. Its primary business scope includes the sale of food, fresh fruits, daily necessities, and other consumer goods, with more than a thousand of supermarket stores.

Note 1: The National Standard of Retail Format Classification (GB/T18106-2004) defines supermarkets with a sales area larger than 6,000 square meters as large supermarkets, while those with a sales area below 6,000 square meters are defined as small and medium-sized supermarkets.

2. *Convenience Store Market in China*

There are many convenience store brands in China, leading to fierce competition and a relatively low market concentration. The following table sets forth the ranking of the top five convenience store brands by sales value in central region of Jiangsu Province and Yangzhou City:

Ranking of the Convenience Store Companies in the central region of Jiangsu Province by Sales Value in 2023

Ranking	Company name	Sales value *(RMB100 million)*	Market share
1	Company E[(5)]	6.23	9.1%
2	Company F[(6)]	3.13	4.6%
3	Company G[(7)]	2.25	3.3%
4	Company H[(8)]	1.61	2.4%
5	Company I[(9)]	1.45	2.1%

Source: Company annual reports, and HCR

Note: Represent approximately 1.3% of the convenience store market share in the central region of Jiangsu Province by convenience store sales of the Group in 2023.

Ranking of the Convenience Store Companies in the Yangzhou City, Jiangsu Province by Sales Value in 2023

Ranking	Company name	Sales value *(RMB100 million)*	Market share
1	Company F	1.68	11.2%
2	Company G	1.28	8.6%
3	Company E	1.14	7.6%
4	The Group	0.91	6.1%
5	Company J[(10)]	0.59	3.9%

Source: Company annual reports, and HCR

(5) Founded in 2012, Company E is a leading convenience chain brand in Jiangsu Province. It adopts a direct management chain operation model for all of its stores and has opened more than 600 stores.

(6) Founded in 1996, Company F currently has hundreds of stores covering 13 prefecture-level cities in Jiangsu Province and 14 prefecture-level cities in Anhui Province.

(7) Founded in 1973, Company G is a foreign-funded convenience store company. It tapped into the Chinese market in 1996 and set up more than 6,000 stores in major cities in China.

(8) Founded in 1973, Company H is a foreign-funded convenience store company. It tapped into the Chinese market in 2004 and set up more than 7,000 stores in major cities in China.

(9) Founded in 1997, Company I currently has more than 30,000 stores covering most provinces and cities in China.

(10) Founded in 2001, Company J has nearly 4,000 stores in Zhejiang, Jiangsu, Anhui and other places.

3. *Department Store Market in China*

There are many department store brands in China, leading to fierce competition and a relatively low market concentration. The following table sets forth the ranking of the top five department store brands by sales value in central region of Jiangsu Province and the Yangzhou City:

Ranking of the Department Store Retail Companies in the central region of Jiangsu Province by Sales Value in 2023

Ranking	Company name	Sales value *(RMB100 million)*	Market share
1	Company K[(11)]	8.69	6.9%
2	Company L[(12)]	4.63	3.7%
3	Company M[(13)]	4.39	3.5%
4	Company N[(14)]	3.20	2.5%
5	Company O[(15)]	3.00	2.4%

Source: Company annual reports, and HCR

Note: Represent approximately 1.2% of the department store retail market share in the central region of Jiangsu Province by department store retail sales of the Group in 2023.

Ranking of the Department Store Retail Companies in the Yangzhou City, Jiangsu Province by Sales Value in 2023

Ranking	Company name	Sales value *(RMB100 million)*	Market share
1	Company O	3.00	10.9%
2	Company K	2.90	10.5%
3	Company P[(16)]	2.50	9.1%
4	Company L	2.20	8.0%
5	The Group	1.70	6.2%

Source: Company annual reports, and HCR

(11) Founded in 1988, Company K is engaged in the businesses covering real estate development, commercial operation, cultural tourism, financial investment and other fields. It has opened more than 400 large department stores in China *(Note 2)*.

(12) Founded in 1993, Company L is engaged in the businesses covering real estate development, investment, commercial operation management, health care services and other fields. It has opened large department stores in 142 large and medium-sized cities in China.

(13) Founded in 1983, Company M develops high-quality shopping centres integrating retail, catering, entertainment, leisure, culture, and health care. It currently has more than 20 large-scale shopping centres in China.

(14) Founded in 1997, Company N is a well-known large-scale department store retail company. It has more than 20 large-scale shopping centres in major cities in China. It has established several enterprises in China operating in multiple industries such as real estate, shopping centres, hotels, property, entertainment, and agriculture.

(15) Founded in 1996, Company O is committed to developing large-scale comprehensive shopping centres that integrate commercial, living, entertainment, leisure, education and other functional supporting facilities.

(16) Founded in 1996, Company P is engaged in the businesses covering real estate development, commercial operations, logistics and warehousing, financial investment and other fields. It has competitive strengths in the Yangzhou City.

Note 2: According to Clause 1.0.4 of the Code for Design of Store Buildings JGJ48-2014 (《商店建築設計規範》JGJ48-2014), the scale of the store building is divided into large, medium and small based on the total gross floor area of the stores in a single building. The store buildings with a gross floor area of 20,000 square meters or more are classified as large, 5,000 to 20,000 square meters as medium; and less than 5,000 square meters as small.

Market Value Chain

1. Supermarket Chain Market in China

The upstream of the value chain of the chain supermarket retail industry mainly consists of suppliers of agricultural products, aquatic products, food, tobacco and alcohol, daily necessities, and household appliances. The midstream of the value chain mainly includes supermarket retail enterprises, including logistics, warehousing, and distribution processes. The downstream market mainly consists of various residents and group consumers, categorised into online platform consumers and offline platform consumers based on their purchasing channels. The Group operates as a participant in the midstream of the value chain, primarily involved in providing supermarket retail services.

2. Convenience Store Market in China

The upstream of the value chain of the convenience store retail industry mainly consists of suppliers of products such as food and beverages, tobacco and alcohol, and daily necessities. The midstream of the value chain mainly consists of convenience store retail companies, including headquarters operation management, procurement, logistics distribution, and warehousing management. The downstream market mainly consists of various residents who support the operation of convenience stores through their purchases of goods and services. The Group operates as a participant in the midstream of the value chain, primarily engaging in providing convenience store retail services.

3. Department Store Market in China

The upstream of the value chain of the department store retail industry mainly consists of suppliers of products such as clothing, household goods, and electronic products. The midstream of the value chain mainly consists of department store retail companies, including headquarters operation management, procurement, logistics distribution, and warehousing management. The downstream market mainly consists of various residents who support the operation of department stores through their purchases of goods and services. The Group operates as a participant in the midstream of the value chain, primarily engaging in providing department store retail services.

Analysis on Market Barriers

1. Common Factors

Capital requirements: Operating chain supermarkets, convenience stores, and department stores entails a substantial initial investment, including expenses such as store rent, decoration, procurement of equipment and goods, inventory acquisition, and operating costs.

Licences and permits: According to laws and regulations, it is required to obtain relevant licences and permits for operating chain supermarkets, convenience stores, and department stores, such as business licences and food hygiene permits.

Geographical location: Finding suitable geographical locations with favourable lease terms is crucial for achieving successful operations. Chain supermarkets, convenience stores, and department stores need to select appropriate locations in high-traffic areas. However, this may result in high rental and property costs, which may pose a barrier for new entrants.

Supply chain management: Establishing an efficient and stable supply chain network is essential to ensure timely availability of products. For new entrants, it may be challenging to establish partnerships with well-known brands and suppliers.

Competitive environment: The retail industry typically faces intense competition, and new entrants must be prepared to tackle the challenges presented by existing competitors.

Brand influence: Enterprises with strong brand influence have established a good reputation and image in consumers, making it easier for consumers to recognise and choose their products or services. Brand awareness and loyalty can drive consumers to become long-term customers, increasing their purchase frequency and value. New market entrants may find it challenging to establish strong brand influence, as it serves as a barrier to entry into the market.

2. Unique Factors in Markets

(i) Supermarket Chain Market

Operational and management capabilities: Robust operational and management capabilities can ensure efficient inventory management, timely replenishment and supply chain management, optimised store layout and display, and can improve sales and customer experience and effectively control costs and profits.

(ii) Convenience Store Market

Open hours: Convenience stores typically require extended open hours, including 24-hour service, to meet consumers' demands for shopping at any time. To achieve 24-hour operation, new entrants need to undertake measures such as expanding their workforce, maintaining ample supplies, and enhancing nighttime security, which will increase their operating costs.

Fast service: Convenience stores prioritise a quick and convenient shopping experience, necessitating investments in technological equipment, the establishment of a supply chain network, employee training, process optimization, and the development of brand awareness and reputation. These factors require new entrants to possess specific resources and capabilities to successfully penetrate the industry.

(iii) Department Store Market

Business support requirements: Department stores typically have specific business positioning and support requirements that align with their prescribed brand image and scope of operations. This requires new entrants to have a certain level of funding, resources, operational capabilities, and the ability to compete with existing brands.

Market Opportunities and Challenges

Market Opportunities

1. Common Factors

Huge consumer market: China has a large population base (China has a total population of 1.41 billion at the end of 2023) and a growing middle class, the number of which reached 99 million as of the end of 2023, accounting for 7.05% of the population. With the increasing number of middle-class individuals, their consumption demands are continuously upgrading from basic needs to higher-level requirements. This shift is driving the purchase of high-quality and cost-effective products in supermarkets. Along with this consumer upgrade, the average spending per customer in supermarkets is expected to increase. In 2023, per capita consumption expenditure in China amounted to RMB26,800. The per capita consumption expenditure in China from 2019 to 2023 increased at a CAGR of 5.5%, providing support for the development of the retail industry.

Accelerated urbanisation process: In recent years, China has witnessed a continuous increase in urbanisation rate, with the urbanisation rate reaching 66.16% in 2023 from 60.60% in 2019. As urbanisation progresses, there is a growing demand for diverse shopping experiences, and the retail industry can meet such demand and attract more consumers.

Technological innovation: With the constant advancement of technologies, the retail industry can leverage technologies such as the internet, artificial intelligence, and big data analytics to enhance operational efficiency, optimise supply chain management, and improve customer experience.

2. *Unique Factors in Markets*

(i) Supermarket Chain Market

Increasing demand for fresh products: Consumers have an increasing demand for fresh food. Per capita consumption of fresh products such as vegetables and edible mushrooms, fresh fruits, aquatic products, and meat increased from 99.2 kg, 45.6 kg, 11.5 kg, and 26.7 kg in 2017 to 113.6 kg, 60.8 kg, 15.2 kg, and 39.8 kg in 2023, respectively, showing varying degrees of increase. Supermarkets can attract more customers by offering a diverse range of fresh products, which accounted for over 30% of supermarket sales in the industry.

Integration of e-commerce and offline channels: Chain supermarket enterprises can achieve omni-channel sales and services to provide a better shopping experience and convenience by integrating online and offline channels. The integration of online and offline channels presents opportunities for the supermarket retail industry.

A more favourable development outlook for small and medium-sized supermarkets: Compared to large supermarkets, small and medium-sized supermarkets are characterised by greater convenience, personalization and community interaction. In recent years, the development of small and medium-sized supermarkets has outpaced that of large supermarkets. For example, from 2017 to 2023, the retail sales of small and medium-sized chain supermarkets in Yangzhou increased at CAGR of 14.6%. The Group's chain supermarkets are primarily small and medium-sized supermarkets, which will have better development prospects in the future.

In addition, in order to generate additional source of income and diversify the business operations within the outlet, it is common for supermarket and shopping mall operators in the PRC to lease part of the outlet areas to providers of other services.

(ii) Convenience Store Market

Trend of small-scale operations: With the acceleration of people's lifestyles, the demand for convenient and efficient shopping experiences is on the rise. Convenience stores can meet consumer demands by offering small-scale operations, decentralised layouts, and 24-hour service.

Changing consumer habits: As urbanization accelerates, a growing number of customers choose to purchase daily necessities and ready-to-eat food from convenience stores. According to statistics from the China Chain Store & Franchise Association, the number of convenience stores in the PRC grew from 91,000 in 2015 to over 300,000 in 2023, with a CAGR of 16.5% from 2015 to 2023. The number of convenience stores operated by the Group has continued to increase in recent years, rising from 102 stores in 2021 to 107 stores by the end of September 2024. The Group plans to open an additional 30 convenience stores by the end of 2025.

New retail model: Convenience stores can provide more personalised and intelligent shopping experiences by combining online and offline channels and embracing new retail models, such as unmanned shelves, vending machines, and smart payment technologies. A number of convenience stores start to adopt the O2O (Online to Offline) model, providing services such as online ordering through mobile apps, in-store pickup, or home delivery. For example, 7-Eleven collaborates with delivery platforms including Meituan and Ele.me to achieve rapid growth in online orders. Lawson convenience stores launch customised promotional activities through data analysis, effectively enhancing customer authenticity and average transaction value.

(iii) Department Store Market

Entertainment and experiences: Department stores can incorporate elements of entertainment, catering, and experiential retail to create diverse consumption scenarios. This can extend the duration of customers' visits and enhance customer satisfaction.

Following the introduction of entertainment and experiential elements, the average time customers spend in department stores has increased by over 30%, with the overall customer satisfaction rate exceeding 90%.

Boutique positioning: Department stores can focus on the introduction and promotion of boutique brands. By offering unique products and services, department stores can attract high-end consumer groups and enhance their competitiveness. The number of first-tier international brands introduced by high-end department stores continues to rise, with an average of over 100 international brands in each high-end department store.

Integration of e-commerce and offline channels: Department stores can combine online and offline channels by adopting the O2O model, providing online shopping and offline experience services through e-commerce platforms and mini-programs. For instance, Intime

Retail in partnership with Alibaba launches the "Miaojie" app, achieving seamless integration of online and offline operations. Department stores can achieve omni-channel sales and services to provide a better shopping experience and convenience by integrating online and offline channels. The integration of online and offline channels presents opportunities for the department store retail industry.

Market Challenges

1. Common Factors

Market competition: The retail industry experiences intense competition as it is populated with a multitude of domestic and international competitors. New entrants need to navigate competitive pressures and offer competitive products and services.

Evolving consumer demands: Consumer demands are in a constant state of flux, with increasing expectations for product quality, variety, price, and convenience. The retail industry needs to exhibit adaptability and cater to the diverse needs of consumers.

Competition from E-commerce: With the booming development of e-commerce, online retail platforms provide a convenient way to shop with diverse choices at competitive prices. Traditional physical stores need to compete with online channels and seek for integrated online and offline development strategies.

Performance being susceptible to short-term factors: During the COVID-19 pandemic, some retail enterprises were designated as pandemic-specific supply enterprises by the government, which drove the growth of their performance. However, there has been a downward trend of performance since the end of the pandemic.

2. Unique Factors in Markets

(i) Supermarket Chain Market

Substantial capital investment: Supermarkets require significant capital investment for inventory management and equipment upgrades, as well as the establishment of an extensive supply chain network.

Complex product management: Supermarkets typically offer a diverse array of product choices, which requires effective inventory management and shelf display to meet consumer demands.

(ii) Convenience Store Market

Space limitations: Convenience stores often face space constraints and limited shelf capacity, necessitating the offering of a diverse product selection within a confined area. To remain competitive, they need to employ differentiation strategies, provide value-added services, and target specific consumer groups.

(iii) Department Store Market

High rent and operating costs: Shopping centres require significant investment for construction and maintenance, and high rent and operating costs pose challenges for both tenants and management.

Merchant cooperation and leasing: Department stores need to establish collaborations with various merchants, coordinate leasing relationships, and manage tenants to ensure the operation and attractiveness of the mall.

Analysis on Cost Factors

The main cost factors affecting the retail industry include store rent, transportation and logistics expenses, labour costs, inventory costs, management fees, operational expenses and other expenses. The change in the expenses such as store rent, transportation and logistics fees, and labour costs, is strongly correlated with industry price levels. The change in the expenses such as inventory costs, management fees, and operational expenses is related to the company's own management capabilities.

According to the data from China Index Academy, from 2019 to 2023, the average rent for commercial properties on 100 key business streets in major cities nationwide was RMB24.9/square meter/day, showing an overall downward trend. According to the statistics from China's road logistics price index, from 2018 to 2023, the fixed base index of China's road logistics price fluctuated between 96.59 and 103.99, with insignificant overall fluctuations. According to the data from the National Bureau of Statistics, in recent years, the average annual wages of employees in non-private and private urban units in China have presented an upward trend, indicating a continuous increase in labour costs in the industry.

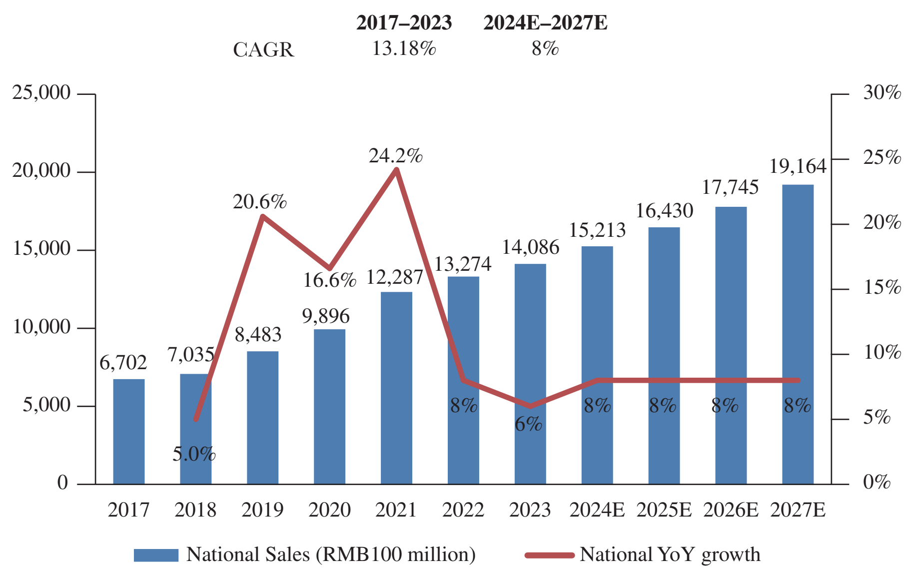
The increase or decrease in major costs of the industry and the company will affect the costs and profits of the Group. The Group will make moderate adjustments to the selling prices of products to ensure a moderate profit.

GRAINS AND OIL WHOLESALE MARKET

Overview

In recent years, various factors, such as a slight increase in China's total population, sustained economic growth, accelerated urbanisation, and inflation, have contributed to the continuous growth in wholesale sales of grains and oil nationwide from 2017 to 2023. Going forward, with the economic growth and the acceleration of urbanisation, it is expected that the wholesale sales of grains and oil in China, Jiangsu Province and central region of Jiangsu Province will continue to increase from 2024 to 2027. In 2023, the sales of grains and oil wholesale enterprises in the above-designated-size wholesale industry (being wholesale enterprises with an annual revenue from main businesses of RMB20 million and above) in China amounted to RMB1,408.6 billion, with a CAGR of 13.18% from 2017 to 2023, and HCR expects a CAGR of 8% in China from 2024E to 2027E.

Sales and Forecasts of Grains and Oil Wholesale Enterprises Above Designated Size in China (RMB100 million), 2017–2027E



Source: The data for the period 2017-2023 is sourced from the National Bureau of Statistics, and the data for the period 2024E-2027E is estimated by HCR

The regional sales scale of the grains and oil wholesale market also shows a continuous growth trend. In 2023, the sales of the grains and oil wholesale market of the above-designated-size wholesale industry in Jiangsu Province amounted to RMB85.2 billion, with a CAGR of 13.28% in Jiangsu Province from 2017 to 2023, and HCR expects a CAGR of 8% in Jiangsu Province from 2024E to 2027E. The sales of the grains and oil wholesale market of the above-designated-size wholesale industry in central region of Jiangsu Province in 2017 amounted to RMB7.9 billion, while the sales of the grains and oil wholesale market of the above-designated-size wholesale industry in central region of Jiangsu Province in 2023 amounted to RMB16.7 billion, with a CAGR of 13.32% in central region of Jiangsu Province from 2017 to 2023. Driven by the increasing trend of population in the PRC and the PRC's government policies in promoting the development of the agricultural industry, HCR expects that the sales in the above-designated-size grains and oil wholesales market in the central region of Jiangsu Province in 2024E and 2027E will amount to approximately RMB18.0 billion and RMB23.3 billion, respectively, representing a CAGR of 8% in the central region of Jiangsu Province from 2024E to 2027E. In 2023, the sales in the above-designated-size grains and oil wholesales market in Yangzhou amounted to RMB4.4 billion, representing a CAGR of 12.81% in Yangzhou from 2017 to 2023; HCR expects a CAGR of 8% in Yangzhou from 2024E to 2027E.

Competitive Landscape

The grains and oil wholesale industry in China has shown a trend of centralization to a certain extent. Large state-owned enterprises and certain large private enterprises enjoy a dominant position in the market with strong market control and pricing capabilities. Meanwhile, there are also a large number of small and medium-sized enterprises that typically focus on specific regions or specific types of grains and oil products. Large enterprises generally exhibit maturity in supply chain management and possess the ability to efficiently coordinate all aspects of the supply chain to reduce costs and improve response time.

As of June 2024, there were a total of 317,600 grains and oil wholesale enterprises in China. Among these, Jiangsu Province accounted for approximately 5.1%, totaling 16,100 enterprises. The Group's market share in grains and oil wholesale industry in 2023 was approximately less than 0.1% in China and approximately 0.6% in Jiangsu Province. Within Jiangsu Province, Northern Jiangsu accounted for the highest proportion of 44.7%, followed by Southern Jiangsu accounting for 40.0%, and central region of Jiangsu Province accounted for the lowest proportion of approximately 15.3%.

Market Value Chain

The upstream of the value chain of the grains and oil wholesale industry mainly consists of agricultural production processes, including agricultural activities such as planting and breeding, as well as the primary processing of agricultural products. The midstream of the value chain mainly consists of the processing of grains and oil, including milling, extracting and processing of agricultural products into grains and oil products, etc. The downstream market consists of various components, including the wholesale, distribution (it is a common industry practice for wholesalers in China to sell their products to wholesale distributors in order to reach a wider customer base) and retail of grains and oil, including the wholesale sales of the processed grains and oil products to retailers or direct sales to consumers. The Group operates as a participant in the downstream of the value chain, primarily engaging in wholesale sales of processed grains and oil products.

Analysis on Market Barriers

Industry guidelines and norms: There is a series of industry guidelines and norms in the grains and oil wholesale industry, including quality standards, safety and hygiene requirements, etc. New entrants need to understand and comply with these guidelines, and have appropriate management systems and operating procedures.

Inventory requirements: Grains and oil wholesale businesses require a certain scale of warehousing capacity to ensure sufficient inventory supply. Therefore, new entrants may need to possess qualified warehouse facilities and satisfy the corresponding inventory requirements.

Financial strength: Operating a grains and oil wholesale business entails the need for a certain level of financial strength to support procurement, transportation, and inventory operations. New entrants are usually required to provide relevant financial proof to demonstrate their sound financial standing and operational capabilities.

Market Opportunities and Challenges

Market Opportunities

Supply chain optimization and technological advancement: With the advancement of logistics and warehousing technology, the supply chain efficiency of the grains and oil wholesale market will be significantly enhanced. A modern logistics system can reduce transportation costs, minimise losses, and enhance the profitability of enterprises. The application of Internet and big data technology will also bring new opportunities to the grains and oil wholesale market. Through digital management, enterprises can better grasp market demand, optimise inventory management, and enhance operational efficiency.

Continuous increase in import volume of grains and oil in China: To meet the needs of variety adjustment and market supply, China imports a portion of grains from abroad every year. According to customs statistics, China's grains imports increased from 130.62 million tons in 2017 to 161.96 million tons in 2023. China's edible oil imports rose from 7.291 million tons in 2017 to 10.039 million tons in 2023. This provides international opportunities for grains and oil wholesale enterprises, allowing them to meet domestic market demand by importing high-quality grains and oil products.

Significant efficiency improvements and market expansion opportunities brought by B2B platform: According to the statistics from iResearch, the online market size of China's B2B industry in 2023 is RMB16.7 trillion, with a compound annual growth rate of 5.3% from 2018 to 2023. Grains and oil wholesale, as an important vertical sector of B2B e-commerce, benefits from this trend. For example, B2B platforms such as Alibaba 1688 and B.JD.COM have become important sales channels for grains and oil wholesale enterprises. These platforms not only helped enterprises expand their sales scale but also enhanced their competitiveness through data analysis and technical support.

Huge demand: Vast population and substantial consumption of grains in China create an enormous potential for the grains and oil wholesale market. In the past decade, the per capita grains consumption in the PRC has been 130 kilograms per year, and the per capita cooking oil consumption has been 10 kilograms per year. In 2023, the sales of grains and oil wholesale enterprises in the above-designated-size wholesale industry (being wholesale enterprises with an annual revenue from main businesses of RMB20 million and above) in China amounted to RMB1,408.6 billion, with a CAGR of 13.18% from 2017 to 2023.

Agricultural supply-side reform: The government's efforts to modernise agriculture and improve the quality of agricultural products have created opportunities for grains and oil wholesalers to access a wider range of high-quality and distinctive products.

National Food Security Strategy: Acknowledging the importance of food security, the government has introduced a series of policies and initiatives to support the development of the grains and oil industry. For example, the "National Food Security Medium- and Long-Term Planning Outline" (《國家糧食安全中長期規劃綱要》) emphasizes strengthening the construction of grains reserves and circulation systems.

Development of e-commerce: The widespread adoption and rapid development of internet technologies have provided grains and oil wholesalers with online sales channels, expanding the reach of their market influence and sales channels. For example, Alibaba's 1688 platform and JD.com both have dedicated wholesale sections for grains and oil, facilitating purchase processes for business and individual customers.

Market Challenges

Supply chain management: Grains and oil wholesalers need to establish an efficient supply chain management system to ensure the quality and delivery efficiency of the products, thereby meeting consumer demands for safe and healthy food.

Price fluctuations: The prices of grains and oil are subject to various factors, such as weather conditions and changes in the international market. Wholesalers need to manage the risks associated with price fluctuations and set reasonable prices to maintain their competitiveness.

Competition pressure: The grains and oil wholesale industry is characterised by intense competition and a multitude of competitors. Wholesalers must maintain their competitiveness by offering high-quality products, reducing costs, and improving service quality.

Regulations and standards: The grains and oil industry is subject to strict regulations enforced by regulatory authorities. Wholesalers must comply with relevant regulations and standards to ensure the quality and safety of products.

Analysis on Cost Factors

The wholesale business of grains and oil is significantly impacted by price fluctuations in grains and oil. According to statistics from the Ministry of Agriculture and Rural Affairs, the monthly wholesale price index for grains and oil products in China fluctuated between 106.8 and

120.26 from June 2021 to May 2023. The wholesale prices of grains and oil products show an upward trend in China.

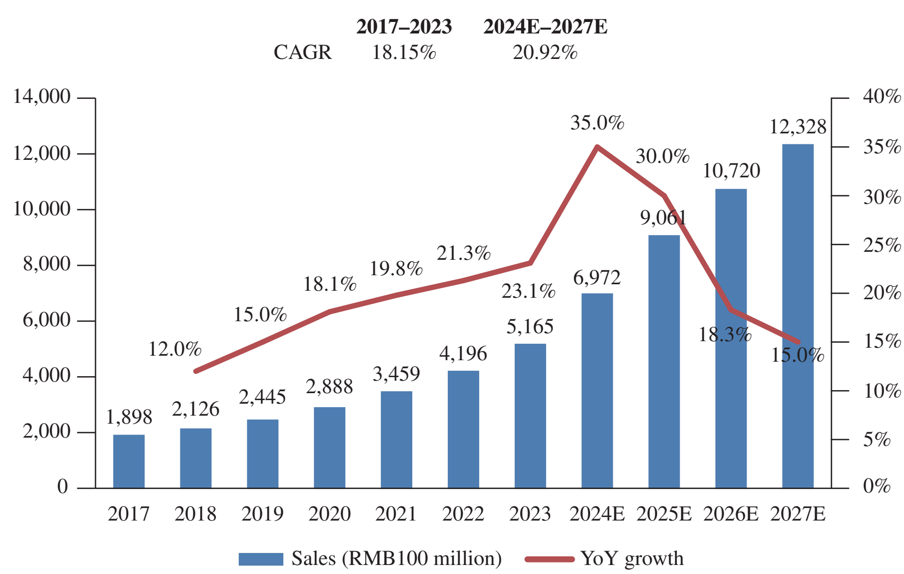
Changes in grains and oil prices will affect the costs and profits of the Group. The Group will make moderate adjustments to the selling prices of products to ensure a moderate profit.

PREPARED FOOD MARKET IN CHINA

Overview

In recent years, the urbanisation and the fast-paced modern lifestyle have led to an increasing demand for convenient and quick food options. The pressures of work and busy schedules have left many individuals with limited time for meal preparation. Consumers have become increasingly conscious of maintaining a healthy diet, focusing on the safety and nutritional value of food. The prepared food industry, offering ready meals, pre-cooked or semi-cooked foods, has made progress in supply chain management and technological innovation. All of these factors have contributed to the continuous growth of the prepared food market in China. In 2023, the sales of prepared food in China amounted to RMB516.5 billion, with a CAGR of 18.15% from 2017 to 2023. HCR expects a CAGR of 20.92% from 2024E to 2027E.

Sales and Forecasts in the Prepared Food Market in China (RMB100 million), 2017–2027E



Source: the Hongcan Industry Research Institute (紅餐產業研究院) and HCR

The regional sales scale of the prepared food market has also maintained a rapid growth trend. In 2023, the sales of prepared food in Jiangsu Province amounted to RMB47.86 billion, with a CAGR of 20.42% in Jiangsu Province from 2017 to 2023. HCR expects the sales of prepared food to grow at a CAGR of 22.2% in Jiangsu Province from 2024E to 2027E. In 2023, the sales of prepared food in central region of Jiangsu Province amounted to RMB7.75 billion, with a CAGR of 21.66% in central region of Jiangsu Province from 2017 to 2023. Driven by the increasing demand for convenient, fast and diverse food processing options among consumers, HCR expects a CAGR of 22.96% in central region of Jiangsu Province from 2024E to 2027E. In 2023, sales of prepared food in Yangzhou reached RMB1.24 billion, with a CAGR of 25.9% from 2017 to 2023. HCR forecasts a CAGR of 21.7% for this market in Yangzhou from 2024E to 2027E.

Competitive Landscape

There are many companies in the prepared food industry in China, leading to fierce competition and a relatively low market concentration. The following table sets forth the ranking of the top five prepared food companies by sales value in central region of Jiangsu Province and the Yangzhou City:

Ranking of the Prepared Food Companies in central region of Jiangsu Province by Sales Value in 2023

Ranking	**Company name**	**Sales value** *(RMB100 million)*	**Market share**
1	Company Q(17)	6.7	8.65%
2	Company R(18)	4.8	6.19%
3	Company S(19)	0.89	1.15%
4	Company T(20)	0.52	0.67%
5	Company U(21)	0.22	0.28%

Source: Company annual reports, and HCR

Note: represent approximately 0.19% of the market share of prepared food in the central region of Jiangsu Province by sales of prepared food of the Group in 2023

Ranking of the Prepared Food Companies in the Yangzhou City, Jiangsu Province by Sales Value in 2023

Ranking	Company name	Sales value *(RMB100 million)*	Market share
1	Company R	3.7	29.74%
2	Company Q	1.5	12.06%
3	Company S	0.39	3.14%
4	The Group	0.15	1.21%
5	Company U	0.14	1.13%

Source: Company annual reports, and HCR

(17) Founded in 2001, Company Q is primarily engaged in the research, production and sale of frozen food, including frozen hotpot ingredients, frozen noodle and rice products, and frozen dishes. it has more than 300 products in its portfolio.

(18) Founded in 2015, Company R is a food processing supply chain enterprise that specialises in the integrated management of fresh processed products, food, and related products. It processes approximately 350,000 tons of meat products, 100,000 tons of seafood products, and 60,000 tons of frozen food products annually.

(19) Founded in 2008, Company S currently owns a food production plant with an area of 20,000 square meters, eight product lines and over 300 products in its portfolio. It has opened over 2,000 stores in major cities across the country.

(20) Founded in 1999, Company T owns a specialised food production plant with an area of 20,000 square meters. Its sales network covers over 20 cities in the Yangtze River Delta region with more than 1,000 franchise outlets.

(21) Founded in 1993, Company U has nearly 30 food production lines, producing over 100 varieties of food products, including ambient lotus root prepared food, frozen/chilled lotus root prepared food, boiled vegetables, frozen vegetables, lotus root powder, and lotus root juice beverages.

Market Value Chain

The upstream of the value chain of the prepared food industry mainly consists of raw material suppliers involved in crop cultivation, livestock farming, and other related activities. The midstream of the value chain mainly consists of food processing companies and central kitchens that are engaged in the production and processing of prepared food. The downstream market includes sales channels such as restaurants, supermarkets, convenience stores, as well as schools, enterprises and public institutions, and various residents. The Group operates as a participant in the midstream of the value chain, primarily engaging in providing production and processing services for prepared food.

Analysis on Market Barriers

Food safety standards and supervision: As a type of food, prepared food must comply with relevant food safety standards and regulations. Market barriers include obtaining business licences and food production permits, along with complying with requirements related to food hygiene management, usage of food additives, labeling, packaging, and others. Such barriers are put in place to ensure the quality and safety of the product.

Production equipment and site requirements: The production of prepared food necessitates appropriate equipment and sites that adhere to hygiene standards and food production requirements. Depending on the scale of prepared food production, specific production processes and equipment requirements may also need to be fulfilled. Startups may face challenges in securing adequate funding to meet these production equipment and site requirements.

Technology and recipe secrets: Certain prepared food companies may possess specific technology and recipe secrets, which also act as market barriers. New entrants must have the required technical capabilities or engage in technological cooperation with established companies.

Brand and market reputation: A strong brand and positive market reputation can contribute to a company's competitive advantage in the highly competitive prepared food market. However, for new entrants, establishing a brand and enhancing market reputation require dedicated investments of time and resources.

Supply chain management and logistics capabilities: In the prepared food industry, it is essential to establish a robust supply chain system that encompasses ingredient procurement, storage, processing, and distribution. Efficient supply chain management and logistics capabilities contribute to enhancing a company's competitiveness.

Financial strength and market penetration capability: The prepared food industry is highly competitive and demands a certain level of financial strength and market penetration capability. New entrants might be required to make substantial investments in areas such as equipment procurement, production operations and market promotion.

Market Opportunities and Challenges

Market Opportunities

Increased demand for convenient and fast food options: With the progress of urbanisation and the widespread adoption of modern lifestyles, there has been a growing demand for convenient and fast food options. As a convenient solution, the prepared food enjoys a vast market prospect. In 2023, sales of prepared food in China amounted to RMB516.5 billion, with a CAGR of 18.15% from 2017 to 2023.

Increased health consciousness: Consumers are increasingly concerned about healthy eating and place greater emphasis on food safety and nutritional value. The prepared food industry can meet consumers' health needs by offering fresh, high-quality ingredients and incorporating well-balanced nutrition.

Technological innovation and supply chain optimization: With continuous technological advancements, the prepared food industry is driving innovation in food processing, supply chain management and logistics distribution. This improves production efficiency and product quality, presenting more opportunities in the market. Smart equipment for prepared food can facilitate production processes including ingredient cutting, mixing, and marinating, significantly reducing processing time and improving production efficiency. Traditional manual approaches are susceptible to human errors, while smart equipment can minimise such errors, ensuring product consistency and stability.

Market Challenges

Food safety risks: The prepared food industry must address food safety concerns, which encompass aspects such as selection of raw materials, hygiene control during processing, and ensuring the integrity of storage and distribution processes. As consumer expectations for food safety rise, prepared food companies need to allocate more resources to ensure the quality and safety of their products.

Price competition and squeezed profit margin: The prepared food market is fiercely competitive, with the price becoming one of the important factors in consumer choice. Prepared food companies necessitate cost control and efficiency improvements while safeguarding quality, in order to maintain competitiveness and sustainable development.

Brand building and consumer awareness: The prepared food industry is relatively new, with many mid to low-end brands and product lines in the market. Prepared food companies are required to enhance their brand building and marketing efforts to increase consumer awareness and acceptance of prepared food.

Legal regulations and regulatory requirements: The prepared food industry is subject to stringent compliance with food safety laws and regulations. Companies must adhere to the relevant regulations and undergo audits and certifications. They need to allocate additional resources to meet regulatory requirements and be prepared for inspections and spot checks conducted by regulatory authorities.

Analysis on Cost Factors

The production of prepared food involves the procurement of various ingredients and raw materials, including vegetables and meat. The cost of raw materials is one of the important factors that influence costs. According to statistics from the Ministry of Agriculture, the monthly wholesale price index 200 for "vegetable basket" products in China fluctuated between 110.02 and 136.61 from June 2021 to May 2023. In the short term, the wholesale price index for "vegetable basket" products in China has remained relatively stable, while in the long term, it has shown a fluctuating growth trend. Changes in the cost of raw materials for prepared food will affect the costs and profits of the Group. The Group will make moderate adjustments to the selling prices of products to ensure a moderate profit.

COMPETITIVE STRENGTHS OF THE GROUP

The Group has established a strong presence in the local market of Yangzhou through years of dedicated efforts, showcasing strong strengths in localised operations. The Group's existing stores are located in core areas and communities in Yangzhou City and Taizhou City. These locations offer key advantages such as wide reach, a large consumer base in close proximity, and favourable urban transportation access, creating a barrier to localised competition. As at the Latest Practicable Date, the Group operates 51 supermarkets, 109 convenience stores, and 2 department stores, of which 49 supermarkets and 108 convenience stores are located in Yangzhou City, Jiangsu Province and 2 supermarkets and 1 convenience store are located in Taizhou City, Jiangsu Province. The Group's supermarkets are mainly small and medium-sized supermarkets, holding a leading position among chain retail enterprises in the Yangzhou City. In the future, the Group plans to further deepen its presence in Yangzhou and Taizhou while expanding into other areas such as Gaoyou, Yancheng, and Tianchang.

As the Group holds a leading position in the region, we are known for offering high-quality and reasonably priced commodities, comfortable and convenient shopping environment, premium customer service and accurate insight into the consumption habits and shopping preferences of local consumers, and the local consumers have strong recognition and loyalty to our brand. Due to the substantial market value of the Group's brand reputation and years of positive brand experiences, customers have developed strong confidence and loyalty towards the Group's brand. In the supermarket chain retail sector, the Group recorded general sales from our supermarket retail stores and bulk sales of approximately RMB425.3 million in 2023. According to estimates, the Group holds a market share of approximately 2.3% in central region of Jiangsu Province and a market share of approximately 9.1% in the Yangzhou City, ranking the fifth and second respectively in the industry in such regions. In the convenience store retail sector, the Group recorded general sales from convenience retail stores of approximately RMB91.0 million in 2023, ranking fourth in Yangzhou City. In the shopping mall retail sector, the Group recorded general sales and commission income from concessionaire sales from shopping malls of approximately RMB170.1 million in 2023, ranking fifth in Yangzhou City. In the catering sector, the Group offers various types of meals, serving many schools, corporates, and government departments. The Group recorded revenue of approximately RMB15.3 million from supply and sales of meals in 2023, ranking fourth in Yangzhou City. In the wholesale sector, the Group has established long-term cooperative relationships with suppliers, enabling it to procure cost-effective grains and oil. In addition, relying on its well-developed logistics and transportation network, the Group can provide customers with efficient home delivery services, thereby enhancing customer satisfaction.

Advantages of chain operations. The increase in the number of retail stores of chain operation businesses not only boosts their revenue, but also enhances their bargaining power with suppliers to reduce procurement costs through increased purchase volumes. These benefits positively impact both the profitability of retail operations and the wholesale business. In addition, the increase in the number of retail stores also attracts more affiliate customers. The Group possesses a significant advantage in its supply chain system. As a leading local retail chain enterprise in Yangzhou, the Group has established an extensive procurement network and earned a good reputation within the local market in Yangzhou, and has built stable and flexible cooperation relationships with suppliers, thereby enjoying strong bargaining power. Meanwhile, the Group has implemented a centralised procurement strategy at its headquarters, progressively increasing the proportion of direct procurement from manufacturers. By establishing long-term and stable cooperative relationships, as well as efficient communication mechanisms, with well-known manufacturers nationwide, the Group aims to reduce procurement costs by reducing intermediate agency as much as possible. In addition, the Group possesses the largest logistics distribution system in the Yangzhou City. The ambient temperature distribution centre covers an area of approximately 16,000 square meters, while the fresh food distribution centre includes a cold storage area of approximately 5,000 square meters.

The Group achieves a higher level of refined management. After more than a decade of business development, the Group has accumulated extensive experience in retail management, and established a management system that is tailored to its own characteristics. The Group has put in place standardised business operation procedures that focus on corporates, stores and employees. These procedures regulate each specific operation in its business by formulating detailed internal process control manuals. The Group actively introduces IT information control systems and financial information management systems, creating refined management tools that facilitate seamless coordination of overall functions within the enterprise, making internal systems and operational mechanisms of the Group increasingly improved. As the headquarters of the Group, the Yangzhou City is the primary source of the Group's operating revenue. Although large-scale retail enterprises have expanded into the local market, the Group still maintains a strong competitive edge in terms of store locations and regional scale due to factors such as their relatively late entry and fewer store numbers. In future development, the Group will fully leverage its advantages in self-owned properties, logistics distribution, local customer base, and the Hongxin brand to further build competitive barriers and continually expand its market share.

THE PRC LAWS, REGULATIONS AND POLICIES

This section sets out summaries of certain aspects of PRC laws, regulations and policies, which are relevant to business operations of our Company.

LAWS, REGULATIONS AND POLICIES RELATING TO OUR INDUSTRY

Product Liability

Pursuant to the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 22 February 1993 and recently revised on 29 December 2018, both producers and sellers should bear corresponding product quality responsibilities. For instance, producers should be responsible for the quality of the products they produce, while sellers shall establish and implement a system for inspecting and accepting incoming goods, verifying product qualification certificates and other labels. A seller shall be responsible for repair or change of the product, or for refund of a product if it is sold under any of the following circumstances: (i) the product sold does not possess the properties for use that it should possess, and no prior indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. Where the product has caused any loss to the consumers, the seller shall compensate for such loss. After the seller repairs, changes, refunds the product, or compensates for losses in accordance with the preceding provisions, if it is the responsibility of the producer or other sellers who provide products to the seller, the seller has the right to claim compensation from them.

According to the *Civil Code of the PRC* (《中華人民共和國民法典》), which was promulgated by the National People's Congress of the PRC (the "**NPC**") on 28 May 2020 and took effect on 1 January 2021, if defects are found after the product is put into circulation, producers and sellers shall promptly take remedial measures such as stopping sales, issuing warnings and recalling the product. If the party fails to take remedial measures in time or fails to take effective remedial measures and results in increased damage thereof, it shall also bear tortious liability for the increased damage. When recall measures are taken in accordance with the above-mentioned stipulations, the producers or sellers shall bear the necessary expenses incurred to the infringed. When a product is manufactured or sold with full knowledge of its defects, or the person in charge fails to take effective remedial measures in accordance with the above-mentioned stipulations, which cause death or serious damage to the health of others, the infringed party shall have the right to claim appropriate punitive damages.

Consumer Protection

The *PRC Consumer Protection Law* (《中華人民共和國消費者權益保護法》) (the "**Consumer Protection Law**") promulgated by the SCNPC, which was latest amended on 25 October 2013 and came into effect on 15 March 2014, sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to the Consumer

Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the PRC Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators to criminal penalties. Where the operators of the online trading platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages to the providers of the online trading platforms. Operators of online trading platforms that clearly know or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures should bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services on the demand of consumers. If business operators knowingly provide substandard or defective products or services, causing death or serious damage to the health of consumers or other victims, the victims shall have the right to require compensation for their losses and to claim punitive compensation of not more than two times the amount of losses incurred.

Advertising

The *PRC Advertising Law* (《中華人民共和國廣告法》), which was promulgated by the SCNPC on 27 October 1994 and latest amended on 29 April 2021, requires that advertisers, advertising operators and advertisement publishers shall ensure that contents of advertisements produced or spread by them are true and totally comply with applicable laws and regulations, and contents of advertisements shall not include, inter alia, information which (i) damages the national dignity or interest, or involves state secrets, (ii) contains such words as "national", "highest level" and "the best", or (iii) involves ethnic, racial, religious and gender discrimination. Advertisements posted or published through the Internet shall not affect normal usage of network by users. Advertisements published in the form of pop-up window on the Internet shall display the close button clearly to make sure that the viewers can close the advertisement by one-click.

Food Safety

In accordance with the *PRC Food Safety Law* (《中華人民共和國食品安全法》), promulgated by the SCNPC on 28 February 2009 and latest amended on 29 April 2021 and came into effect on the same day, and the *Implementation Rules of PRC Food Safety Law* (《中華人民共和國食品安全法實施條例》), promulgated by the State Council on 20 July 2009 and latest amended on 11 October 2019 and came into effect on 1 December 2019, with the purpose of guaranteeing food safety and safe guarding the health and life safety of the public, the PRC sets up a system of the supervision, monitoring and appraisal on the food safety risks, compulsory adoption of food safety standards. To engage in food production, sale or catering services, the business operators shall obtain a licence in accordance with the laws and regulations. Violations of these law and measures may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of tools, equipment, food ingredients and other articles used in the illegal food production or trading, or even criminal penalties. However, according to article 136 of the PRC Food Safety Law, if the business operators implement the inspection of incoming food and other obligations stipulated in the PRC Food Safety Law, having sufficient evidence to prove that they do not know the incoming food failed to meet the food safety standards, and are able to explain the source of the incoming food, the business operators could be exempt from penalties, but the food that does not meet the food safety standards should be confiscated and if it causes personal, property or other damage, the business operators shall bear compensation liabilities in accordance with the laws.

The *Administrative Measures for Food Operation Licencing* (《食品經營許可管理辦法》) promulgated by the State Food and Drug Administration of the PRC (the "**SFDA**", which has now been merged into the State Administration for Market Regulation of the PRC, or the "**SAMR**") on 31 August 2015 and amended on 17 November 2017 and came into effect on the same day, regulates the food operation licencing activities, strengthens supervision and management of food operation, and ensures food safety. Food operation operators shall obtain the food operation licence, or the Food Operation Permit, for each business venue where they engage in food operation activities. The food operation licence is valid for five years. Food operation operators shall properly keep their food operation licences, and shall not forge, alter, resell, rent, lend, or transfer any food operation licences. Those who fail to obtain a food operation licence and engage in food operation activities shall be punished by the local food and drug administrative authorities at or above the county level according to these measures and the PRC Food Safety Law.

According to the *Measures for the Administration of Food Operation Licencing and Filing* (《食品經營許可和備案管理辦法》), which was issued by the SAMR on 15 June 2023 and came into effect on 1 December 2023 and replaced the *Administrative Measures for Food Operation Licencing* (《食品經營許可管理辦法》), in the following situations, food operation operators do not require obtaining the food operation licence: (i) selling edible agricultural products, (ii) selling pre-packaged food only, (iii) medical institutions and drug retail enterprises that sell specific full nutrient formula foods in special medical purpose formula foods, (iv) food producers with a food production licence that sell their produced food at their production and processing sites or through the internet, or (v) other situations stipulated by laws and regulations that do not require obtaining a food operation licence. Further, operators who only sell pre-packaged food (including health food, formula food for special medical purposes, infant formula milk powder and other special foods for infants and young children) should reported to the local market supervision and management department at or above the county level for filing. In addition, food operation operators who are engaged in online business, external warehouses (including self-owned and leased), or group meal delivery providing meals to schools or childcare institutions, shall report to the local market supervision and management department at or above the county level within ten working days from the date of carrying out relevant business activities, which shall be recorded and reported on the food operation licence and filing management information platform.

Public Assembly Venue Hygiene

The *Regulation for the Administration of Sanitation of the Public Assembly Venue* (《公共場所衛生管理條例》) promulgated by the State Council, which was promulgated and entered into effect on 1 April 1987 and as amended on 6 February 2016 and 23 April 2019, and the *Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue* (《公共場所衛生管理條例實施細則》 promulgated by the National Health and Family Planning Commission (later known as National Health Commission of the PRC), which was promulgated on 10 March 2011 and entered into effect on 1 May 2011 and as amended on 19 January 2016 and 26 December 2017. According to such regulations, a public assembly venue is required to obtain a public assembly venue hygiene licence from the local health authority after it applies for a business licence but before the opening for its business.

Publications Operation

The State Council promulgated the *Administrative Regulations on Publishing (2020 Revision)* (《出版管理條例(2020修訂)》) on 25 December 2001, which was last amended on 29 November 2020. Pursuant to the *Administrative Regulations on Publishing*, institutions conducting the wholesale business of publications shall obtain the Publications Operation Licence from the publication administration authorities at provincial level, while institutions carrying on the retail business of publications shall obtain the Publications Operation Licence from the publication administration authorities at county level. The *Provisions on the Administration of the Publication Market (2016)* (《出版物市場管理規定(2016)》), jointly promulgated on 31 May 2016 by the State Administration of Press, Publication, Radio, Film and Television (later known as National Radio and Television Administration) and the Ministry of Commerce of the PRC (the "**MOFCOM**"), applies to the wholesale, retail, lease and exhibition of publications and also contains licencing requirements for the wholesale and retail of publications.

Medical Devices Operation

The *Measures on the Supervision and Administration of the Business Operations of Medical Devices* (《醫療器械經營監督管理辦法》) (the "**Measures on Medical Devices**"), which was promulgated by SAMR on 10 March 2022 and took effect on 1 May 2022, applies to any business activities of medical devices as well as the supervision and administration thereof conducted within the territory of the PRC. Pursuant to the Measures on Medical Devices, NMPA shall be responsible for the supervision and administration of nationwide business operations concerning medical devices. Medical devices are divided into three classes depending on the degree of risks of medical devices. Entities engaged in distribution of Class III medical devices shall obtain a medical device operating licence and entities engaged in distribution of Class II medical devices shall complete filings with the competent local MPA, while entities engaged in distribution of medical devices of Class I are not required to conduct any filing or obtain any licence. In addition, in accordance with the *Regulations on Supervision and Administration of Medical Devices* (《醫療器械監督管理條例》), promulgated by the State Council on 9 February 2021 and effective as of 1 June 2021, Class II and Class III medical devices shall be registered with the NMPA or its local branches, while Class I medical devices shall be filed with the competent local Medical Products Administration (the "**MPA**"). In the event that the business operator in distribution of Class III medical devices without a medical device operating licence or the business operator in distribution of Class II or Class III medical devices that are not registered with the NMPA or its local branches, the business operator may be imposed fine or be shut down by the authorities.

Pharmaceutical Operation

In September 1984, the SCNPC promulgated the *Drug Administration Law of the PRC* (《中華人民共和國藥品管理法》) (the "**Drug Administration Law**"), which was amended in 2001, 2013, 2015 and 2019 respectively to regulate all entities or individuals engaging in research, manufacture, operation, use, supervision and management of drugs within the PRC. According to the Drug Administration Law, no pharmaceutical operation, including pharmaceutical wholesale and pharmaceutical retail business, is permitted without obtaining the Pharmaceutical Operation Licence. If the trading of drugs is conducted without a Pharmaceutical Operation Licence, the illegal incomes by selling drugs shall be confiscated and the local Food and Drug Administration (the "**FDA**", which is now known as the MPA), shall impose the fine ranging from 15 to 30 times of the value of the illegally sold drugs (including sold or unsold drugs). The *Implementation Rules for the Drug Administration Law of the PRC* (《中華人民共和國藥品管理法實施條例》), was promulgated by the State Council in August 2002 and amended in 2016 and 2019, which emphasised the detailed implementation rules of drugs administration. The SFDA promulgated the *Measures for the Administration of Pharmaceutical Operation Licence* (《藥品經營許可證管理辦法》) in February 2004 as amended in 2017, which stipulates the procedures for applying the Pharmaceutical Operation Licence and the requirements and qualifications for pharmaceutical wholesalers or pharmaceutical retailers with respect to their management system, personnel, facilities and etc.. On 27 September 2023, the SAMR promulgated the Measures for the Supervision and Management of Drug Distribution and Use Quality (《藥品經營和使用質量監督管理辦法》), which came into effect in 1 January 2024 and replaced the Measures for the Administration of Pharmaceutical Operation Licence, to further clarify the procedure, renewal, supervision and inspection of the drug operation licenses. The valid term of the Pharmaceutical Operation License is five years and shall be renewed during the period ranging from six months to two months prior to its expiry.

Tobacco Monopoly Commodities

Pursuant to the *Tobacco Monopoly Law of the PRC* (《中華人民共和國煙草專賣法》) promulgated by the SCNPC on 29 June 1991, and as latest amended on 24 April 2015, and the *Implementation Rules for the Tobacco Monopoly Law of the PRC* (《中華人民共和國煙草專賣法實施條例(2023修訂)》) promulgated by the State Council on 3 July 1997 and latest amended on 20 July 2023, the PRC shall according to law exercise monopoly administration over the production, sale, import and export of tobacco monopoly commodities, and practise a tobacco monopoly licence system. Any enterprise that engages in retail business of tobacco monopoly commodities are required to obtain a Tobacco Monopoly Licence for Retail Trade.

Pursuant to the *Administrative Measures for Tobacco Monopoly Licences (2016)* (《煙草專賣許可證管理辦法(2016修訂)》) promulgated by the Ministry of Industry and Information Technology of the PRC (the "**MIIT**") on 26 May 2016 and came into force on 20 July 2016, and the *Implementation Rules of the Administrative Measures for Tobacco Monopoly Licences* (《煙草專賣許可證管理辦法實施細則》) promulgated by the State Tobacco Monopoly Administration on 31 December 2020 and came into force on 31 March 2021, detailed procedures and requirements for applying the Tobacco Monopoly Licences, as well as the issuance and management of Tobacco Monopoly Licences by the Tobacco Monopoly Bureau, are listed. In addition, foreign-invested enterprises or individual businesses are not allowed to engage in the wholesale or retail business of tobacco monopoly commodities, and are not allowed to engage in business of tobacco monopoly commodities in disguised forms such as commercial franchising, reinvestments or otherwise.

Value-Added Telecommunications Services

The *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》), promulgated on 25 September 2000 by the State Council and last amended in February 2016, provides the regulatory framework for telecommunications service providers in China. The Telecommunications Regulations categorise the telecommunication services in the PRC as either basic telecommunications services or value-added telecommunications services, and value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures. The *Administrative Measures for Telecommunications Business Operating Licence* (《電信業務經營許可管理辦法》), promulgated by the MIIT in July 2017, set forth more specific provisions regarding the types of licences required to operate value-added telecommunications services (the "**VAT Licence**"), the qualifications and procedures for obtaining the licence, and the administration and supervision of these licences. A commercial operator of value-added telecommunication services must first obtain a VAT Licence. There are two varieties of VAT Licence, one for services within a single province and one for services across multiple provinces. Furthermore, any telecommunication services operator may only conduct a telecommunication business of the type and within the scope of business as specified in its VAT Licence.

Pursuant to a catalogue that was issued as an appendix to the Telecommunications Regulations (《電信業務分類目錄》), as last amended by the MIIT in June 2019, the first category of value-added telecommunications services is divided into four subcategories: the Internet Data Centre Services, the Content Delivery Network Services, the Domestic Internet Protocol Virtual Private Network Services and the Internet Access Services. The second category of value-added telecommunications services includes, among others, the online data processing and transaction processing services and internet information services. Telecommunication services operators engaged in different categories of value-added telecommunications services must obtain the corresponding VAT Licence.

In addition, the *Administrative Measures on Internet Information Services* (《互聯網信息服務管理辦法》), which were promulgated by the State Council in September 2000 and amended in January 2011, classify internet information services into commercial internet information services, which refers to the provision, with charge of payment, of information or website production or other service activities to online users via the internet, and non-commercial internet information services, which refers to the provision, free of charge, of information that is in the public domain and openly accessible to online users via the internet. The measures require that a provider of commercial internet information services shall obtain a VAT Licence for internet information services, often referred to as an ICP Licence, and a provider of non-commercial internet information services shall carry out record-filing procedures with the provincial level counterparts of the MIIT.

According to the *Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Edition)* (《外商投資准入特別管理措施(負面清單) (2021年版)》), which was promulgated by the National Development and Reform Commission of the PRC (the "**NDRC**") and MOFCOM on 27 December 2021 and effective from 1 January 2022, and was replaced by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Edition) (《外商投資准入特別管理措施(負面清單) (2024年版)》) on 1 November 2024, as for the value-added telecommunications business types which fall within the commitment of PRC to the World Trade Organisation (the "**WTO**"), the ultimate capital contribution percentage by foreign investor(s) in a foreign-invested value-added telecommunications enterprise shall not exceed 50%, excluding e-commerce, domestic multi-party communication, storage and forwarding, and call centre.

During the Track Record Period, we operated our Weixin mini programmes and cooperated with third-party e-commerce platforms in the ordinary course of business. As advised by our PRC Legal Advisers, based on the consultation with the Jiangsu Provincial Administration of Communications, registering and operating third-party mini programmes or account on third-party e-commerce platforms does not require the value-added telecommunications business operating licence.

Online Trading

In August 2018, the SCNPC promulgated the *E-Commerce Law of the PRC* (《中華人民共和國電子商務法》), (the "**E-Commerce Law**") effective on 1 January 2019, which aims to regulate the e-commerce activities conducted within the territory of the PRC. According to the E-Commerce Law, e-commerce operators refer to individuals, enterprises, and other organisations engaged in the business activities of selling goods or providing services through the Internet or any other information network, including e-commerce platform operators, in-platform operators, and e-commerce operators that sell commodities or provide services through a self-built website or any other network services. E-commerce operators shall make market participant registration according to the law unless no registration is required by laws or administrative regulations. E-commerce operators shall obtain relevant administrative licence in business operation if it is required by laws.

Alcohol Circulation

The *Guidance of the MOFCOM on Promoting Healthy Development of Alcohol Circulation for the "13th Five-Year" Period* (《商務部關於「十三五」時期促進酒類流通健康發展的指導意見》), which was promulgated by MOFCOM on 13 February 2017, are formulated for the purpose of regulating the order of alcohol circulation, eliminating the regional alcohol circulation ban, and promoting the orderly development of the alcohol market.

LAWS AND REGULATIONS RELATING TO PREPAID CARDS

Pursuant to the *Administrative Measures for the Payment Services Provided by Non-financial Institutions* (《非金融機構支付服務管理辦法》) promulgated by the People's Bank Of China (the "**PBOC**") on 14 June 2010 and latest amended with immediate effect on 29 April 2020, the Regulations on Supervision and Administration of Non-bank Payment Institutions (《非銀行支付機構監督管理條例》) issued by the State Council on 9 December 2023, which became effective on 1 May 2024 and replaced the Administrative Measures for the Payment Services Provided by Non-financial Institutions, and the *Administrative Measures for Single-purpose Commercial Prepaid Cards (Trial Implementation)* (《單用途商業預付卡管理辦法(試行)》) promulgated by the MOFCOM on 21 September 2012 and latest amended with immediate effect on 18 August 2016, the issuance and acceptance of prepaid card is a payment service provided by non-financial institutions, and the term "payment service provided by non-financial institutions" refers to that the non-financial institutions provide transfer service of monetary capital as an intermediary between payees and payers. The non-financial institutions, as the card-issuers, shall complete filing formalities within 30 days from the date it conducts single-purpose commercial prepaid card businesses.

LAWS AND REGULATIONS RELATING TO FIRE PREVENTION

Pursuant to the *Fire Prevention Law of the PRC* (《中華人民共和國消防法》) (the "**Fire Prevention Law**") promulgated by the NPC on 29 April 1998 and latest amended with immediate effect on 29 April 2021, and the *Interim Provisions on Design Inspection and Acceptance of Fire Protection of Construction Projects* (《建設工程消防設計審查驗收管理暫行規定(2023修訂)》) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on 1 April 2020 and latest amended on 21 August 2023, for the hotels, restaurants, shopping malls, and markets with more than 10,000 square meters, the construction entity shall apply for fire protection design approval. For other hotels, restaurants, shopping malls, or markets, when the construction entity applies for construction permit or for approval of commencement report, it shall provide the fire protection design drawings and technical materials satisfying the requirement of the construction and such construction project shall be subject to the filing and random inspection system.

Pursuant to the Fire Prevention Law, upon completion of the construction project, which is required to apply for fire safety inspection and acceptance as stipulated by the housing and urban-rural development authority, the construction entity shall apply to the housing and urban-rural development authority for fire safety inspection and acceptance. For other construction projects, the construction entity shall complete filing formalities with the housing and urban-rural development authority following the inspection and acceptance, and the housing and urban-rural development authority shall conduct spot check. Pursuant to the Fire Prevention Law, the construction project that fails to complete as-built acceptance check on fire prevention shall be ordered by the competent government authorities to close and shall be fined not less than RMB30,000 but not more than RMB300,000. Construction projects that fail to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000.

Pursuant to the Fire Prevention Law, the fire safety inspection of public gathering places shall be subject to the management of notification and commitment before they are put into use and open for business. Before the use or commencement of the business operations of a public place, the construction entities or the entities using such places shall file an application for fire safety inspection with the fire prevention and rescue department of the local governments of such places at or above the county level, and make a commitment that the place complies with the fire control technical standards and management regulations, and submit the requisite materials and be responsible for the authenticity of their commitments and the submitted materials. An approval shall be granted to those complying with the fire control safety requirements through inspection. If the public gathering places are put into use or open for business without approval of fire prevention and rescue department, or the use or business conditions of such places are found to be inconsistent with the use or business conditions promised upon the verification of fire prevention and rescue department, such places shall be ordered to discontinue the use, production or operation and the construction entities or the using entities shall be fined not less than RMB30,000 but not more than RMB300,000.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), which came into effect on 26 December 1989 with latest amendment on 24 April 2014, all entities and individuals shall have the obligation to protect the environment. Enterprises, public institutions and other business operators shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damage caused by them. The environmental protection administrative department under the State Council shall develop the national environmental quality standards, national pollutant discharge standards and monitoring regulations. For matters not included in the national environmental quality standards and the national pollutant discharge standards, the governments at the provincial level may develop local environmental quality standards and pollutant discharge standards; and for matters included in the national environmental quality standards and the national pollutant discharge standards, they may develop more stringent environmental quality standards and local pollutant discharge standards than the national standards. Local environmental quality standards and pollutant discharge standards shall be filed with the environmental protection administrative department under the State Council.

Pursuant to the *Law of the PRC on Environment Impact Assessment* (《中華人民共和國環境影響評價法》) issued on 28 October 2002 and latest amended on 29 December 2018, the State shall implement classified administration of environmental impact assessment (the "**EIA**") for construction projects in accordance with the degree of environmental impacts of construction projects. Construction entities shall prepare an environmental impact report (the "**EIR**"), or an environmental impact statement (the "**EIS**"), or fill out the Environmental Impact Registration Form (the "**EIRF**") (the "**EIA documents**") according to the following rules: (i) for projects with potentially significant environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially slight environmental impacts, an EIS shall be prepared to provide an analysis or specialised assessment of the environmental impacts; and (iii) for projects with minimal environmental impacts which do not warrant an environmental impact assessment, an EIRF shall be filled out. The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the ecological environment department with powers to approve the project for review and approval, while the EIRF shall subject to a record-filing-based management.

According to the *Catalogue for the Classified Administration of the Environmental Impact Assessment of Construction Projects (2008)* (《建設項目環境影響評價分類管理名錄(2008)》) promulgated by the Ministry of Environmental Protection of the PRC, construction projects in relation to the warehousing and logistics that do not involve toxic, harmful, or hazardous materials shall be subject to the EIS. However, according to the *Catalogue for the Classified Administration of the Environmental Impact Assessment of Construction Projects (2021)* (《建設項目環境影響評價分類管理名錄(2021)》) promulgated by the Ministry of Ecology and Environment of the PRC, construction projects in relation to the commercial complexes not relating to environmentally sensitive areas, warehousing and logistics industry (except for dangerous goods), or catering service industry are no longer required to submit the EIA documents.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "**Overseas Listing Trial Measures**") and five relevant guidelines, which became effective on 31 March 2023. Meanwhile, the *Special Provisions of the State Council for the Share Offerings and Listings Overseas of Joint Stock Limited Companies* (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the *Circular of the State Council Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas* (《國務院關於進一步加強在境外發行股票和上市管理的通知》), which were previously the main institutional basis for overseas offering and listing by domestic enterprises, were repealed on 31 March 2023.

According to the Overseas Listing Trial Measures, PRC domestic enterprises which seek to issue and list securities in overseas markets by direct or indirect means are required to complete the filing procedures with and submit relevant materials to the CSRC. The Overseas Listing Trial Measures provides that an overseas offering and listing is prohibited if there is one of the following circumstances: (1) the listing is specifically prohibited for financing purposes by laws, administrative regulations, or applicable requirements imposed by the country; (2) the overseas offering and listing might endanger national security as reviewed and determined by competent authorities under the State Council in accordance with relevant laws; (3) the domestic enterprise or its controlling shareholders and de facto controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offences disruptive to the order of the socialist market economy in recent three years; (4) the domestic enterprise is currently under judicial investigations for suspicion of criminal offences or materially breaching laws or regulations, where no definitive conclusions have been reached; or (5) there are material ownership disputes with respect to equity interests held by controlling shareholders or equity interests held by other shareholders controlled by controlling shareholders and/or de facto controllers.

The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering and listing by PRC domestic enterprises: (1) the amount of any of the operating revenue, total profit, total assets or net assets of the domestic enterprise represents over 50% of that of the relevant item in the issuer's audited consolidated financial statements for the most recent fiscal year; and (2) the main parts of the issuer's business activities are conducted in mainland China, or its principal place of business is located in mainland China, or the majority of senior management in charge of its business operations and management are PRC citizens or have their usual place of residence located in mainland China. Where an issuer submits an application for an initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as a change of control or voluntary or forced delisting of the issuer who has completed an overseas offering and listing. We submitted the required filing materials to the CSRC on 28 June 2024.

In addition, in order to further strengthen the confidentiality and archives administration in connection with overseas offerings and listings of domestic enterprises, clarify information security responsibilities of listed companies, maintain national information security, and deepen cross-border regulatory cooperation, the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration revised the *Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings* (CSRC Announcement [2009] No. 29) (《關於加強在境外發行證券與上市相關保密和檔案管理工作的規定》(證監會公告[2009]29號)), and promulgated the *Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises* (CSRC Announcement [2023] No. 44) (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》(證監會公告[2023]44號)) (the "**Provisions on Confidentiality and Archives Administration**") on 24 February 2023. To align with the Overseas Listing Trial Measures, "domestic enterprises" in the Provisions on Confidentiality and Archives Administration are defined as enterprises that include domestic joint stock companies that are to directly offer and list their securities overseas and domestic operating entities that are to indirectly offer and list their securities overseas. At the same time, procedural requirements have been added to the Provisions on Confidentiality and Archives Administration which also clarifies the requirements of enterprises' confidentiality responsibilities and accounting archives administration.

LAWS AND REGULATIONS RELATING TO CYBERSECURITY AND DATA PROTECTION

According to the *Cybersecurity Law of the PRC* (《中華人民共和國網絡安全法》) promulgated by the SCNPC on 7 November 2016 and came into effect on 1 June 2017, the PRC promotes the construction of a socialised service system for cybersecurity and encourages relevant enterprises and institutions to provide security services such as cybersecurity certification, testing and risk assessment. Critical information infrastructure operators that intend to purchase internet products and services that may affect national security must be subject to the national security review organised by the national cyberspace authority in conjunction with relevant departments under the State Council. Furthermore, operators of key information infrastructure shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. Where cross-border transfer of such data is necessary for business, a security assessment shall be conducted in accordance with the measures formulated by the national cyberspace authority in conjunction with the relevant departments under the State Council.

According to the *Data Security Law of the PRC* (《中華人民共和國數據安全法》) (the "**Data Security Law**") promulgated by the SCNPC on 10 June 2021 and effective on 1 September 2021, "data" means any electronic or other means of recording information, and "data processing" is defined as including the collection, storage, use, processing, transmission, provision, and disclosure of data. The Data Security Law stipulates that the collection of data shall be done in a lawful and proper manner, and that data shall not be stolen or obtained in any other illegal manner. Data related to national security, the lifeblood of the national economy, important people's livelihood, major public interests, etc. are core data, and a more stringent management system should be implemented. Data processors should, in accordance with the provisions of laws and regulations, establish and improve the whole process of data security management system, organise data security education and training, take appropriate technical measures and other necessary measures to protect data security. In the event of a data security incident, relevant measures shall be taken immediately, and the incident shall be disclosed to the user in a timely manner and reported to the relevant competent authorities in accordance with the regulations.

On 30 July 2021, the State Council promulgated the *Regulations of Security Protection for Critical Information Infrastructure* (《關鍵信息基礎設施安全保護條例》), which went into effect on 1 September 2021. According to the *Regulations of Security Protection for Critical Information Infrastructure*, critical information infrastructure, or the CII, refers to any important network facilities or information systems of important industries and fields such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government affairs and national defence science, and other important ones whose damage, function loss or data leakage may endanger national security, people's livelihood and public interests. According to the Regulations, the competent departments and supervisory departments, which govern the important industries and fields, shall be responsible for organising the identification of the CIIs in respective industries or fields, as the departments responsible for the security protection of the CIIs, and such departments should promptly notify the CII operators of the identification results, and notify the public security department of the State Council. As at the Latest Practicable Date, none of the business operations of the PRC operating entities has been identified as a CII operator.

According to the *Personal Information Protection Law of the PRC* (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") promulgated by the SCNPC on 20 August 2021 and effective on 1 November 2021, "personal information" is all kinds of information relating to identified or identifiable natural persons recorded by electronic or other means, excluding information after anonymization. Personal information of natural persons is protected by law, and no organisation or individual may infringe upon the rights and interests of personal information of natural persons. The processing of personal information shall have a clear and reasonable purpose, and shall be directly related to the purpose of processing, and adopt a way that has the least impact on the rights and interests of individuals. The collection of personal information shall be limited to the smallest extent to achieve the purpose of processing and shall not be excessive. The personal information processor shall be responsible for its personal information processing activities and take necessary measures to ensure the security of the personal information processed. Otherwise, the personal information processor may be ordered to correct or suspend or terminate the provision of services, or confiscate the illegal income, fines or other penalties. In the ordinary course of business, we from time to time collect, store and use certain personal information of consumers, including that under our customer loyalty programs. For example, (i) for consumers to place online orders through our online applications, such as Weixin mini programme, we may collect their account names, phone numbers and addresses, (ii) for consumers under our customer loyalty programs, to use points through our Weixin mini programme, we collect the basic information, such as their phone numbers and names.

On 28 December 2021, the Cyberspace Administration of China (the "**CAC**"), the NDRC, the MIIT, and several other PRC governmental authorities jointly promulgated the *Cybersecurity Review Measures* (《網絡安全審查辦法》), these Measures took effect on 15 February 2022 and replaced the former Cybersecurity Review Measures promulgated on 13 April 2020. Pursuant to the *Cybersecurity Review Measures*, a CII operator that purchases network products and services, or an internet platform operator that conducts data processing activities, which affect or may affect national security, shall be subject to a cybersecurity review according to the Measures. In addition, the internet platform operator which processes the personal information of more than one million users and intends to be listed on a foreign stock exchange must be subject to a cybersecurity review. And the Cybersecurity Review Office under the CAC is responsible for developing institutions and norms on cybersecurity review and organising cybersecurity reviews.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the NPC on 15 March 2019 and came into effect on 1 January 2020, and the Implementation Rules for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Rules for the Foreign Investment Law**") promulgated by the State Council on 26 December 2019 and came into effect on 1 January 2020, the "foreign investment" refers to the investment activities in mainland China carried out directly or indirectly by foreign natural persons, enterprises or other organisations. The State adopts the pre-entry national treatment and negative list management system for foreign investment. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favourable than the treatment accorded to domestic investors and their investments. Negative list management system refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. Foreign investors are prohibited from investing in any areas specified in the negative list, and must meet the conditions listed in the negative list before investing in any restricted areas. Investments, profits, and other legitimate rights and interests of foreign investors in mainland China are protected by law, and various national policies supporting the development of enterprises are equally applicable to foreign-funded enterprises. The State guarantees the equal participation of foreign-funded enterprises in the formulation of standards and strengthens the information disclosure and social supervision of standard formulation. The State also ensures that foreign-funded enterprises participate in government procurement activities through fair competition in accordance with the law, and that the products and services provided by foreign-invested enterprises in mainland China are treated equally in government procurement according to the law. Except under special circumstances, the State shall not expropriate any overseas investment.

According to the *Measures for Reporting Foreign Investment Information* (《外商投資信息報告辦法》) promulgated by MOFCOM and the SAMR on 30 December 2019 and effective on 1 January 2020, foreign investors directly or indirectly engage in investment activities within the territory of China, foreign investors or foreign-funded enterprises shall submit the investment information to competent departments for commerce in accordance with these Measures. Foreign investors or foreign-funded enterprises shall report investment information in a timely manner, follow the principles of truthfulness, accuracy, and completeness, shall not make false or misleading reports, and shall not have major omissions.

According to the *Catalogue of Industries Encouraging Foreign Investment (2022 version)* (《鼓勵外商投資產業目錄(2022年版)》), which was promulgated by NDRC and MOFCOM on 26 October 2022 and effective from 1 January 2023, as well as the *Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Edition)* (《外商投資准入特別管理措施(負面清單)(2021年版)》) ("**Negative List**"), which was promulgated by NDRC and MOFCOM on 27 December 2021 and effective from 1 January 2022, and was replaced by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Edition) (《外商投資准入特別管理措施 (負面清單) (2024年版)》) on 1 November 2024, foreign investment industries are divided into the Encouraged Industry Catalogue and the Negative List.

The Negative List is further subdivided into the "Catalogue of Restricted Foreign Investment Industries" and the "Catalogue of Prohibited Foreign Investment Industries". Industries that are not included in the Negative List are considered as permitted foreign investment industries.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

Trademark

The *Trademark Law of the PRC* (《中華人民共和國商標法》) (the "**Trademark Law**") promulgated by the SCNPC on 23 August 1982, last amended on 23 April 2019 and taking effect on 1 November 2019, and the *Implementation Rules of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002, last amended on 29 April 2014 and taking effect on 1 May 2014 stipulate the application, examination and approval, renewal, modification, transfer, use and invalidation of trademark registration, and protect the exclusive right to use a trademark enjoyed by the trademark registrant. According to the Trademark Law and the *Implementation Rules of the Trademark Law of the PRC*, the principle of "first-to-file" is adopted with respect to trademark registration in China. Where a trademark for which a registration has been made is identical or similar to an unregistered trademark that has been previously used by another person on the same kind of or similar commodities, the application for registration of such trademark may be rejected. The Trademark Office of China National Intellectual Property Administration ("**Trademark Office**") is responsible for the registration of trademarks. The valid period of a registered trademark shall be ten years from the date of approval of the registration. Upon expiry of the valid period, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. If the registrant fails to do so within the period, an extension period of six months may be granted. Valid period for each renewal is ten years from the next day after expiry of the previous valid term. The Trademark Office shall announce the trademarks subject to renewal of registration.

Moreover, according to the Trademark Law and the *Implementation Rules of the Trademark Law of the PRC*, the trademark registrant may, by concluding a trademark licencing contract, authorise others to use the registered trademark. For licenced use of a registered trademark, the licensor shall file record of the licencing of the said trademark with the Trademark Office, while non-filing of the licencing of a trademark shall not be contested against a good faith third-party. The licensor shall supervise the quality of the goods on which the licencee uses the licensor's registered trademark, and the licencee shall guarantee the quality of the goods on which the registered trademark is used.

Patent

According to the *Patent Law of the PRC* (《中華人民共和國專利法》) promulgated by the SCNPC on 12 March 1984, taking effect on 1 April 1985 and amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020, the patent administration departments of the governments at the provincial level, autonomous regions and municipalities directly under the Central Government are responsible for the patent administration within their respective administrative regions. The patent system adopts a first-to-file principle, which means that when more than two persons submit patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet the criteria of novelty, inventiveness and practicability. The protection period is twenty years for an invention patent and ten years for a utility model patent and fifteen years for a design patent. Other persons may use the patent with the permission or proper authorisation of the patent holder, otherwise such acts will constitute patent infringement.

Copyright

According to the *Copyright Law of the PRC* (《中華人民共和國著作權法》), which was promulgated by the SCNPC on 7 September 1990, came into effect on 1 June 1991 and was amended on 27 October 2001, 26 February 2010 and 11 November 2020, the works of Chinese citizens, legal persons or other organisations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

According to the *Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on 20 February 2002, and came into effect on the same day, the National Copyright Administration is primarily responsible for the registration and management of national software copyright and recognises the China Copyright Protection Center as the software registration organisation. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the *Measures for the Registration of Computer Software Copyright* and the *Regulations on Protection of Computers Software* (《計算機軟件保護條例》) which was promulgated by the State Council on 4 June 1991, came into effect on 1 October 1991 and was amended on 20 December 2001 and 30 January 2013.

Domain Name

According to the *Administrative Measures for Internet Domain Names* (《互聯網域名管理辦法》), which were promulgated by the MIIT on 24 August 2017 and came into effect on 1 November 2017, the MIIT is responsible for managing Internet network domain names of China. The principle of "first-to-file" is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder's identity for the registration purpose, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LAWS AND REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the *Law on Administration of Urban Real Estate of the PRC* (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on 5 July 1994 and was latest amended on 26 August 2019, in case of house leasing, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, usage, rental and repair liabilities, as well as other rights and obligations of both parties, and go through registration and filing procedures with the real estate administration department.

In addition, according to the *Management Measures for the Lease of Commercial Housing* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010, and effective on 1 February 2011, the parties to a housing lease shall enter into a lease contract in accordance with the law, and shall agree in the lease contract on the handling of the housing when it is expropriated or demolished. Within 30 days after the conclusion of the housing lease contract, the parties to the lease shall go to the competent department of construction (real estate) of the people's government of the municipality, city or county where the leased housing is located to register and file the housing lease. The parties to the housing lease can also entrust others in writing to handle the lease registration and filing. In violation of the foregoing provisions, the competent construction (real estate) departments of the people's governments of the municipalities directly under the central government, cities and counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

LAWS AND REGULATIONS RELATING TO REAL ESTATE

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on 25 June 1986 and last amended on 26 August 2019, China implements the purpose-based land administration system (including agricultural land, construction land and unused land). Any entity or individual shall use lands strictly in accordance with purposes determined in the overall land utilisation planning. The registration of the ownership and right of use of land shall be performed in accordance with laws and administrative regulations pertaining to the real estate registration. The land ownership and use right registered according to the law is protected by the law, and shall not be infringed upon by any organisation or individual.

Pursuant to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on 5 July 1994 and last amended on 26 August 2019, China implements the registration and certification system for the land use right and house ownership. After building a house on the real estate development land acquired in accordance with laws, the owner shall submit the certificate of land use right to the house administration department of the people's government at or above the county level which shall verify the application and grant the certificate of house ownership.

LAWS AND REGULATIONS RELATING TO LABOUR, SOCIAL INSURANCE AND HOUSING FUNDS

Labour Contract

Pursuant to the *Labor Law of the PRC* (《中華人民共和國勞動法》) promulgated by the SCNPC on 5 July 1994 and amended and came into effect on 29 December 2018, the *Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007, last amended on 28 December 2012 and came into effect on 1 July 2013 and the *Implementation Rules of the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on 18 September 2008 and came into effect on the same date, an employer shall establish and improve labour rules and regulations according to the laws, and shall strictly comply with the national standards, provide relevant training to its employees, protect their labour rights and perform its labour obligations. If an employer establishes labour relationship with an employee, they should enter into a written labour contract. Labour contracts shall be categorised into fixed-term labour contract, unfixed-term labour contract and labour contract for the completion of certain work assignments. The wages payable by an employer to its employees shall not be less than local minimum wage. In addition, an employer must establish and improve the labour safety and health system, stringently implement national protocols and standards on labour safety and health, conduct labour safety and health education for employees, so as to prevent accidents in the labour process and reduce occupational hazards.

Social Insurance and Housing Provident Fund

In accordance with the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) promulgated by the SCNPC on 28 October 2010, which was then amended and put into effect on 29 December 2018, the *Provisional Regulations on Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated by the State Council on 22 January 1999, which was then amended and put into effect on 24 March 2019, the *Decision of the State Council on Establishing a Basic Medical Insurance System for Urban Employees* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on 14 December 1998 and put into effect on the same day, the *Decision of the State Council on Establishing a Unified Basic Old-age Insurance System for Enterprise Employees* (《國務院關於建立統一的企業職工基本養老保險制度的決定》) promulgated by the State Council on 16 July 1997 and put into effect on the same day, the *Regulations on Work Injury Insurance* (《工傷保險條例》) promulgated by the State Council on 27 April 2003, which was amended on 20 December 2010 and put into effect on 1 January 2011, the *Regulations on Unemployment Insurance* (《失業保險條例》) promulgated by the State Council on 22 January 1999, as well as the *Provisional Measures on Maternity Insurance of Enterprise Employees* (《企業職工生育保險試行辦法》) promulgated by the Ministry of Labour and Social Security of the PRC (now repealed) on 14 December 1994 and put into effect on 1 January 1995, enterprises shall pay basic endowment insurance, basic medical insurance, unemployment insurance, maternity insurance and employment injury insurance for their employees in accordance with the statutory payment base and proportion. Basic endowment insurance, basic medical insurance and unemployment insurance shall be jointly borne by enterprises and employees, while the maternity insurance and employment injury insurance paid by enterprises. An employer that has not paid the social insurance premium in full amount on time may be ordered to pay the required contributions within a stipulated deadline or pay in full amount by the social insurance premium collecting body and be subject to a late payment fee of up to 0.05% per day since the date of payment default. If the employer still fails to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue imposed by the relevant administrative department.

In accordance with the *Regulations on the Administration of Housing Provident Funds* (《住房公積金管理條例》) which was promulgated by the State Council on 3 April 1999 and amended on 24 March 2019 and came into effect on the same day, enterprises must register at the housing provident fund management center to pay and deposit housing provident funds and open housing provident fund accounts for their employees. Enterprises are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. With respect to any entity that fails to make deposit registration of the housing provident fund or fails to complete the housing provident fund account establishment procedures for its employees, such entity shall be ordered by the housing provident fund management center to complete such procedures within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Furthermore, if an employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

According to the *Notice by the General Office of the State Administration of Taxation* (the "**SAT**") *on Conducing the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady and Orderly Manner* (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》), which was promulgated on 13 September 2018, and the *Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilising the Collection of Social Insurance Premiums* (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), which was promulgated on 21 September 2018, all the local authorities responsible for the collection and settlement of social insurance premiums are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. The *Notice on Implementing Measures on Further Support and Serve the Development of Private Economy* (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which was promulgated by the SAT on 16 November 2018, repeats that tax authorities at all levels shall not organise self-collection of arrears of taxpayers including private enterprises in the previous years.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT TRADE

According to the *Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) ("**Foreign Trade Law**") promulgated by the SCNPC on 12 May 1994 and amended on 30 December 2022, since 30 December 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Before 30 December 2022, pursuant to the pre-amendment Foreign Trade Law, a foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws, administrative regulations and requirements of the foreign trade authority under the State Council. Where a foreign trade operator fails to do so, the customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

According to the *Customs Law of the PRC* (《中華人民共和國海關法》) ("**Customs Law**"), which was reviewed and passed by the SCNPC on 22 January 1987, last amended on 29 April 2021 and became effective on the same date, the customs of the PRC is the state's entry and exit customs supervision and administration authority. In accordance with the Customs Law and other relevant laws and administrative regulations, the customs are responsible for the supervision of the transport vehicles, goods, freight items, postal items and other items entering into and departing from the PRC and collecting tariff and other duties and charges. All imported goods, throughout the period from arrival in the territory to the customs clearance, all exported goods, throughout the period from declaration to the customs to departure from the territory, and transit, transshipment and through goods, throughout the period from arrival in the territory to departure from the territory shall be subject to the supervision of the customs. Unless otherwise specified, the declaration of import and export goods and the payment of customs duties may be handled by the consignees or consignors of imported or exported goods or entrusted customs declaration enterprises. In addition, pursuant to the *Administrative Provisions of the PRC on the Filing of Customs Declaration Entities* (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC ("**General Administration of Customs**") on 19 November 2021 and became effective on 1 January 2022, the consignees and consignors of imported or exported goods and customs declaration enterprises shall go through customs declaration and filing procedures at the relevant administration department of customs in accordance with the law.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Pursuant to the *Regulation on Foreign Exchange Administration of the PRC* (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996, last amended on 5 August 2008 and became effective on the same date, the circulation of foreign currency is prohibited within the territory of the PRC, and foreign currency denomination and settlement are not allowed. The foreign exchange expenditure under current items shall, in accordance with the administrative provisions of the foreign exchange administrative department of the State Council on the payment and purchase of foreign exchange, be paid by an institution with its self-owned foreign exchange upon valid documents or with the foreign exchange purchased from any financial institution operating the foreign exchange settlement or sale business. In addition, domestic entities or individuals who directly make overseas investment or involve in distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council.

Regarding the foreign exchange settlement management, the State Administration of Foreign Exchange (the "**SAFE**") promulgated the *Circular of the SAFE Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* (Hui Fa [2015] No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(匯發[2015]19號)) (the "**Circular 19**") on 30 March 2015, which became effective on 1 June 2015. Subsequently, SAFE further promulgated the *Circular of the SAFE on the Policies for Reforming and Standardizing Management of Foreign Exchange Settlement under the Capital Account* (Hui Fa [2016] No. 16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(匯發[2016]16號)) (the "**Circular 16**") on 9 June 2016 which was partly amended by SAFE Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (the "**Circular 28**") on 4 December 2023. According to Circular 19, Circular 16 and Circular 28, foreign exchange income under the capital account of domestic entities and its capital in RMB obtained from foreign exchange settlement shall not be directly or indirectly used for expenditures beyond its business scope or prohibited by PRC Laws and regulations, nor shall they be provided as loans to its non-affiliated entities, except where it is expressly permitted in the business scope. Violations of Circular 19 or Circular 16 could result in administrative penalties.

The *Circular of the SAFE on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews* (Hui Fa [2017] No. 3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) (the "**Circular 3**") promulgated by the SAFE on 26 January 2017 and became effective on the same date stipulates that, several capital control measures with respect to the outward remittance of profits from domestic institutions to overseas institutions. Specifically, a bank that handles outward remittance of profits equivalent to more than US$50,000 for a domestic institution shall, under the principle of genuine transactions, review the resolutions of the Board of Directors on distribution of profits, original tax recordation form and audited financial statements, and stamp and endorse the relevant original tax recordation form with the actual remittance amount and remittance date. Domestic institutions should hold income to account for previous years' losses in accordance with the laws before remitting the profits. Moreover, pursuant to the Circular 3, in addition to providing corresponding materials as required, domestic institutions shall make explanations of the sources and utilisation of capital (plans of utilisation), and provide board resolutions, contracts and other certification materials for authenticity to the bank when completing the registration and remitting procedures in connection with an outbound direct investment.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the SCNPC on 16 March 2007 and last revised and took effect on 29 December 2018 and the *Implementation Rules of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and revised and took effect on 23 April 2019, a domestic enterprise, which is established within the mainland China in accordance with the laws or established in accordance with any laws of a foreign country (region) but with an actual management institution located in the mainland China, shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT rate of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry and project which are supported and encouraged by the State. High and new technology enterprises in need of key support from the State may enjoy a reduced EIT rate of 15%.

Value-added Tax

Pursuant to the *Provisional Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993, last amended and became effective on 19 November 2017, and the *Implementation Rules of the Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance of the PRC (the "**MOF**") on 25 December 1993, last amended on 28 October 2011 and became effective on 1 November 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sale of services, intangible assets, real estate and the importation of goods within the territory of the PRC are taxpayers of value-added tax (the "**VAT**") and shall pay VAT in accordance with the laws. According to the *Notice of the MOF and the SAT on the Adjustment to VAT Rates* (《財政部、國家稅務總局關於調整增值稅稅率的通知》) which was promulgated by the MOF and the STA on 4 April 2018 and came into effect on 1 May 2018, the original rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the *Announcement on Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》), which was promulgated by the MOF, the STA and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the original rates of 16% or 10%

applicable to the general VAT payers' sales activities or imports goods that are subject to VAT are adjusted to 13% or 9%, respectively.

Urban Maintenance and Construction Tax and Education Surcharge

According to the *Notice on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals* (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), issued by the State Council on 18 October 2010 and came into effect on 1 December 2010, since 1 December 2010, the *Temporary Regulation on Urban Maintenance and Construction Tax of the PRC* (《中華人民共和國城市維護建設稅暫行條例》) issued in 1985 and the *Temporary Provisions on the Collection of Education Surcharge* (《徵收教育費附加的暫行規定》) issued in 1986 by the State Council shall apply to foreign-invested enterprises, foreign enterprises and foreign individuals. The regulations, rules and policies on urban maintenance and construction tax and education surcharge issued by the State Council and other competent departments since 1985 and 1986 in charge of relevant financial and tax authorities shall also apply to foreign-invested enterprises, foreign enterprises and foreign individuals.

According to the *Urban Maintenance and Construction Tax Law of the PRC* (《中華人民共和國城市維護建設稅法》) promulgated by the SCNPC on 11 August 2020 and effective on 1 September 2021, replacing the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC, the units and individuals who pay VAT and consumption tax within the territory of the PRC are the taxpayers of urban maintenance and construction tax. According to the Law, urban maintenance and construction tax is calculated based on the actual amount of VAT and consumption tax paid by the taxpayer according to the law. If the taxpayer is located in an urban area, the tax rate is 7%; if the taxpayer is located in a county or town, the tax rate is 5%; if the taxpayer is located in other areas, the tax rate is 1%.

According to the *Temporary Provisions on the Collection of Education Surcharge* (《徵收教育費附加的暫行規定》) promulgated by the State Council on 28 April 1986 and amended on 7 June 1990, 20 August 2005 and 8 January 2011, and the *Announcement of the MOF and the SAT on the Determination of Tax Basis for Urban Maintenance and Construction Tax and Other Matters* (《財政部稅務總局關於城市維護建設稅計稅依據確定辦法等事項的公告》), promulgated by the Ministry of Finance and the State Taxation Administration on 24 August 2021, the education surcharge is calculated based on the actual amount of VAT and consumption tax paid by each unit and individual, and the education surcharge rate is 3%, which is paid at the same time as VAT and consumption tax, respectively.

Dividend Withholding Tax

Pursuant to the *Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated on 21 August 2006 and effective from 8 December 2006, the withholding tax rate of no more than 5% applies to dividends paid by a PRC company to a

Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The withholding tax rate of no more than 10% applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

Furthermore, pursuant to the *Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties* (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)), which was promulgated on and effective from 20 February 2009, where a PRC resident company pays dividends to a fiscal resident of the other contracting party to a tax treaty and such fiscal resident of the other party (or dividend recipient) is the beneficiary of such dividends, such dividends received by the fiscal resident of the other party are entitled to the treatment under the tax treaty, provided that all of the following requirements should be satisfied:

(1) the taxpayer entitled to the treatment under the tax treaty shall be the fiscal resident of the other contracting party to a tax treaty;

(2) the taxpayer entitled to the treatment under the tax treaty shall be the beneficiary of relevant dividends;

(3) dividends entitled to the treatment under the tax treaty shall be the equity investment income such as dividends and bonuses determined under the PRC tax laws; and

(4) other requirements provided by the STA.

If the tax resident of the other contracting party to the tax agreement directly owns a certain proportion or more of the capital (usually 25% or 10%) of a Chinese resident company that pays dividends, the dividends obtained by the tax resident of the other contracting party can be taxed at the tax rate specified in the tax agreement. The tax resident of the other contracting party who needs to enjoy the benefits of the tax agreement should meet the following conditions at the same time:

(1) such tax resident of the other contracting party who obtains dividends should be limited to a company as provided in the tax agreement;

(2) owner's equity interests and voting shares of the PRC resident company directly owned by such tax resident of the other contracting party reaches a specified percentage; and

(3) the capital proportion of the PRC resident company directly owned by such tax resident of the other contracting party, at any time during the 12 months prior to the acquisition of the dividends, reaches a specified percentage in the tax agreement.

REGULATIONS RELATING TO THE FULL CIRCULATION OF H SHARES

"Full Circulation" represents listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including domestic unlisted shares held by domestic shareholders prior to overseas listing, domestic unlisted shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On 14 November 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》) ("**Guidelines for the 'Full Circulation'**"), which were amended on 10 August 2023. As regulated in the Guidelines for "Full Circulation", shareholders of domestic unlisted shares have the flexibility to jointly decide the amount and proportion of shares that will be included in the circulation application. This decision should be reached through mutual consultation, ensuring compliance with relevant laws, regulations and policies governing state-owned asset administration, foreign investment and industry regulation. Meanwhile, the H-share listed company corresponding to these shares may be authorised to file for "full circulation" with the CSRC. An unlisted domestic joint stock company may file with the CSRC for "full circulation" at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Pursuant to the Overseas Listing Trial Measures, which came into effect on 31 March 2023, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC. Additionally, they are required to authorise the domestic company to submit the conversion application to the CSRC on their behalf.

On 31 December 2019, China Securities Depository and Clearing Corporation Limited and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business (the "**Measures for Implementation**"). The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc., in relation to the H-share "Full Circulation" business, are subject to these Measures for Implementation.

OVERVIEW

We are a wholesaler of grains and oil headquartered in Yangzhou, with retail operations of supermarket and convenience stores focusing on the central region of Jiangsu Province under our brand "宏信龍" (Hongxinlong*). According to the Industry Report, we ranked second among supermarket operators in Yangzhou in terms of sales in 2023. Our history can be traced back to 1994 when Hongxin Trading (which was formerly known as Jiangdu Mall Co., Ltd.* (江都商城股份有限公司) as at its establishment) was established in the PRC as a joint stock company with limited liability by Jiangdu Supply and Marketing Building* (江都供銷大廈), Jiangdu Supply and Marketing (Group) Corporation* (江都供銷(集團)總公司) (both of which were, so far as our Directors are aware, deregistered in the 1990s and owned by the Jiangdu's Supply and Marketing Cooperatives (供銷合作總社), then being a collectively-owned entity), Jiangdu Machinery and Electronics Factory* (江都機械電子總廠) (which is wholly owned by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社), an Independent Third Party), other corporate shareholders and the then employees of Hongxin Trading. In 2001, 98.45% of the equity interests in Hongxin Trading were transferred from the then existing corporate shareholders and certain natural persons to Mr. Gao and other natural persons.

Our Company (which was formerly known as Jiangdu Mall Hongxin Supermarket Chain Co., Ltd.* (江都商城宏信超市連鎖有限公司) as at its establishment) was established in the PRC as a limited liability company in 2005 by Hongxin Trading and Jiangdu Supply and Marketing Trade Union Committee. In 2007, our Company was converted into a joint stock company with limited liability and renamed as Jiangsu Horizon Chain Supermarket Company Limited (江蘇宏信超市連鎖股份有限公司). Upon completion of the conversion, Mr. Gao and 101 other individuals became the shareholders of our Company in addition to the then existing shareholders. Mr. Gao was also appointed as the Chairman and the general manager of our Company. Pursuant to an acquisition agreement dated 29 December 2018, our Company acquired 95.68% of the equity interest in Hongxin Trading by way of issuance of Shares (the "**Hongxin Trading Acquisition**"). Upon completion of the Hongxin Trading Acquisition, Hongxin Trading has become a non-wholly-owned subsidiary of our Company.

As at the Latest Practicable Date, we operated 51 supermarkets and 109 convenience stores in Jiangsu Province, out of which 49 supermarkets and 108 convenience stores are located in Yangzhou, and two supermarkets and one convenience store are located in Taizhou. Apart from supermarkets and convenience stores, we also operate two Malls located in Yangzhou, namely Jiangdu Mall* (江都商城) and Hongxinlong Mall* (宏信龍購物中心). For details of the key business development of our Group, please refer to the paragraph headed "Business – Overview" in this prospectus.

KEY BUSINESS MILESTONES

The following table sets out the key milestone in our business development:

Year	Milestone
1994	Hongxin Trading was established as a joint stock company with limited liability and was primarily engaged in shopping mall business
2001	Hongxin Trading obtained the approval for import and export rights (進出口經營權) from the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) of the PRC
2005	Our Company was established as a limited liability company and was primarily engaged in the business of operating supermarkets and convenience store chain
	Our first township store, the Shaobo store, was opened
2007	Our Company was converted into a joint stock company with limited liability and renamed as Jiangsu Horizon Chain Supermarket Company Limited (江蘇宏信超市連鎖股份有限公司)
2008	Our Yangzhou branch company was established
2009	Our Yizheng branch company was established
2011	Our Baoying branch company was established
2012	Our Taizhou branch company was established
	The Hongxinlong Logistics Park commenced operations
2014	Our "宏信龍" (Hongxinlong*) trademark was recognised as a Yangzhou Famous Trademark (揚州市知名商標)
	Our "宏信龍" (Hongxinlong*) trademark was recognised as a Jiangsu Famous Trademark (江蘇省著名商標)
2016	We commenced the development of an multi-channel business model with both online and offline operations

Year	Milestone
2020	Our mini programmes "宏信龍次日達" (Hongxinlong Same Day Delivery*) (later renamed as "龍會易購" (Longhuiyigou*)) and "宏信龍超市" (Hongxinlong Supermarket*) (later renamed as "宏信龍到店購" (Hongxinlong Shop in Store*) and "宏信龍當日達" (Hongxinlong Same Day Delivery*)) were launched
	We commenced operations of the central kitchen (中央廚房)
	We were recognised as a Key Supply Unit for Prevention and Control in Jiangdu District, Yangzhou City* (揚州市江都區防控重點保障供應單位) by the Office of the Command for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新型冠狀病毒肺炎疫情防控指揮部辦公室)
2021	We were accredited as an AAAA-Level Logistics Enterprise* (AAAA物流企業) by the China Federation of Logistics & Purchasing (中國物流與採購聯合會)
	We were accredited as a Safe Consumption Demonstration Unit of Jiangsu Province* (江蘇省放心消費創建示範單位) by the Jiangsu Provincial Safe Consumption Creation Activity Office* (江蘇省放心消費創建活動辦公室) and Jiangsu Provincial Administration for Market Regulation* (江蘇省市場監督管理局)
	We were recognised as a Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業) by the Commerce Bureau of Yangzhou City* (揚州市商務局)
	We were recognised as a Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業) by the Command for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新冠肺炎疫情防控工作指揮部)
2022	We commenced our New Retailing (新零售) operations, utilising short videos and live streaming on Douyin to increase our exposure and open up sales channels
2023	We entered the Meituan platform, leveraging the third-party food delivery platform to boost store sales

OUR CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and its subsidiaries.

Our Company

Establishment in October 2005

Our Company was established in the PRC as a limited liability company on 19 October 2005 under its former name of Jiangdu Mall Hongxin Supermarket Chain Co., Ltd.* (江都商城宏信超市連鎖有限公司) with an initial registered capital of RMB1 million, which was owned as to 80% by Hongxin Trading and 20% by Jiangdu Supply and Marketing Trade Union Committee. Our Company is principally engaged in the operation of supermarket and convenience store chain.

Conversion into a joint stock company and capital increase in September 2007

Our Company was renamed as Jiangsu Horizon Chain Supermarket Company Limited (江蘇宏信超市連鎖股份有限公司) and converted into a joint stock company on 30 September 2007. On 30 September 2007, the registered capital of our Company was increased from RMB1 million to RMB30 million. The newly increased registered capital was subscribed by the then existing shareholders and 102 new individual shareholders at the subscription price of RMB1.00 per Share. The following table sets out the shareholding structure of our Company immediately after completion of the conversion and capital increase as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
Hongxin Trading	6,160,000	20.53
Jiangdu Supply and Marketing Trade Union Committee	200,000	0.67
Mr. Gao	4,000,000	13.33
Mr. Zhang	2,240,000	7.47
Mr. Yuan	1,800,000	6.00
20 individuals who are directors, supervisors, senior management members of our Group or their associates(1)	7,370,000	24.56
79 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates(2)	8,230,000	27.43
Total	**30,000,000**	**100.00**

Notes:

1. These 20 individuals include Gao Yuping (高玉平), Xu Shihe (許世和), Yu Qin (禹琴), Yin Qin (印勤), Guo Xia (郭霞), Zhan Mingyu (詹明玉), Hu Qinghua (胡慶華), Xia Zhonglin (夏忠林), Leng Yuemei (冷月梅), Zhu Zheng (朱政), Wu Jie (吳潔), Li Qian (李倩), Cao Songyun (曹松雲), Yao Xinhua (姚新華), Quan Aijun (全愛軍), Zhu Aizhen (朱愛珍), Shen Zhigen (沈志艮), Ni Hua (倪華), Wang Ying (汪穎) and Xu Shiqiang (許世強).

   Each of such individuals was interested in less than 5% of equity interest in our Company.

2. These 79 individuals include Li Dongmei (李冬梅), Tian Xiuqin (田秀琴), Chang Jianquan (常家泉), Xu Jun (徐俊), Zhang Jun (張軍), Zhang Youting (張有婷), Jiang Lei (蔣磊), Mao Hongxia (毛紅霞), Li Aimin (李愛民), Wang Jingsong (王敬松), Dai Hongqing (戴宏慶), Guan Yueqin (管月琴), Mei Ping (梅平), Yan Shuqin (嚴書琴), Pan Lingmei (潘玲妹), Jiang Xianyue (江顯月), Kan Chuanling (闞傳玲), Xu Qing (徐青), Lu Shouping (陸壽萍), Zhang Guangyou (張光友), Teng Lin (滕琳), Shen Cheng (沈城), Wang Jinliang (王金良), Zhang Yu (張玉), Zhao Xingwang (趙興旺), Shen Xiuyun (沈秀雲), Xu Fangding (徐方定), Zhu Jun (朱軍), Huang Weiyong (黃偉勇), Tang Manjiang (湯滿江), Zhu Qing (朱清), Zhao Xiuqin (趙秀琴), Bu Chunnu (步春女), Shi Chenlin (史晨林), Zhang Xiaoqiu (張小秋), Li Chunlan (李春嵐), Quan Haizhen (全海珍), Shi Xia (施霞), Zhu Hairong (朱海榮), Hu Yingchun (胡迎春), Xu Chunling (徐春玲), Gao Jie (高潔), Gu Haijun (顧海軍), Huang Haiyan (黃海燕), Ji Qin (季清), Li Bin (李斌), Li Chun (李春), Li Xia (李霞), Sun Li (孫莉), Wang Chunlin (王春林), Xia Guifen (夏桂芬), Zhang Aiping (張愛平), Zhu Yinshan (朱銀山), Chou Chunyun (仇春雲), Hu Jun (胡俊), Sun Wenping (孫文萍), Wang Xia (王霞), Wang Yuanhe (王元鶴), Xia Jin (夏瑾), Xiang Yang (向陽), Zhang Li (張麗), Zhang Min (張閩), Chen Hui (陳慧), Gao Shangyun (高尚雲), Han Juan (韓娟), Li Wenjian (李文健), Liu Zongyun (劉宗雲), Mao Yuhong (冒玉紅), Sang Maojun (桑茂娟), Sha Limei (沙裡梅), Shen Li (沈莉), Sun Jian (孫建), Wang Ping (王萍), Xu Juan (許娟), Xue Hong (薛紅), Yao Min (姚敏), Yu Mei (于梅), Zhang Xuehe (張學和) and Zhou Jihong (周繼紅).

   Each of such individuals was interested in less than 5% of equity interest in our Company.

Subsequent changes in registered capital and shareholding

Subsequent to the conversion of our Company into a joint stock company, several rounds of capital increase and equity transfer took place and our Company brought in new Shareholders and Pre-IPO Investors. As at the Latest Practicable Date, our registered capital was RMB160,684,910, comprising 160,684,910 Shares. The changes in our registered capital and shareholding after the conversion and up to the Latest Practicable Date are summarised as follows:

Month and Year	Changes in registered capital and shareholding
September 2010	*Equity transfer.* Pursuant to equity transfer agreements all dated 26 September 2010, Hongxin Trading and 98 individual shareholders transferred their equity interest of an aggregate of 21,950,000 Shares (representing approximately 73.17% of equity interest) in our Company to Mr. Gao, Mr. Zhang, Ni Hua (倪華) and Kan Chuanling (闞傳玲) at the consideration of RMB1 per Share which was determined based on the paid-up registered capital of our Company. Upon completion of the said equity transfers, the registered capital of our Company was owned as to 66.03%, 0.67%, 20.90%, 4.73%, 4.33% and 3.33% by Mr. Gao, Jiangdu Supply and Marketing Trade Union Committee, Mr. Zhang, Mr. Yuan, Ni Hua (倪華) and Kan Chuanling (闞傳玲), respectively. Ni Hua (倪華) is a director of Hongxin Trading, and Kan Chuanling (闞傳玲) is the vice-chairman of the trade union of Hongxin Trading and an Independent Third Party.
March 2011	*Equity transfer.* Pursuant to an equity transfer agreement dated 26 March 2011, Jiangdu Supply and Marketing Trade Union Committee transferred its equity interest of 200,000 Shares (representing approximately 0.67% of equity interest) in our Company to Mr. Gao at the consideration of RMB1.65 per Share, which was determined with reference to the net asset value per Share based on the then latest financial statements of our Company. Upon completion of the said equity transfer, the registered capital of our Company was owned as to 66.70%, 20.90%, 4.73%, 4.33% and 3.33% by Mr. Gao, Mr. Zhang, Mr. Yuan, Ni Hua (倪華) and Kan Chuanling (闞傳玲), respectively.

Month and Year	**Changes in registered capital and shareholding**
December 2012	*Capital increase*. On 20 December 2012, the registered capital of our Company was increased from RMB30 million to RMB50 million. The newly increased registered capital was subscribed by Mr. Gao, Mr. Yuan and 15 other individuals at the subscription price of RMB1.40 per Share, which was determined with reference to the net asset value per Share based on the then latest financial statements of our Company. The following table sets out the shareholding structure of our Company immediately after completion of the capital increase as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
– Mr. Gao	25,010,000	50.02
– Mr. Zhang	6,270,000	12.54
– Mr. Yuan	6,140,000	12.28
8 individuals who are directors, supervisors, senior management members of our Group or their associates*(Note)*	7,210,000	14.42
9 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates*(Note)*	5,370,000	10.74
Total	**50,000,000**	**100.00**

Note: Each of such individuals was interested in less than 5% equity interest in our Company.

Month and Year	Changes in registered capital and shareholding
October 2013	*Equity transfer.* Each of Kan Chuanling (闞傳玲) and Ni Hua (倪華) transferred their equity interest of 1,000,000 Shares (representing approximately 2% of equity interest) and 1,300,000 Shares (representing approximately 2.60% of equity interest) in our Company to Mr. Yuan pursuant to equity transfer agreements dated 22 October 2013 and 25 October 2013, respectively, at the consideration of RMB1.40 per Share, which was determined with reference to the net asset value per Share based on the then latest financial statements of our Company. The following table sets out the shareholding structure of our Company immediately after completion of the equity transfers as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding *(%)*
– Mr. Gao	25,010,000	50.02
– Mr. Yuan	8,440,000	16.88
– Mr. Zhang	6,270,000	12.54
7 individuals who are directors, supervisors, senior management members of our Group or their associates[(Note)]	5,910,000	11.82
8 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates[(Note)]	4,370,000	8.74
Total	**50,000,000**	**100.00**

Note: Each of such individuals was interested in less than 5% equity interest in our Company.

Month and Year	Changes in registered capital and shareholding
February 2015	*Equity transfer.* Pursuant to an equity transfer agreement dated 6 February 2015, Zhang Jun (張軍), an Independent Third Party, transferred his equity interest of 1,770,000 Shares (representing approximately 3.54% of equity interest) in our Company to Zhu Zheng (朱政) (a supervisor of Hongxin Pharmacy) at the consideration of RMB1.80 per Share, which was determined with reference to the net asset value per Share based on the then latest financial statements of our Company. The following table sets out the shareholding structure of our Company immediately after completion of the equity transfer as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
– Mr. Gao	25,010,000	50.02
– Mr. Yuan	8,440,000	16.88
– Mr. Zhang	6,270,000	12.54
8 individuals who are directors, supervisors, senior management members of our Group or their associates*(Note)*	7,680,000	15.36
7 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates*(Note)*	2,600,000	5.20
Total	**50,000,000**	**100.00**

Note: Each of such individuals was interested in less than 5% equity interest in our Company.

Month and Year	**Changes in registered capital and shareholding**
March 2017	*Equity transfer.* Pursuant to an equity transfer agreement dated 1 March 2017, Shi Xia (施霞), an Independent Third Party, transferred her equity interest of 100,000 Shares (representing approximately 0.20% of equity interest) in our Company to Zhu Zheng (朱政) (a supervisor of Hongxin Pharmacy) at the consideration of RMB1.65 per Share, which was determined with reference to the net asset value per Share based on the then latest financial statements of our Company. The following table sets out the shareholding structure of our Company immediately after completion of the equity transfer as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
– Mr. Gao	25,010,000	50.02
– Mr. Yuan	8,440,000	16.88
– Mr. Zhang	6,270,000	12.54
8 individuals who are directors, supervisors, senior management members of our Group or their associates*(Note)*	7,780,000	15.56
6 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates*(Note)*	2,500,000	5.00
Total	**50,000,000**	**100.00**

Note: Each of such individuals was interested in less than 5% equity interest in our Company.

Month and Year	Changes in registered capital and shareholding
January 2019	*Capital increase and Hongxin Trading Acquisition.* Our Company entered into an acquisition agreement dated 29 December 2018 with Ruichuanda Investment, Mr. Gao, Mr. Yuan and nine other individuals (being Xu Shihe (許世和), Hu Qinghua (胡慶華), Yin Qin (印勤), Zhu Zheng (朱政), Guo Xia (郭霞), Li Dongmei (李冬梅), Kan Chuanling (闞傳玲), Zhen Yizuo (殷義左) and Huang Haiyan (黃海燕)) (collectively the "**Hongxin Trading Vendors**"), pursuant to which our Company acquired 95.68% equity interest in Hongxin Trading held by the aforesaid parties by way of issuing 53,657,135 Shares to the Hongxin Trading Vendors at the issue price of RMB3.62 per Share, which was determined with reference to the valuation of our Company and Hongxin Trading as at 30 June 2018 based on two valuation reports prepared by an independent valuer both dated 29 December 2018. On 14 January 2019, the registered capital of our Company was increased from RMB50 million to RMB103,657,135. Save and except for Mr. Gao, Mr. Yuan, Ruichuanda Investment, Xu Shihe (許世和) (being a supervisor of Hongxin Trading), Hu Qinghua (胡慶華) (being a director of Hongxin Trading), Yin Qin (印勤) (being a director of Hongxin Trading), Zhu Zheng (朱政) (being a supervisor of Hongxin Pharmacy) and Guo Xia (郭霞) (being a director of Hongxin Trading), the other counterparties were Independent Third Parties. Pursuant to the Acting-in-concert Confirmation, the Concert Parties (Mr. Gao, Ruichuanda Investment (which is in turn wholly-owned by Mr. Gao), Mr. Yuan and Mr. Zhang) confirm that they have been acting in concert in the management and operation of our Group since January 2019, and they have agreed to continue to act in concert and reach consensus on any proposal related to the daily management and operation of our Group presented to the general meeting of the Shareholders of our Company for voting. For further details, please refer to the paragraph headed "Acting-in-concert Confirmation" in this section. The following table sets out the shareholding structure of our Company immediately after completion of the capital increase and Hongxin Trading Acquisition as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding *(%)*
The Concert Parties	**65,144,976**	**62.85**
– Mr. Gao	26,292,302	25.36
– Ruichuanda Investment	21,410,776	20.66
– Mr. Yuan	11,171,898	10.78
– Mr. Zhang	6,270,000	6.05
Xu Shihe (許世和)[(1)]	10,870,051	10.49

Month and Year	Changes in registered capital and shareholding		
	Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
	Hu Qinghua (胡慶華)[(1)]	5,599,690	5.40
	10 individuals who are directors, supervisors, senior management members of our Group or their associates[(2)]	16,744,637	16.15
	10 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates[(2)]	5,297,781	5.11
	Total	**103,657,135**	**100.00**

Notes:

(1) Xu Shihe (許世和) is a supervisor of Hongxin Trading, and Hu Qinghua (胡慶華) is a director of Hongxin Trading.

(2) Each of such individuals was interested in less than 5% equity interest in our Company.

For more details of the Hongxin Trading Acquisition, please refer to the paragraph headed "Our Corporate Development – Our Subsidiaries – Hongxin Trading" in this section.

Month and Year	Changes in registered capital and shareholding
July 2019	*Capital increase and Pre-IPO Investment by Jiangdu Fund.* Pursuant to the Jiangdu Fund Capital Increase Agreement, Jiangdu Fund subscribed for 16,393,442 Shares at the consideration of RMB60 million (i.e. RMB3.66 per Share), which was determined after arm's length negotiations between the parties, taking into account the valuation of our Company as at 30 June 2018 based on the valuation report issued by an independent valuer on 29 December 2018 as well as the business prospects of our Company. The registered capital of our Company increased from RMB103,657,135 to RMB120,050,577 upon completion of the capital increase on 15 July 2019. The following table sets out the shareholding structure of our Company immediately after completion of the capital increase as mentioned above:

Shareholders	Number of Shares held	Percentage of Shareholding *(%)*
The Concert Parties	**65,144,976**	**54.26**
– Mr. Gao	26,292,302	21.90
– Ruichuanda Investment	21,410,776	17.83
– Mr. Yuan	11,171,898	9.31
– Mr. Zhang	6,270,000	5.22
Jiangdu Fund	16,393,442	13.66
Xu Shihe (許世和)[1]	10,870,051	9.05
11 individuals who are directors, supervisors, senior management members of our Group or their associates[2]	22,344,327	18.61
10 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates[2]	5,297,781	4.41
Total	**120,050,577**	**100.00**

Month and Year	Changes in registered capital and shareholding

Notes:

(1) Xu Shihe (許世和) is a supervisor of Hongxin Trading.

(2) Each of such individuals was interested in less than 5% equity interest in our Company.

For more details of the Pre-IPO Investment by Jiangdu Fund, please refer to the paragraph headed "Pre-IPO Investments" in this section.

November 2019

Capital increase and Pre-IPO Investments by Minsheng Agricultural and Batch A Investors. Pursuant to the Minsheng Agricultural and Batch A Investors Capital Increase Agreement, (i) Minsheng Agricultural subscribed for 500,000 Shares and (ii) Batch A Investors in aggregate subscribed for 12,382,599 Shares, all at the consideration of RMB3.66 per Share, which was determined after arm's length negotiations between the parties with reference to the subscription price in the previous round of share subscription by Jiangdu Fund completed in July 2019. The registered capital of our Company increased from RMB120,050,577 to RMB132,933,176 upon completion of the capital increase on 28 November 2019. The following table sets out the shareholding structure of our Company immediately after completion of the capital increase as mentioned above:

Shareholders	Number of Shares held	Percentage of Shareholding (%)
The Concert Parties	**66,674,976**	**50.16**
– Mr. Gao	26,292,302	19.78
– Ruichuanda Investment	21,410,776	16.11
– Mr. Yuan	11,171,898	8.40
– Mr. Zhang	7,800,000	5.87
Jiangdu Fund	16,393,442	12.33
Xu Shihe (許世和)[1]	10,870,051	8.18
Yin Qin (印勤)[1]	9,060,000	6.82
Jiaqi LLP	2,790,000	2.10
Minsheng Agricultural	500,000	0.38

Month and Year	Changes in registered capital and shareholding		
	Shareholders	**Number of Shares held**	**Percentage of Shareholding** *(%)*
	12 individuals who are directors, supervisors, senior management members of our Group or their associates[(2)]	19,970,000	15.02
	12 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates[(2)]	6,674,707	5.02
	Total	**132,933,176**	**100.00**

Notes:

(1) Xu Shihe (許世和) is a supervisor of Hongxin Trading, and Yin Qin (印勤) is a director of Hongxin Trading.

(2) Each of such individuals was interested in less than 5% equity interest in our Company.

For more details of the Pre-IPO Investments by Minsheng Agricultural and Batch A Investors, please refer to the paragraph headed "Pre-IPO Investments" in this section.

Month and Year	Changes in registered capital and shareholding
July to August 2020	*Capital increase and Pre-IPO Investment by Jiequan Fund.* Pursuant to the Jiequan Fund Subscription Agreement and the Jiequan Fund First Supplemental Agreement, Jiequan Fund subscribed for 21,558,441 Shares at the consideration of RMB83 million (i.e. RMB3.85 per Share), which was determined after arm's length negotiations between the parties, taking into account the valuation of our Company as at 31 December 2019 based on the valuation report issued by an independent valuer on 15 June 2020. The registered capital of our Company increased from RMB132,933,176 to RMB154,491,617 upon completion of the capital increase on 12 August 2020.

Equity transfer. Pursuant to two equity transfer agreements dated 18 July 2020 and 20 July 2020, Li Dongmei (李冬梅), an Independent Third Party, transferred her equity interest of 294,707 and 1,000,000 Shares (representing 0.22% and 0.75% equity interest) to Hu Qinghua (胡慶華), a director of Hongxin Trading, and Shen Yongsheng (沈永生), an Independent Third Party, respectively, at the consideration of RMB3.85 per Share, which was determined based the subscription price in the aforesaid round of capital increase.

The following table sets out the shareholding structure of our Company immediately after completion of the capital increase and equity transfer as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding *(%)*
The Concert Parties	**66,674,976**	**43.16**
– Mr. Gao	26,292,302	17.02
– Ruichuanda Investment	21,410,776	13.86
– Mr. Yuan	11,171,898	7.23
– Mr. Zhang	7,800,000	5.05
Jiequan Fund	21,558,441	13.95
Jiangdu Fund	16,393,442	10.61
Xu Shihe (許世和)(1)	10,870,051	7.04
Yin Qin (印勤)(1)	9,060,000	5.86
Jiaqi LLP	2,790,000	1.81
Minsheng Agricultural	500,000	0.32

Month and Year	Changes in registered capital and shareholding		
	Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
	12 individuals who are directors, supervisors, senior management members of our Group or their associates[(2)]	20,264,707	13.12
	12 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates[(2)]	6,380,000	4.13
	Total	**154,491,617**	**100.00**

Notes:

(1) Xu Shihe (許世和) is a supervisor of Hongxin Trading, and Yin Qin (印勤) is a director of Hongxin Trading.

(2) Each of such individuals was interested in less than 5% equity interest in our Company.

For more details of the Pre-IPO Investment by Jiequan Fund, please refer to the paragraph headed "Pre-IPO Investments" in this section.

Month and Year	Changes in registered capital and shareholding
September 2020	*Capital increase and Pre-IPO Investment by Batch B Investors.* Pursuant to a shareholders' resolution of our Company passed on 15 August 2020, Batch B Investors in aggregate subscribed for 6,193,293 Shares at the consideration of RMB3.85 per Share, which was determined after arm's length negotiations between the parties with reference to the subscription price in the previous round of share subscription by Jiequan Fund completed in August 2020. The registered capital of our Company increased from RMB154,491,617 to RMB160,684,910 upon completion of the capital increase on 16 September 2020. The following table sets out the shareholding structure of our Company immediately after completion of equity transfer and capital increase as mentioned above and up to the Latest Practicable Date:

Shareholders	Number of Shares held	Percentage of shareholding (%)
The Concert Parties	**66,674,976**	**41.48**
– Mr. Gao	26,292,302	16.36
– Ruichuanda Investment	21,410,776	13.32
– Mr. Yuan	11,171,898	6.95
– Mr. Zhang	7,800,000	4.85
Jiequan Fund	21,558,441	13.42
Jiangdu Fund	16,393,442	10.20
Xu Shihe (許世和)[1]	10,870,051	6.77
Yin Qin (印勤)[1]	9,060,000	5.64
Jiaqi LLP	2,790,000	1.74
Yongqi LLP	2,138,000	1.33
Minsheng Agricultural	500,000	0.31
12 individuals who are directors, supervisors, senior management members of our Group or their associates[2]	20,980,000	13.06
12 individuals who are Independent Third Parties including employees and/or ex-employees of our Group or their associates[2]	9,720,000	6.05
Total	**160,684,910**	**100.00**

Month and Year	Changes in registered capital and shareholding
	Notes: (1) Xu Shihe (許世和) is a supervisor of Hongxin Trading, and Yin Qin (印勤) is a director of Hongxin Trading. (2) Each of such individuals was interested in less than 5% equity interest in our Company. For more details of the Pre-IPO Investment by Batch B Investors, please refer to the paragraph headed "Pre-IPO Investments" in this section.

As advised by our PRC Legal Advisers, all the changes in our registered capital and shareholding as set out above have been duly completed pursuant to the applicable PRC laws, regulations and rules and are legally valid under the applicable PRC laws, regulations and rules.

Our Subsidiaries

Since the establishment of our Company, we have sought to expand our presence in the PRC and further our business development. We have acquired or established various subsidiaries to (i) manage and expand our store network; and (ii) explore new business lines. The details of our subsidiaries are set out as follows:

Hongxin Trading

Hongxin Trading was established in the PRC as a joint stock company with limited liability on 26 June 1994 under its former name of Jiangdu Mall Co., Ltd.* (江都商城股份有限公司) with an initial registered capital of RMB11 million. Hongxin Trading is principally engaged in shopping mall business.

The following table sets out the shareholding structure of Hongxin Trading as at the date of its establishment:

Shareholders	Number of shares held	Percentage of shareholding (%)
Jiangdu Supply and Marketing Building* (江都供銷大廈)	7,000,000	63.60
33 corporations within the Jiangsu Supply and Marketing System* (江都供銷系統)	1,500,000	13.60
Jiangdu Supply and Marketing (Group) Corporation* (江都供銷(集團)總公司)	1,000,000	9.10
Jiangdu Machinery and Electronics Factory* (江都機械電子總廠)	500,000	4.60
268 employee individuals	1,000,000	9.10
Total	**11,000,000**	**100.00**

Multiple rounds of equity transfers in Hongxin Trading took place between 1996 and 1999. Pursuant to the shareholders' resolutions of Hongxin Trading passed on 20 March and 20 August 2001, certain corporate shareholders transferred an aggregate of 10,830,000 shares in Hongxin Trading to Mr. Gao and 228 other individuals.

In 2002, Hongxin Trading was renamed as Jiangsu Hongxin Trading Co., Ltd.* (江蘇宏信商貿股份有限公司). Subsequently, multiple rounds of equity transfers in Hongxin Trading took place between 2002 and 2008. Until 2008, all remaining collective shares in Hongxin Trading held by collective enterprise shareholders had been transferred to individual shareholders, and the equity of Hongxin Trading has since then ceased to include collective ownership shares (集體性質股份).

The registered capital of Hongxin Trading was increased from RMB11 million to RMB22 million on 6 February 2006. The newly increased registered capital was subscribed by Mr. Gao and 93 other individuals at the subscription price of RMB1.05 per share. Subsequently, the registered capital of Hongxin Trading was increased from RMB22 million to RMB33 million on 2 March 2010. The newly increased registered capital was subscribed by Ruichuanda Investment and 134 other individuals at the subscription price of RMB1.5 per share. The following table sets out the shareholding structure of Hongxin Trading immediately after completion of capital increase as mentioned above:

Shareholders	**Number of shares held**	**Percentage of shareholding**
		(%)
Mr. Gao and other individuals	23,444,744	71.04
Ruichuanda Investment	9,555,256	28.96
Total	**33,000,000**	**100.00**

In relation to the Hongxin Trading Acquisition, on 29 December 2018, our Company entered into the an acquisition agreement with the Hongxin Trading Vendors, pursuant to which our Company acquired an aggregate of 95.68% equity interest in Hongxin Trading held by the aforesaid parties by way of issuing Shares to the Hongxin Trading Vendors at the issue price of RMB3.62 per Share, which was determined with reference to the valuation of our Company and Hongxin Trading as at 30 June 2018 based on the valuation reports prepared by an independent valuer both dated 29 December 2018. Save and except for Mr. Gao, Mr. Yuan, Ruichuanda Investment, Xu Shihe (許世和) (being a supervisor of Hongxin Trading), Hu Qinghua (胡慶華) (being a director of Hongxin Trading), Yin Qin (印勤) (being a director of Hongxin Trading), Zhu Zheng (朱政) (being a supervisor of Hongxin Pharmacy) and Guo Xia (郭霞) (being a director of Hongxin Trading), the other counterparties were Independent Third Parties. As advised by our PRC Legal Advisers, the Hongxin Trading Acquisition has been properly and legally completed and settled, and all applicable regulatory approvals having been obtained. Upon completion of the Hongxin Trading Acquisition, Hongxin Trading became a non-wholly-owned subsidiary of our Company.

The following table sets out the shareholding structure of Hongxin Trading immediately after completion of the Hongxin Trading Acquisition:

Shareholders	Number of shares held	Percentage of shareholding *(%)*
Our Company	31,575,774	95.68
169 individuals	1,424,226	4.32
Total	**33,000,000**	**100.00**

Subsequent to the Hongxin Trading Acquisition, multiple rounds of equity transfers took place among the minority individual shareholders of Hongxin Trading who held an aggregate of 4.32% equity interest in Hongxin Trading, and the last round of such equity transfers took place in November 2021. The following table sets out the shareholding structure of Hongxin Trading immediately after completion of the equity transfer as mentioned above and up to the Latest Practicable Date:

Shareholders	Number of shares held	Percentage of shares held *(%)*
Our Company	31,575,774	95.68
148 individuals	1,424,226	4.32
Total	**33,000,000**	**100.00**

As advised by our PRC Legal Advisers, all the changes in the registered capital and shareholding of Hongxin Trading as set out above have been duly completed pursuant to the applicable PRC laws, regulations and rules and are legally valid under the applicable PRC laws, regulations and rules.

Hongxinlong Agricultural Products

Hongxinlong Agricultural Products was established in the PRC as a limited liability company on 5 July 2013 with an initial registered capital of RMB5 million. Hongxinlong Agricultural Products is principally engaged in wholesaling.

Since its establishment and up to the Latest Practicable Date, Hongxinlong Agricultural Products is wholly owned by our Company.

Runbaijia Trading

Runbaijia Trading was established in the PRC as a limited liability company on 12 December 2019 with an initial registered capital of RMB2 million. Runbaijia Trading is principally engaged in wholesaling.

Since its establishment and up to the Latest Practicable Date, Runbaijia Trading is wholly owned by our Company.

Hongxin Pharmacy

Hongxin Pharmacy was established in the PRC as a limited liability company on 14 May 2014 with an initial registered capital of RMB2 million. During the Track Record Period and up to the Latest Practicable Date, Hongxin Pharmacy is principally engaged in retailing.

Since its establishment and up to the Latest Practicable Date, Hongxin Pharmacy is wholly owned by our Company.

Xintongyuan Trading

Xintongyuan Trading was established in the PRC as a limited liability company on 30 January 2007 with an initial registered capital of RMB0.5 million. During the Track Record Period and up to the Latest Practicable Date, Xintongyuan Trading is principally engaged in the wholesale and retail of alcoholic beverages.

The following table sets out the shareholding structure of Xintongyuan Trading as at the date of its establishment:

Shareholders	**Registered capital subscribed for** *(RMB)*	**Percentage of shareholding** *(%)*
Yangzhou New District Tongyuan Commerce & Trade Co., Ltd.* (揚州新區通源商貿有限公司)(1)	350,000	70.00
Gao Yongnian (高永年)(2)	150,000	30.00
Total	**500,000**	**100.00**

Notes:

(1) Yangzhou New District Tongyuan Commerce & Trade Co., Ltd.* (揚州新區通源商貿有限公司) was a limited liability company established in the PRC on 15 April 1997, which was primarily engaged in wholesale and retail trading business, and was controlled by Gao Ronggui (高榮貴), an Independent Third Party.

(2) An Independent Third Party.

Pursuant to an equity transfer agreement dated 16 April 2007, Yangzhou New District Tongyuan Commerce & Trade Co., Ltd.* (揚州新區通源商貿有限公司) transferred its 70% equity interest in Xintongyuan Trading to Chen Yunhe (陳雲和) at the consideration of RMB350,000, which was determined based on the paid-up registered capital of Xintongyuan Trading. The following table sets out the shareholding structure of Xintongyuan Trading immediately after completion of the equity transfer as mentioned above:

Shareholders	**Registered capital subscribed for** *(RMB)*	**Percentage of shareholding** *(%)*
Chen Yunhe (陳雲和)*(Note)*	350,000	70.00
Gao Yongnian (高永年)*(Note)*	150,000	30.00
Total	**500,000**	**100.00**

Note: An Independent Third Party.

Pursuant to a certificate of completion dated 2 June 2008, Gao Yongnian (高永年) transferred his 30% equity interest in Xintongyuan Trading to Gao Yonggui (高永貴) at the consideration of RMB150,000, which was determined based on the paid-up registered capital of Xintongyuan Trading. The following table sets out the shareholding structure of Xintongyuan Trading immediately after completion of the equity transfer as mentioned above:

Shareholders	**Registered capital subscribed for** *(RMB)*	**Percentage of shareholding** *(%)*
Chen Yunhe (陳雲和)*(Note)*	350,000	70.00
Gao Yonggui (高永貴)*(Note)*	150,000	30.00
Total	**500,000**	**100.00**

Note: An Independent Third Party.

Pursuant to the certificates of completion both dated 8 December 2010, Chen Yunhe (陳雲和) and Gao Yonggui (高永貴) transferred their equity interest in Xintongyuan Trading to our Company at the consideration of RMB350,000 and RMB150,000, respectively, which was determined based on the paid-up registered capital of Xintongyuan Trading. The following table sets out the shareholding structure of Xintongyuan Trading immediately after completion of the equity transfer as mentioned above:

Shareholder	Registered capital subscribed for *(RMB)*	Percentage of shareholding *(%)*
Our Company	500,000	100.00
Total	**500,000**	**100.00**

Pursuant to an equity transfer agreement dated 20 July 2017, our Company transferred its 100% equity interest in Xintongyuan Trading to Zhang Jiamei (張家美) (an associate of Mr. Zhang) at the consideration of RMB500,000, which was determined based on the paid-up registered capital of Xintongyuan Trading. This equity transfer was conducted primarily for the purpose of streamlining our corporate and business structure, as the principal business of our Group is supermarket and convenience store chain operations while Xintongyuan Trading is principally engaged in the wholesale and retail of alcoholic beverages.

The following table sets out the shareholding structure of Xintongyuan Trading immediately after completion of the equity transfer as mentioned above:

Shareholder	Registered capital subscribed for *(RMB)*	Percentage of shareholding *(%)*
Zhang Jiamei (張家美)	500,000	100.00
Total	**500,000**	**100.00**

Pursuant to an equity transfer agreement dated 28 May 2018, Zhang Jiamei (張家美) transferred her 100% equity interest in Xintongyuan Trading to our Company at the consideration of RMB500,000, which was determined based on the paid-up registered capital of Xintongyuan Trading as we have decided to re-incorporate Xintongyuan Trading into our Group structure after reassessment of the potential synergies between Xintongyuan Trading's alcoholic beverages' retail and wholesale business and our core supermarket and convenience store operations. Recognizing opportunities for vertical integration and the competitive advantage stemming from the ability to secure a steady supply of alcohol products from Xintongyuan Trading, our Directors believe that including Xintongyuan Trading in our Group is beneficial to our overall business operations and financial performance. As advised by our PRC Legal Advisers, the above transfer has been properly and legally completed and settled, and all applicable regulatory approvals having been obtained.

The following table sets out the shareholding structure of Xintongyuan Trading immediately after completion of the equity transfer as mentioned above and up to the Latest Practicable Date:

Shareholder	Registered capital subscribed for	Percentage of shareholding
	(RMB)	*(%)*
Our Company	500,000	100.00
Total	**500,000**	**100.00**

As advised by our PRC Legal Advisers, all the changes in the registered capital and shareholding of Xintongyuan Trading as set out above have been duly completed pursuant to the applicable PRC laws, regulations and rules and are legally valid under the applicable PRC laws, regulations and rules.

Muyuan Supply Chain

Muyuan Supply Chain was established in the PRC as a limited liability company on 26 August 2019 with an initial registered capital of RMB10 million. During the Track Record Period and up to the Latest Practicable Date, Muyuan Supply Chain is principally engaged in supply and sales of meals.

The following table sets out the shareholding structure of Muyuan Supply Chain as at the date of its establishment:

Shareholders	Registered capital subscribed for *(RMB)*	Percentage of shareholding *(%)*
Our Company	5,100,000	51.00
Yangzhou Fresh Supply Materials Co., Ltd.* (揚州鮮供物資有限公司)*(Note)*	4,900,000	49.00
Total	**10,000,000**	**100.00**

Note: Yangzhou Fresh Supply Materials Co., Ltd.* (揚州鮮供物資有限公司) is a limited liability company established in the PRC on 29 August 2018, which is primarily engaged in wholesale and retail trading businesses, and is controlled by Li Yun (李蘊), a supervisor of Muyuan Supply Chain.

Pursuant to an equity transfer agreement dated 5 November 2019, Yangzhou Fresh Supply Materials Co., Ltd.* (揚州鮮供物資有限公司) transferred its equity interest in Muyuan Supply Chain to Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司) at nil consideration. As at the date of the said equity transfer agreement, Yangzhou Fresh Supply Materials Co., Ltd.* (揚州鮮供物資有限公司) was owned as to 66% by Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司). The equity transfer was conducted at nil consideration as Yangzhou Fresh Supply Materials Co., Ltd.* (揚州鮮供物資有限公司) had not made any actual capital contribution to Muyuan Supply Chain as at the date of the said equity transfer agreement. The following table sets out the shareholding structure of Muyuan Supply Chain immediately after completion of the equity transfers as mentioned above:

Shareholders	Registered capital subscribed for *(RMB)*	Percentage of shareholding *(%)*
Our Company	5,100,000	51.00
Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司)*(Note)*	4,900,000	49.00
Total	**10,000,000**	**100.00**

Note: Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司) is a limited liability company established in the PRC on 21 September 2011, which is primarily engaged in leasing and business services, and is directly wholly-owned by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社), an Independent Third Party.

On 12 November 2021, the registered capital of Muyuan Supply Chain was increased from RMB10 million to RMB20 million. The newly increased registered capital was subscribed by our Company and Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司), at the subscription price of RMB10 million, which was based on the amount of registered capital subscribed. The following table sets out the shareholding structure of our Company immediately after completion of the capital increase as mentioned above:

Shareholders	**Registered capital subscribed for** *(RMB)*	**Percentage of shareholding** *(%)*
Our Company	10,200,000	51.00
Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司)(1)	4,900,000	24.50
Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司)(2)	4,900,000	24.50
Total	**20,000,000**	**100.00**

Notes:

(1) Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司 is a limited liability company established in the PRC on 21 September 2011, which is primarily engaged in leasing and business services, and is directly wholly-owned by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社), an Independent Third Party.

(2) Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司) is a limited liability company established in the PRC on 30 September 2017, which is primarily engaged in agricultural services, and is controlled by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社), an Independent Third Party.

On 7 June 2022, the registered capital of Muyuan Supply Chain was further increased from RMB20 million to RMB35 million. The newly increased registered capital was subscribed by our Company at the subscription price of RMB15 million, which was based on the amount of registered capital subscribed.

The following table sets out the shareholding structure of Muyuan Supply Chain immediately after completion of the capital increase as mentioned above and up to the Latest Practicable Date:

Shareholders	**Registered capital subscribed for** *(RMB)*	**Percentage of shareholding** *(%)*
Our Company	25,200,000	72.00
Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司)[(1)]	4,900,000	14.00
Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司)[(2)]	4,900,000	14.00
Total	**35,000,000**	**100.00**

Notes:

(1) Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司 is a limited liability company established in the PRC on 21 September 2011, which is primarily engaged in leasing and business services, and is directly wholly-owned by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社), an Independent Third Party.

(2) Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司) is a limited liability company established in the PRC on 30 September 2017, which is primarily engaged in agricultural services, and is ultimately controlled by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社), an Independent Third Party.

As advised by our PRC Legal Advisers, all the changes in the registered capital and shareholding of Muyuan Supply Chain as set out above have been duly completed pursuant to the applicable PRC laws, regulations and rules and are legally valid under the applicable PRC laws, regulations and rules.

Jiangsu Horizon (HK)

Jiangsu Horizon (HK) was established in Hong Kong as a limited liability company on 31 March 2011 with a share capital of HK$1,000,000. Jiangsu Horizon (HK) has no business operations during the Track Record Period and up to the Latest Practicable Date.

On the date of its incorporation, 1,000,000 shares of Jiangsu Horizon (HK) were issued and allotted to Hongxin Trading. Since its incorporation and up to the Latest Practicable Date, Jiangsu Horizon (HK) is wholly-owned by Hongxin Trading. Upon completion of the Hongxin Trading Acquisition pursuant to an acquisition agreement dated 29 December 2018, Hongxin Trading has become a direct non-wholly-owned subsidiary of our Company, and Jiangsu Horizon (HK) has become an indirect non-wholly-owned subsidiary of our Company.

DISPOSAL AND DEREGISTRATION DURING AND SUBSEQUENT TO THE TRACK RECORD PERIOD

Disposal of equity interest in Yangzhou City Jiangdu District Binjiang Rural Microfinance Co., Ltd.* (揚州市江都區濱江農村小額貸款股份有限公司) ("Binjiang Microfinance")

As at the commencement of the Track Record Period, Hongxin Trading held 25,000,000 shares (representing 25% of equity interest) in Binjiang Microfinance. Binjiang Microfinance is principally engaged in the provision of monetary and financial services.

Pursuant to an equity transfer agreement dated 6 April 2021, Hongxin Trading transferred its equity interest of 5,000,000 shares (representing 5% of equity interest) in Binjiang Microfinance to Pan Lingmei (潘玲妹), an Independent Third Party, at the consideration of RMB5,000,000, which was determined with reference to the paid-up registered capital of Binjiang Microfinance and its equity attributable to shareholders of approximately RMB1.03 per share based on its audited financial statements for the year ended 31 December 2020. Upon completion of the equity transfer, Hongxin Trading held 20,000,000 shares (representing 20% of equity interest) in Binjiang Microfinance.

On 10 May 2021, the registered capital of Binjiang Microfinance was reduced from RMB100,000,000 to RMB80,000,000 by way of repurchase of 20,000,000 shares held by Hongxin Trading at the consideration of RMB20 million, which was determined with reference to the net asset value per share of Binjiang Microfinance based on its audited financial statements for the year ended 31 December 2020. Upon completion of the share repurchase and capital reduction, Hongxin Trading ceased to hold any equity interest in Binjiang Microfinance.

Since we only held minority interests in Binjiang Microfinance, and Binjiang Microfinance did not directly relate to, nor form part of, our principal business, we disposed of our interest in Binjiang Microfinance to streamline our corporate structure. As advised by our PRC Legal Advisers, as confirmed by our Directors and according to the inquiry on the PRC Enterprise Credit Information Publicity System, Binjiang Microfinance did not have any material non-compliance since the commencement of the Track Record Period and up to the date of completion of the aforesaid share repurchase and capital reduction, and as at the date of completion of the aforesaid share repurchase and capital reduction, Binjiang Microfinance had no records of administrative penalties and was not listed on the List of Enterprises with Abnormal Operations (經營異常名錄) or the List of Enterprises with Serious Illegal and Dishonest Conduct (嚴重違法失信企業名單) of the PRC Enterprise Credit Information Publicity System. Based on the audited account of Binjiang Microfinance, Binjiang Microfinance was loss making for the financial year ended 31 December 2020, being the immediate financial year prior to its disposal.

Disposal of equity interest in Bank of Jiangsu Co., Ltd.* (江蘇銀行股份有限公司) ("Bank of Jiangsu")

Prior to its disposal, Hongxin Trading held 168,137 A shares (representing approximately 0.0009% of the then share capital) in Bank of Jiangsu. Bank of Jiangsu is principally engaged in banking business, whose shares are listed on the Shanghai Stock Exchange (stock code: 600919).

On 15 November, 18 November, 6 December and 9 December 2024, Hongxin Trading disposed of 68,137 A shares, 50,000 A shares, 20,000 A shares and 30,000 A shares of Bank of Jiangsu for an aggregate consideration of RMB1,536,547 (excluding transaction costs) at the average selling price of approximately RMB9.14 per A share of Bank of Jiangsu through on-market transactions. Immediately after its last disposal on 9 December 2024, Hongxin Trading ceased to hold any shares in Bank of Jiangsu.

We disposed of our minority interests in Bank of Jiangsu to realise our passive investment. As advised by our PRC Legal Advisers, as confirmed by our Directors and according to the inquiry on the PRC Enterprise Credit Information Publicity System, Bank of Jiangsu did not have any material non-compliance since the commencement of the Track Record Period and up to the date of completion of the aforesaid disposal, and as at the date of completion of the aforesaid disposal, Bank of Jiangsu had no records of administrative penalties and was not listed on the List of Enterprises with Abnormal Operations (經營異常名錄) or the List of Enterprises with Serious Illegal and Dishonest Conduct (嚴重違法失信企業名單) of the PRC Enterprise Credit Information Publicity System.

Deregistration of Yangzhou Suyan Health Kitchen Co., Ltd.* (揚州蘇鹽健康廚房有限公司) ("Suyan Health")

Suyan Health, a limited liability company established in the PRC on 23 June 2017, was deregistered on 16 January 2024. Immediately before its deregistration, Suyan Health was owned by our Company as to approximately 25.6%. So far as our Directors are aware, Suyan Health was principally engaged in the sale of table salt and agricultural products prior to its deregistration.

As advised by our PRC Legal Advisers, as confirmed by our Directors and according to the inquiry on the PRC Enterprise Credit Information Publicity System, Suyan Health did not have any material non-compliance since the commencement of the Track Record Period and up to the date of its deregistration, as at its date of deregistration, Suyan Health had no records of administrative penalties and was not listed on the List of Enterprises with Abnormal Operations (經營異常名錄) or the List of Enterprises with Serious Illegal and Dishonest Conduct (嚴重違法失信企業名單) of the PRC Enterprise Credit Information Publicity System.

Deregistration of Tianchang Hongxinlong Chain Supermarket Co., Ltd.* (天長市宏信龍連鎖超市有限公司) ("Tianchang Hongxinlong")

Tianchang Hongxinlong, a limited liability company established in the PRC on 14 August 2020, was deregistered on 12 August 2024. Since its establishment and up to its deregistration, Tianchang Hongxinlong had been wholly owned by our Company. Tianchang Hongxinlong was principally engaged in retailing prior to its deregistration.

Tianchang Hongxinlong was deregistered following the deregistration and closure of one of our Group's Retail Stores, which did not obtain the Fire Safety Approval. For further details, please refer to the paragraph headed "Business – Non-compliance – (3) Failure to complete Fire Safety Approvals" in this prospectus. Apart from operating a Retail Store which had been closed, Tianchang Hongxinlong did not conduct any other business activities during the Track Record Period and up to the date of its deregistration.

As advised by our PRC Legal Advisers, as confirmed by our Directors and according to the inquiry on the PRC Enterprise Credit Information Publicity System, Tianchang Hongxinlong did not have any material non-compliance since the commencement of the Track Record Period and up to the date of its deregistration, and as at its date of deregistration, Tianchang Hongxinlong had no records of administrative penalties and was not listed on the List of Enterprises with Abnormal Operations (經營異常名錄) or the List of Enterprises with Serious Illegal and Dishonest Conduct (嚴重違法失信企業名單) of the PRC Enterprise Credit Information Publicity System.

PRE-IPO INVESTMENTS

Background of the Pre-IPO Investments and Information of the Pre-IPO Investors

Jiangdu Fund

Pursuant to the Jiangdu Fund Capital Increase Agreement, Jiangdu Fund subscribed for 16,393,442 Shares at the consideration of RMB60 million (i.e. RMB3.66 per Share). For details, please refer to the paragraph headed "Our Corporate Development – Our Company" in this section.

Jiangdu Fund is a limited liability company established in the PRC on 9 October 2017, which is owned as to approximately 99.9% by Wuhu Xinning Investment Partnership Enterprise (Limited Partnership)* (蕪湖信寧投資合夥企業(有限合夥)) ("**Wuhu Xinning**") and 0.1% by Yangzhou Longchuan Holdings Financial Investment Co., Ltd.* (揚州龍川控股金融投資有限公司). Wuhu Xinning is a limited partnership established in the PRC, which is owned as to approximately 69.75% by China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (whose shares are listed on the Stock Exchange (stock code: 1359)) ("**China Cinda**"), approximately 15.63% by Yangzhou Longchuan Holding Financial Investment Co., Ltd.* (揚州龍川控股金融投資有限公司) ("**Longchuan Financial**"), approximately 14.45% by Yangzhou Longchuan Holding Group Co., Ltd.* (揚州龍川控股集團有限責任公司) ("**Longchuan**

Holding"), and approximately 0.17% by Cinda Capital Management Co., Ltd.* (信達資本管理有限公司) ("**Cinda Capital**"). Each of Longchuan Financial and Longchuan Holding is indirectly wholly-owned by Yangzhou Guolian Holding Group Co., Ltd.* (揚州市國聯控股集團有限公司), which is a wholly-state-owned enterprise. Cinda Capital is the general partner of Wuhu Xinning and is indirectly wholly-owned by China Cinda. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Jiangdu Fund and its ultimate beneficial owners are Independent Third Parties.

Jiangdu Fund is principally engaged in industrial investment, equity investment, and asset management businesses. Jiangdu Fund generally invests in businesses in Jiangdu District across various industries. Our Company was shortlisted as a Key Cultivation Enterprise for Listing in Jiangdu District (江都區上市重點培育企業) by the Office of the Leading Group for the '513' Action Plan for Capital Market Development in Jiangdu District, Yangzhou City* (揚州市江都區資本市場建設'513'行動領導小組辦公室) in 2018. Recognizing our Company's potential, Jiangdu Fund expressed optimism about our future prospects and, after negotiations between the parties, decided to invest in our Company by way of Pre-IPO Investment.

Our Directors believe that our Group would benefit from the capital raised from the Pre-IPO Investment by Jiangdu Fund, Jiangdu Fund's knowledge and experience in corporate governance, and the endorsement of our Company's performance, strength and prospects reflected by the Pre-IPO Investment.

Minsheng Agricultural and Batch A Investors

Pursuant to the Minsheng Agricultural and Batch A Investors Capital Increase Agreement, Minsheng Agricultural subscribed for 500,000 Shares at the consideration of RMB3.66 per Share. For details, please refer to the paragraph headed "Our Corporate Development – Our Company" in this section.

Minsheng Agricultural is a limited liability company established in the PRC on 9 December 2016 which is owned as to 75% by Yangzhou Yuantou Agricultural Service Co. Ltd.* (揚州市源頭農業服務有限公司) (which is ultimately owned by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社) ("**Yangzhou Jiangdu SMC**"), a pubic institution organised by the Yangzhou Jiangdu People's Government (揚州市江都區人民政府) of the PRC), 15% by Yangzhou Jiangdu Agricultural Services Association* (揚州市江都區農業服務協會), a social organisation registered in Jiangdu District, Yangzhou City, and 10% by Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司) (which is ultimately owned by Yangzhou Jiangdu SMC). To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Minsheng Agricultural and its ultimate beneficial owners are Independent Third Parties.

Minsheng Agricultural is principally engaged in the sales and maintenance of agricultural machinery, trading of agricultural products, daily necessities, and food items, cultivation and sale of fruits and vegetables, and provides warehousing services and agricultural technology transfer. The controlling shareholder of Minsheng Agricultural, Yangzhou Jiangdu SMC, serves to create a platform.

Our Directors believe that our Group would benefit from the capital raised from the Pre-IPO Investment by Minsheng Agricultural and the endorsement of our Company's performance, strength and prospects reflected by the Pre-IPO Investment.

Batch A Investors

Pursuant to the Minsheng Agricultural and Batch A Investors Capital Increase Agreement, Batch A Investors in aggregate subscribed for 12,382,599 Shares at the consideration of RMB3.66 per Share. For details, please refer to the paragraph headed "Our Corporate Development – Our Company" in this section.

Batch A Investors comprise Jiaqi LLP and 23 individuals which include four new investors and 19 existing Shareholders including Mr. Zhang (one of our Controlling Shareholders). Among these 23 individuals, 13 individuals are directors, supervisors, senior management members of our Group or their associates, whereas 10 individuals are Independent Third Parties. All of these 23 individuals are employees or ex-employees of our Group.

Jiaqi LLP is a limited partnership established in the PRC on 22 July 2019 which is held by 32 partners. Xu Jun (徐俊), an Independent Third Party, as the general partner holds 7.53% of partnership interest in Jiaqi LLP and 31 individuals as limited partners hold 92.47% of partnership interest in Jiaqi LLP in aggregate, including Mr. Zhang holding 7.17%, Cao Songyun (曹松雲) (supervisor of Hongxin Trading) holding 7.17%, Ni Hua (倪華) (director of Hongxin Trading) holding 3.58% and Tan Qingqing (談青青) (supervisor of Runbaijia Trading) holding 1.79%, and 27 individuals who are Independent Third Parties holding 72.77% of partnership interest in Jiaqi LLP in aggregate, among which Tang Manjiang (湯滿江) holds 14.34%, Dai Hongqing (戴宏慶) holds 9.68%, Teng Lin (滕琳) holds 5.38%, and each of the remaining 24 Independent Third Parties holds 0.36% to 3.58% of partnership interest in Jiaqi LLP. The general partner and all limited partners of Jiaqi LLP are employees or ex-employees of our Group.

Our Directors believe that the investments made by Batch A Investors, which include current and former employees of our Group, will serve as an incentive for these individuals to contribute to the growth and success of our operations.

Jiequan Fund

Pursuant to the Jiequan Fund Subscription Agreement and the Jiequan Fund First Supplemental Agreement, Jiequan Fund subscribed for 21,558,441 Shares at the consideration of RMB83 million (i.e. RMB3.85 per Share). For details, please refer to the paragraph headed "Our Corporate Development – Our Company" in this section.

Jiequan Fund is a limited partnership established in the PRC on 17 April 2018. The general partners of Jiequan Fund are Jiangsu New Supply and Marketing Fund Management Co., Ltd.* (江蘇新供銷基金管理有限公司), which held 0.74% partnership interest in Jiequan Fund, and Jiangsu Houji Private Equity Fund Management Co., Ltd.* (江蘇厚積私募基金管理有限公司), which held 0.26% partnership interest in Jiequan Fund and is also the fund manager of Jiequan Fund. Jiangsu New Supply and Marketing Fund Management Co., Ltd.* (江蘇新供銷基金管理有限公司) is ultimately controlled by All-China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社) ("**ACFSMC**"), a joint organization of national supply and marketing cooperatives under the leadership of the State Council of the PRC. Jiangsu Houji Private Equity Fund Management Co., Ltd.* (江蘇厚積私募基金管理有限公司) is controlled by Jiangsu Houji Investment Management Co., Ltd.* (江蘇厚積投資管理有限公司), which is in turn held as to 40% by Wang Xiaoming (王曉明), as to 30% by Ge Zheng (戈政), and as to 30% by Fan Miao (范淼). The limited partners of Jiequan Fund are Nanjing New Supply and Marketing Enterprise Management Co., Ltd.* (南京新供銷企業管理有限公司) which held 49.60% partnership interest in Jiequan Fund, Jiangsu Government Investment Fund (Limited Partnership)* (江蘇省政府投資基金(有限合夥)) which held 29.64% partnership interest in Jiequan Fund and Nanjing Yangzi State-owned Assets Investment Group Co., Ltd.* (南京揚子國資投資集團有限責任公司) which held 19.76% partnership interest in Jiequan Fund and is in turn wholly owned by Nanjing Jiangbei Xinqu Administrative Committee (南京江北新區管理委員會), a PRC government entity.

Nanjing New Supply and Marketing Enterprise Management Co., Ltd.* (南京新供銷企業管理有限公司) is held as to approximately 40.2% by Jiangsu Suhe Investment Operation Group Co., Ltd.* (江蘇省蘇合投資運營集團有限公司), as to approximately 39.8% by Beijing Zhonghe Guoneng Investment Management Partnership (Limited Partnership)* (北京中合國能投資管理合夥企業(有限合夥)), and as to approximately 19.9% by Jiangsu Sanhong Enterprise Management Center (Limited Partnership)* (江蘇三宏企業管理中心(有限合夥)). Jiangsu Suhe Investment Operation Group Co., Ltd.* (江蘇省蘇合投資運營集團有限公司) is wholly owned by Jiangsu Supply and Marketing General Cooperative (江蘇省供銷合作總社) ("**Jiangsu SMC**"), a public institution organised by the Jiangsu Provincial People's Government (江蘇省人民政府) of the PRC. Beijing Zhonghe Guoneng Investment Management Partnership (Limited Partnership)* (北京中合國能投資管理合夥企業(有限合夥)) is managed by Jiangsu New Supply and Marketing Fund Management Co., Ltd* (江蘇新供銷基金管理有限公司) as its managing partner. Jiangsu New Supply and Marketing Fund Management Co., Ltd* (江蘇新供銷基金管理有限公司) is majority controlled by New Supply and Marketing Industry Development Fund Management Co., Ltd.* (新供銷產業發展基金管理有限責任公司), which is in turn ultimately controlled by the ACFSMC. Jiangsu Sanhong Enterprise Management Center (Limited Partnership)* (江蘇三宏企業管理中心(有限合夥)) is managed by 江蘇蘇合數字經濟綜合管理有限公司 as its managing partner, which is in turn ultimately controlled by Jiangsu SMC.

Jiangsu Government Investment Fund (Limited Partnership)* (江蘇省政府投資基金(有限合夥)) is managed by Jiangsu Jincai Investment Co., Ltd.* (江蘇金財投資有限公司), which is in turn wholly owned by the Department of Finance of Jiangsu Province (江蘇省財政廳).

To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Jiequan Fund and its ultimate beneficial owners are Independent Third Parties.

Jiequan Fund is primarily engaged in equity investment, whose investment scope includes industries related to the supply and marketing (供銷) system, as well as the "Three Agricultural Aspects" (三農), focusing on agriculture, rural areas, and farmers, which aspects are prioritised under the rural revitalisation strategy. The Pre-IPO Investment made by Jiequan Fund in our Company has the primary objective of promoting the development of rural chain operation networks within the Jiangdu Supply and Marketing Cooperative system (江都供銷合作社系統), accelerating the expansion of rural markets, and supporting farmers in Jiangdu District.

Our Directors believe that our Group would benefit from the capital raised from the Pre-IPO Investment by Jiequan Fund, Jiequan Fund's knowledge and experience in the development of rural chain operation networks, and the endorsement of our Company's performance, strength and prospects reflected by the Pre-IPO Investment.

Batch B Investors

Batch B Investors comprise Yongqi LLP and eight individuals all of whom were the then existing Shareholders and were also part of Batch A Investors. Among these eight individuals, three individuals are directors, supervisors, senior management members of our Group or their associates, whereas five individuals are Independent Third Parties. All of these eight individuals are employees or ex-employees of our Group.

Yongqi LLP is a limited partnership established in the PRC on 3 August 2020 which is held by 40 partners. Zhu Shu (朱澍), an Independent Third Party, as the general partner holds 1.87% of partnership interest in Yongqi LLP. 39 individuals as limited partners hold 98.13% of partnership interest in Yongqi LLP in aggregate, including Xia Tonghui (夏同輝) (associate of Mr. Zhang) holding 1.87% of partnership interest, and 38 individuals who are Independent Third Parties holding 96.28% of partnership interest in Yongqi LLP in aggregate, among which Zhu Qing (朱清) holds 14.03%, Yu Guangying (俞廣英) holds 9.35%, Liu Meng (劉孟) holds 6.08%, Guo Min (郭敏) holds 5.61%, and each of the remaining 34 Independent Third Parties holds 0.47% to 4.68% of partnership interest in Yongqi LLP. The general partner and all limited partners (save for Yu Guangying) of Yongqi LLP are employees or ex-employees of our Group.

Our Directors believe that the investments made by Batch B Investors, which include current and former employees of our Group, will serve as an incentive for these individuals to contribute to the growth and success of our operations.

Details of the Pre-IPO Investments

Details of the Pre-IPO Investments are set out below:

	Jiangdu Fund	Minsheng Agricultural	Batch A Investors	Jiequan Fund	Batch B Investors
Date of agreement:	20 June 2019	28 October 2019	28 October 2019	20 June 2020	N/A[1]
Number of Shares subscribed:	16,393,442 Shares	500,000 Shares	12,382,599 Shares	21,558,441 Shares	6,193,293 Shares
Amount of consideration paid:	RMB60,000,000	RMB1,830,000	RMB45,320,312.34	RMB83,000,000	RMB23,844,178
Cost per Share[2]:	RMB3.66	RMB3.66	RMB3.66	RMB3.85	RMB3.85
Date of full payment of consideration:	25 June 2019	20 November 2019	22 November 2019	31 July 2020	1 September 2020
Basis of determination of consideration:	The consideration was determined after arm's length negotiations between the parties taking into account the valuation of our Company as at 30 June 2018 based on the valuation report issued by an independent valuer on 29 December 2018 and the business prospects of our Company.	The consideration was determined after arm's length negotiations between the parties with reference to the subscription price in the previous round of share subscription by Jiangdu Fund completed in July 2019.	The consideration was determined after arm's length negotiations between the parties with reference to the subscription price in the previous round of share subscription by Jiangdu Fund completed in July 2019.	The consideration was determined after arm's length negotiations between the parties with reference to the valuation of our Company as at 31 December 2019 based on the valuation report issued by an independent valuer on 15 June 2020.	The consideration was determined after arm's length negotiations between the parties with reference to the subscription price in the previous round of share subscription by Jiequan Fund completed in August 2019.

	Jiangdu Fund	Minsheng Agricultural	Batch A Investors	Jiequan Fund	Batch B Investors
Premium to Offer Price(3):	44.66%	44.66%	44.66%	52.17%	52.17%
Shareholding in our Company upon completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option):	7.65%	0.23%	Jiaqi LLP: 1.31% Mr. Zhang: 3.64% The remaining 22 individuals in aggregate: 17.80% (each of these individuals would hold less than 5% of the total issued share capital of our Company upon completion of the Global Offering)	10.07%	Yongqi LLP: 1.00% 8 individuals in aggregate: 6.23% (each of these individuals will hold less than 5% of equity interest in our Company upon completion of the Global Offering)

Lock-up arrangement: The Shares held by the Pre-IPO Investors are not subject to any lock-up pursuant to the terms of the Pre-IPO Investments. However, according to the PRC Company Law, the Pre-IPO Investors shall not transfer their Shares in our Company within one year from the Listing Date. For further details, please refer to the paragraph headed "Share Capital – Lock-up Periods" in this prospectus.

Use of proceeds: The proceeds received by our Group from the Pre-IPO Investments were used for the expansion of our operations, general working capital of our Group, and repayment of loans. As at the Latest Practicable Date, the proceeds raised from the Pre-IPO Investments have been fully utilised.

	Jiangdu Fund	Minsheng Agricultural	Batch A Investors	Jiequan Fund	Batch B Investors
Public float:	As Jiangdu Fund would hold less than 10% of the total issued share capital of our Company upon completion of the Global Offering and is not a core connected person of our Company nor an associate of such core connected persons, the Shares held by Jiangdu Fund will be part of the public float.	As Minsheng Agricultural would hold less than 10% of the total issued share capital of our Company immediately upon completion of the Global Offering and is not a core connected person of our Company nor an associate of such core connected persons, the Shares held by Minsheng Agricultural will be part of the public float.	Mr. Zhang would be a Controlling Shareholder upon completion of the Global Offering and the Shares held by Mr. Zhang would not be considered as part of the public float. As each of the remaining investors comprising Batch A Investors, save and except for Mr. Zhang, would hold less than 10% of the total issued share capital of our Company immediately upon completion of the Global Offering and is not a core connected person of our Company nor an associate of such core connected persons, the Shares held by each of the remaining investors comprising Batch A Investors, save and except for Mr. Zhang, will be part of the public float.	Jiequan Fund would be a substantial Shareholder upon completion of the Global Offering and the Shares held by Jiequan Fund would not be considered as part of the public float.	As each of the investors comprising Batch B Investors would hold less than 10% of the total issued share capital of our Company immediately upon completion of the Global Offering and is not a core connected person of our Company nor an associate of such core connected persons, the Shares held by each of the investors comprising Batch B Investors will be part of the public float.

Notes:

(1) No agreement was entered into by the Batch B Investors with our Company in relation to the Pre-IPO Investment. The share subscription by Batch B Investors was conducted pursuant to a shareholders' resolution of our Company passed on 15 August 2020 and was completed on 16 September 2020.

(2) Calculated by dividing the consideration paid by the Pre-IPO Investor(s) by the number of Shares subscribed for by the Pre-IPO Investor(s).

(3) Calculated based on the assumption that the Offer Price is HK$2.75 per H Share, being the mid-point of the indicative Offer Price range of HK$2.50 to HK$3.00, and on the assumption that the translations of Renminbi into Hong Kong dollars are based on the rate of HK$1.00 : RMB0.92.

Special rights granted to the Pre-IPO Investors

Pursuant to the Jiangdu Fund Capital Increase Agreement, Jiangdu Fund is granted certain special rights in relation to the Shares, including but not limited to repurchase right, drag-along right, liquidation preference, veto right on major matters and special information right. On 23 August 2023, a supplemental agreement (the "**Jiangdu Fund Supplemental Agreement**") in relation to the Jiangdu Fund Capital Increase Agreement was entered into between the parties thereto, pursuant to which the parties agreed that all special rights granted to Jiangdu Fund under the Jiangdu Fund Capital Increase Agreement were terminated on the date of the supplemental agreement and shall be reinstated on the day following the occurrence of any of the following circumstances: (i) our Company's listing application is rejected, denied, invalidated, terminated or suspended for review and cannot be restored; (ii) our Company voluntarily withdraws the listing application and decides not to re-submit the listing application; (iii) the Listing is not completed within six months from the date of approval of the Listing; or (iv) the Listing is not completed on or before 30 June 2024. Further, on 17 May 2024, Jiangdu Fund gave an undertaking (the "**Jiangdu Fund Undertaking**") pursuant to which Jiangdu Fund undertook not to pursue the restoration of the special rights granted to Jiangdu Fund under the Jiangdu Fund Capital Increase Agreement if our Company submits the listing application to the Stock Exchange on or before 30 June 2024 and the special rights will remain not reinstated so long as the Listing is approved and completed by 30 June 2025.

Pursuant to the Jiequan Fund Subscription Agreement and the Jiequan Fund First Supplemental Agreement, Jiequan Fund is granted certain special rights in relation to the Shares, including but not limited to repurchase right, anti-dilution right, right of first refusal, tag-along right, liquidation preference, veto right on major matters and special information right. On 18 September 2023, a second supplemental agreement in relation to the Jiequan Fund Subscription Agreement was entered into between the parties thereto (the "**Jiequan Fund Second Supplemental Agreement**"), pursuant to which the parties agreed that all special rights granted to Jiequan Fund under the Jiequan Fund Subscription Agreement shall be terminated on the date of submission of a listing application by our Company to the Stock Exchange, the SFC or the CSRC and shall be reinstated in the event of withdrawal of the listing application by our Company or the rejection of the listing application by the Stock Exchange, the SFC or the CSRC (whichever occurs earlier).

No special rights were granted to Minsheng Agricultural, Batch A Investors and Batch B Investors.

Compliance with the Pre-IPO Investment Guidance

On the basis that (i) the Pre-IPO Investments were completed no less than 120 clear days before the Listing Date; and (ii) all the special rights granted to the Pre-IPO Investors, if any, have been terminated as at the Latest Practicable Date or will be terminated upon the Listing, the Sole Sponsor is of the view that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

PUBLIC FLOAT

Upon completion of the Global Offering, the Shares held by certain Shareholders who are our core connected persons will not be counted towards the public float for the purpose of the Listing Rules. Details of these Shareholders are set out below:

Shareholders who are our core connected persons	**Number of Shares held**	**Shareholding percentage of the issued share capital of the Company immediately upon the completion of the Global Offering**[1]
The Concert Parties	**66,674,976**	**31.11%**
– Mr. Gao	26,292,302	12.27%
– Ruichuanda Investment	21,410,776	9.99%
– Mr. Yuan	11,171,898	5.21%
– Mr. Zhang	7,800,000	3.64%
Jiequan Fund	21,558,441	10.07%
Xu Shihe (許世和)[2]	10,870,051	5.07%
Yin Qin (印勤)[2]	9,060,000	4.23%
12 individuals who are directors, supervisors, senior management members of our Group or their associates[3]	20,980,000	9.79%

Notes:

(1) Assuming that the Over-allotment Option is not exercised.

(2) Xu Shihe (許世和) is a supervisor of Hongxin Trading, and Yin Qin (印勤) is a director of Hongxin Trading.

(3) Each of such individuals will be interested in less than 5% equity interest in our Company.

Save as provided above, (1) no other Shareholders will be a core connected person of the Company upon Listing and therefore the Shares held by all the other existing Shareholders will count towards the public float; and (2) upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), all the other Shareholders will collectively hold 85,103,442 Shares (representing approximately 39.72% of the issued share capital of the Company) which will be counted towards the public float for the purpose of the Listing Rules.

CESSATION OF SALES OF TOBACCO PRODUCTS AND DISPOSAL OF TOBACCO PRODUCT INVENTORY ASSETS

During the Track Record Period, our supermarket business involved the sales of tobacco products in the PRC. Upon Listing, our Company will become a foreign-invested enterprise and may be prohibited from carrying on the sales of tobacco products pursuant to the restriction imposed on foreign-invested enterprise under the applicable PRC laws and regulations, namely the PRC Tobacco Monopoly Law (《中華人民共和國煙草專賣法》), Tobacco Retail Licence Management Measures (《煙草專賣許可證管理辦法》), Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) and Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (《外商投資准入特別管理措施(負面清單)(2024年版)》) which replaced Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) and was effective on 1 November 2024. As a result of such potential prohibition, our Group ceased the sales of tobacco products on 31 December 2023.

In 2022, as our Group began preparations for the Global Offering, we initiated plans to cease our sales of tobacco products and started seeking potential business partners. Yuan Guanglong (袁廣龍), with whom Mr. Zhang became acquainted in or around 2010 through tobacco business dealings, came across Mr. Zhang in an occasion of business dealings in relation to the tobacco business in or around March 2023. During that occasion, Mr. Zhang and Yuan Guanglong discussed about our Group's plans to cease its sales of tobacco products and Yuan Guanglong expressed his interest in taking over our tobacco product inventory assets. In anticipation of this cooperation, Jiangsu Hongxinlong Supermarket Chain Co., Ltd.* (江蘇宏信龍連鎖超市有限公司) ("**Hongxinlong Supermarket**") was specifically established by Yuan Guanglong and Shao Mingsan (邵明三) in September 2022 with the intention of acquiring the product inventory assets from our Group. So far as our Directors are aware, (i) Yuan Guanglong has been involved in the tobacco business since or around 1998 in the form of sole proprietorship; and (ii) Shao Mingsan was acquainted with and cooperated with Yuan Guanglong, and both of them have years of experience in the local tobacco retail business. Our Group has agreed to collaborate with Hongxinlong Supermarket for the tobacco product inventory asset transfer in view of their experience in the tobacco industry. The collaboration between our Group and Hongxinlong Supermarket commenced in August 2023 when Hongxinlong Supermarket began leasing our store spaces for the operation of tobacco business. The terms in respect of the leasing arrangement were essentially identical to those later formalised in the Tobacco Business Cooperation Agreement, as further particularised below. The finalisation of the Tobacco Business Cooperation Agreement took additional time as the agreement underwent amendments to incorporate various feedback received during the proposed Listing process.

On 6 June 2024, our Company entered into a cooperation agreement (關於江蘇宏信超市連鎖股份有限公司煙草零售業務的合作協議) (the "**Tobacco Business Cooperation Agreement**") with Hongxinlong Supermarket, pursuant to which the parties thereto confirmed and ratified the arrangement by which our Group transferred its tobacco product inventory assets to Hongxinlong Supermarket at the consideration of approximately RMB21 million, which was determined based on the original acquisition cost of the tobacco product inventory incurred by our Group. The physical transfer of the tobacco product inventory assets contemplated thereunder was completed on 31 December 2023 upon which our Group ceased the sales of tobacco products. The consideration for the aforesaid transfer was fully settled by Hongxinlong Supermarket by 31 December 2024, where the extended settlement timeline was primarily necessitated by Hongxinlong Supermarket's need to secure external financing. Our Group did not recognise any gain or loss from the transfer of the tobacco product inventory assets as such assets were transferred on a cost basis. Furthermore, pursuant to the Tobacco Business Cooperation Agreement, the parties thereto confirmed and ratified the arrangement by which our Group agreed to lease certain areas of our stores to Hongxinlong Supermarket for its sales of tobacco products for the period which commenced from 1 August 2023 to 31 December 2028. The annual rent shall be RMB2 million (tax inclusive) in aggregate in the case that Hongxinlong Supermarket leases not more than 200 stores from our Group. In the event that Hongxinlong Supermarket leases more than 200 stores from our Group, the annual rent shall be charged at the following rates: (i) for stores with a floor area of more than 500 sq.m., the annual rent shall be RMB20,000 per store; (ii) for stores with a floor area between 200 sq.m. to 500 sq.m., the annual rent shall be RMB15,000 per store; and (iii) for stores with a floor area below 200 sq.m., the annual rent shall be RMB10,000 per store. The period from the actual commencement of rent for each store (i.e. August 2023) until 31 December 2024 shall be considered as the first period for the purpose of rent payable, taking into account the transition process and the actual status of the obtaining of the relevant licenses by Hongxinlong Supermarket. Thereafter, the rent will be payable based on the calendar year with payment deadline before the end of each year. There were no material changes to the key terms of the lease before and after the execution of the Tobacco Business Cooperation Agreement.

The table below sets forth the amount of rental income (after tax) recognised by us from the rent received by our Group for each year/period during the Track Record Period and up to the Latest Practicable Date:

	FY2021	FY2022	FY2023	9M2024	Subsequent to the Track Record Period and up to the Latest Practicable Date
Amount of rental income (after tax) recognised *(RMB million)*	–	–	–	1.9	–

For the purpose of ensuring a consistent and seamless shopping experience for our customers, we have permitted Hongxinlong Supermarket to operate its tobacco business under our "Hongxinlong" brand name, exclusively at our designated venues pursuant to the Tobacco Business Cooperation Agreement, provided that Hongxinlong Supermarket shall not use our "Hongxinlong" brand name to conduct any other business or to conduct its tobacco business at any venue other than in our stores nor authorise any third party to use it. To mitigate the risk of misuse of our "Hongxinlong" brand name, we have incorporated specific terms and undertakings in the Tobacco Business Cooperation Agreement, including but not limited to that: (i) our Group retains the right to withdraw the authorisation for Hongxinlong Supermarket to use our "Hongxinlong" brand name at any time; (ii) in the event of a breach of the Tobacco Business Cooperation Agreement's terms or in response to regulatory inquiries, Hongxinlong Supermarket is obligated to change its company name within a timeframe specified by our Group; and (iii) Hongxinlong Supermarket has undertaken to compensate and indemnify our Group for any losses resulting from its use of our trade name or business name, or from its breach of relevant clauses in the Tobacco Business Cooperation Agreement, including but not limited to economic losses, legal fees, reputational damage other related losses. We will take proactive measures to regularly monitor and prevent any misuse of our "Hongxinlong" brand name, including but not limited to conducting periodic on-site inspections at stores leased to Hongxinlong Supermarket, performing regular market surveys to detect any unauthorised use of our brand name, as well as requesting written confirmations from Hongxinlong Supermarket at intervals to ensure their compliance with the brand name usage terms as stipulated in the Tobacco Business Cooperation Agreement. Our Directors are of the view that such arrangement ensures uninterrupted business operations and customer traffic on the one hand, and safeguard our brand's reputation and ensure its use aligns with the values and standards our Group has set over the years on the other hand. To the best knowledge of our Directors, since its establishment (i.e. 8 September 2022) and up to the Latest Practicable Date, Hongxinlong Supermarket has neither engaged in any other business activities nor operated any tobacco businesses at locations other than the premises leased from our Group.

Hongxinlong Supermarket is owned as to 60% by Yuan Guanglong (袁廣龍) and 40% by Shao Mingsan (邵明三). Hongxinlong Supermarket and its ultimate beneficial owners are Independent Third Parties. To the best knowledge of our Directors, there are no other past or present relationships or dealings (including, without limitation, business, employment, family, trust, financing, shareholding, fund flow or otherwise) between Hongxinlong Supermarket and its ultimate beneficial owners on the one hand and our Group on the other hand, including their shareholders, directors, supervisors or senior management, or any of their respective associates. As advised by our PRC Legal Advisers, the Tobacco Business Cooperation Agreement is valid, legal and binding. As at the Latest Practicable Date, the title of the tobacco product inventory assets has been transferred to Hongxinlong Supermarket. Upon completion of the aforesaid transfer, and as at the Latest Practicable Date, our Group has ceased to carry on sales of tobacco products.

ACTING-IN-CONCERT CONFIRMATION

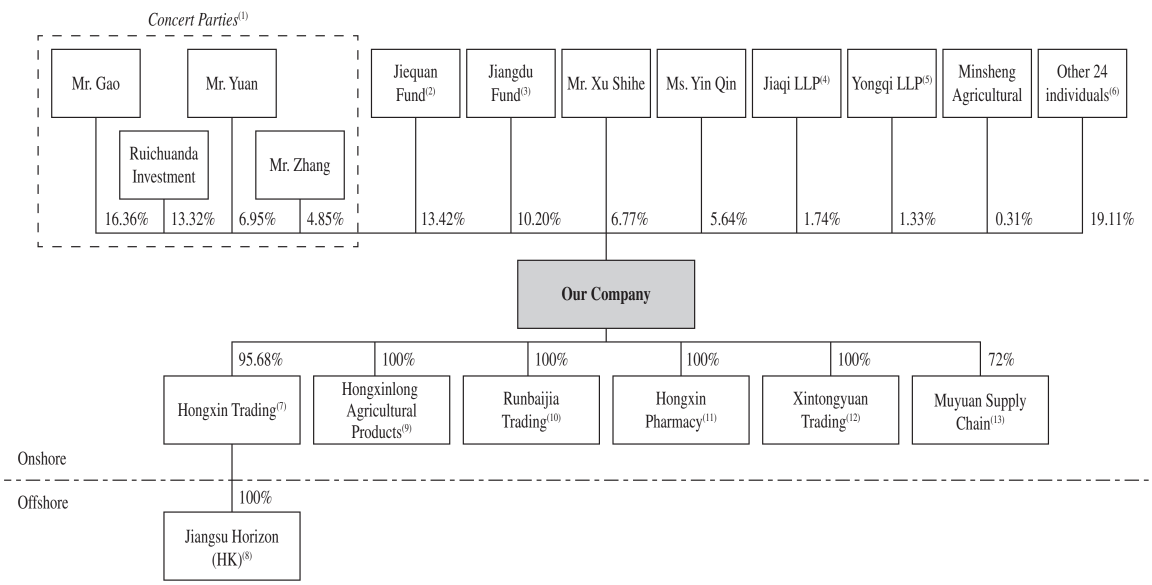
Pursuant to the Acting-in-concert Confirmation, the Concert Parties (being Mr. Gao, Ruichuanda Investment (which is in turn wholly-owned by Mr. Gao), Mr. Yuan and Mr. Zhang) confirm that they have been acting in concert in the management and operation of our Group since January 2019, and they have agreed to continue to act in concert and reach consensus on any proposal related to the daily management and operation of our Group presented to the general meeting of the Shareholders of our Company for voting. Hence, they are considered as persons acting in concert with each other in respect of our Company within the meaning of the Takeovers Codes and will continue to act in concert with each other in the decision-making of our Group.

As at the Latest Practicable Date, Mr. Gao is able to exercise approximately 29.68% of the voting rights in our Company through (i) his personal capacity as to approximately 16.36%; and (ii) Ruichuanda Investment as to approximately 13.32%. Mr. Yuan is able to exercise approximately 6.95% voting rights in our Company through his personal capacity. Mr. Zhang is able to exercise approximately 4.85% voting rights in our Company through his personal capacity. As such, as at the Latest Practicable Date, the Concert Parties are able to exercise voting rights of approximately 41.48% of the total issued shares of our Company.

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the Concert Parties will be entitled to exercise voting rights of approximately 31.11% of the total issued shares of our Company, and are considered as our Controlling Shareholders upon Listing.

CORPORATE STRUCTURE

The following chart sets out our corporate and shareholding structure immediately prior to the Global Offering:



Notes:

(1) Mr. Gao, Ruichuanda Investment, Mr. Yuan and Mr. Zhang are parties acting in concert with each other pursuant to the Acting-in-concert Confirmation. As at the Latest Practicable Date, the Concert Parties are able to exercise voting rights of approximately 41.48% of the total issued shares of our Company.

(2) Jiequan Fund is a limited partnership established in the PRC. The general partners of Jiequan Fund are Jiangsu New Supply and Marketing Fund Management Co., Ltd.* (江蘇新供銷基金管理有限公司) ("**NSM Fund**"), which held 0.74% partnership interest in Jiequan Fund, and Jiangsu Houji Private Equity Fund Management Co., Ltd.* (江蘇厚積私募基金管理有限公司), which held 0.26% partnership interest in Jiequan Fund and is also the fund manager of Jiequan Fund. NSM Fund is ultimately controlled by All-China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社). The limited partners of Jiequan Fund are Nanjing New Supply and Marketing Enterprise Management Co., Ltd.* (南京新供銷企業管理有限公司) which held 49.60% partnership interest in Jiequan Fund, Jiangsu Government Investment Fund (Limited Partnership)* (江蘇省政府投資基金(有限合夥)) which held 29.64% partnership interest in Jiequan Fund and Nanjing Yangzi State-owned Assets Investment Group Co., Ltd.* (南京揚子國資投資集團有限責任公司) which held 19.76% partnership interest in Jiequan Fund.

(3) Jiangdu Fund is a limited liability company established in the PRC, which is owned as to approximately 99.9% by Wuhu Xinning Investment Partnership Enterprise (Limited Partnership)* (蕪湖信寧投資合夥企業(有限合夥)) ("**Wuhu Xinning**") and 0.1% by Yangzhou Longchuan Holdings Financial Investment Co., Ltd.* (揚州龍川控股金融投資有限公司). Wuhu Xinning is a limited partnership established in the PRC, which is owned as to approximately 69.75% by China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (whose shares are listed on the Stock Exchange (stock code: 1359)) ("**China Cinda**"), approximately 15.63% by Yangzhou Longchuan Holding Financial Investment Co., Ltd.* (揚州龍川控股金融投資有限公司) ("**Longchuan Financial**"), approximately 14.45% by Yangzhou Longchuan Holding Group Co., Ltd.* (揚州龍川控股集團有限責任公司) ("**Longchuan Holding**"), and approximately 0.17% by Cinda Capital Management Co., Ltd.* (信達資本管理有限公司) ("**Cinda Capital**"). Each of Longchuan Financial and Longchuan Holding is indirectly

wholly-owned by Yangzhou Guolian Holding Group Co., Ltd.* (揚州市國聯控股集團有限公司), which is a wholly-state-owned enterprise. Cinda Capital is the general partner of Wuhu Xinning and is indirectly wholly-owned by China Cinda.

(4) Jiaqi LLP is held by 32 partners. Xu Jun (徐俊), an Independent Third Party, as the general partner holds 7.53% of partnership interest in Jiaqi LLP. 31 individuals as limited partners hold 92.47% of partnership interest in Jiaqi LLP in aggregate, including Mr. Zhang holding 7.17%, Cao Songyun (曹松雲) (supervisor of Hongxin Trading) holding 7.17%, Ni Hua (倪華) (director of Hongxin Trading) holding 3.58%, Tan Qingqing (談青青) (supervisor of Runbaijia Trading) holding 1.79%, and 27 individuals who are Independent Third Parties holding 72.77% of partnership interest in aggregate, among which Tang Manjiang (湯滿江) holds 14.34%, Dai Hongqing (戴宏慶) holds 9.68%, Teng Lin (滕琳) holds 5.38%, and each of the remaining 24 Independent Third Parties holds 0.36% to 3.58% of partnership interest in Jiaqi LLP. The general partner and all limited partners of Jiaqi LLP are employees or ex-employees of our Group.

(5) Yongqi LLP is held by 40 partners. Zhu Shu (朱澍), an Independent Third Party, as the general partner holds 1.87% of partnership interest in Yongqi LLP. 39 individuals as limited partners hold 98.13% of partnership interest in Yongqi LLP in aggregate, including Xia Tonghui (夏同輝) (associate of Mr. Zhang) holding 1.87% of partnership interest, and 38 individuals who are Independent Third Parties holding 96.28% of partnership interest in aggregate, among which Zhu Qing (朱清) holds 14.03%, Yu Guangying (俞廣英) holds 9.35%, Liu Meng (劉孟) holds 6.08%, Guo Min (郭敏) holds 5.61%, and each of the remaining 34 Independent Third Parties holds 0.47% to 4.68% of partnership interest in Yongqi LLP. The general partner and all limited partners (save for Yu Guangying) of Yongqi LLP are employees or ex-employees of our Group.

(6) Such 24 individuals consist of 12 individuals who are directors, supervisors, senior management members of our Group or their associates holding 13.06% of our Shares in aggregate, as well as 12 individuals who are Independent Third Parties (including employees and/or ex-employees of our Group or their associates holding 6.05% of our Shares in aggregate). Each of these 24 individuals holds less than 5% of equity interest in our Company.

(7) Hongxin Trading is a company established in the PRC with limited liability, which is owned as to 95.68% by our Company and 4.32% by a total of 148 individuals in aggregate.

(8) Jiangsu Horizon (HK) is a company incorporated in Hong Kong with limited liability.

(9) Hongxinlong Agricultural Products is a company established in the PRC with limited liability.

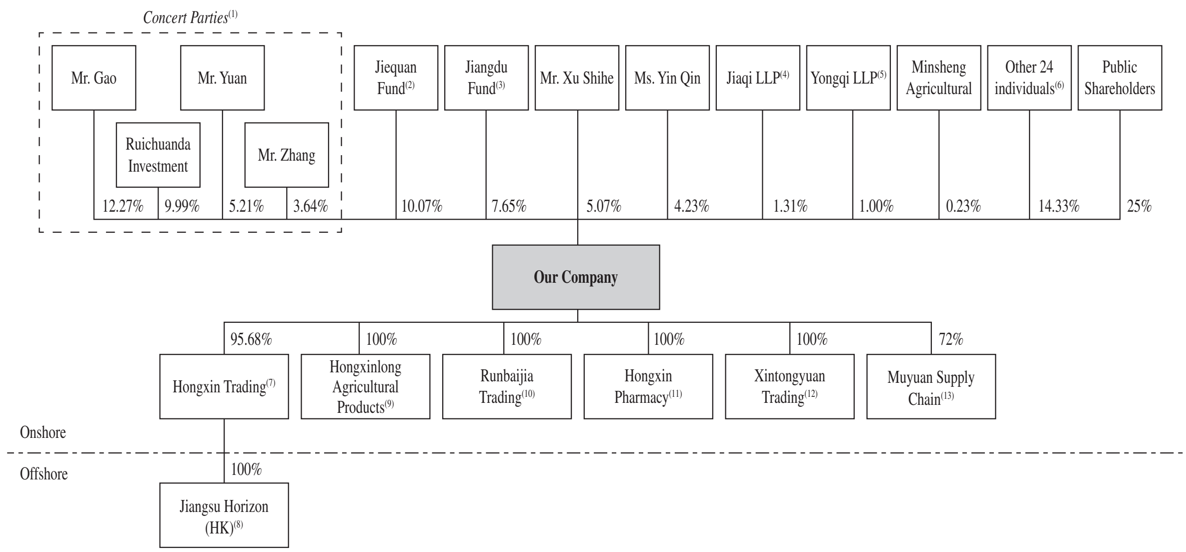
(10) Runbaijia Trading is a company established in the PRC with limited liability.

(11) Hongxin Pharmacy is a company established in the PRC with limited liability.

(12) Xintongyuan Trading is a company established in the PRC with limited liability.

(13) Muyuan Supply Chain is a company established in the PRC with limited liability, which is owned as to 72% by our Company, 14% by Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司), and 14% by Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司). Yangzhou Jiangdu District Supply and Marketing Investment Co., Ltd.* (揚州市江都區供銷投資有限公司) is a limited liability company established in the PRC on 21 September 2011, which is primarily engaged in leasing and business services, and is directly wholly-owned by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社), an Independent Third Party. Yangzhou Whole Journey Worry Free Modern Agricultural Services Co., Ltd* (揚州全程無憂現代農業服務有限公司) is a limited liability company established in the PRC on 30 September 2017, which is primarily engaged in agricultural services, and is ultimately controlled by Yangzhou Jiangdu District Supply and Marketing Cooperative* (揚州市江都區供銷合作總社) and Yangzhou Supply and Marketing Cooperative* (揚州市供銷合作總社), both of which are Independent Third Parties.

The following chart sets out our corporate and shareholding structure immediately after the Global Offering (assuming the Over-allotment Option is not exercised):



Notes: Please refer to the notes under "Corporate Structure" in this section above.

* *For identification purpose only*

OVERVIEW

We are a wholesaler of grains and oil headquartered in Yangzhou, with retail operations of supermarket and convenience stores focusing on the central region of Jiangsu Province under our brand "宏信龍" (Hongxinlong*). According to the Industry Report, we ranked the second among supermarket operators in Yangzhou in terms of sales in 2023 with a market share of approximately 9.1%, the fifth among supermarket operators in the central region of Jiangsu Province in terms of sales in 2023 with a market share of approximately 2.3%, and around the twentieth among supermarket operators in Jiangsu Province in terms of sales in 2023 with a market share of approximately 0.4%. As at the Latest Practicable Date, we operated 51 supermarkets and 109 convenience stores in Jiangsu Province, out of which 49 supermarkets and 108 convenience stores are located in Yangzhou, and two supermarkets and one convenience store are located in Taizhou. Apart from supermarkets and convenience stores, we also operate two Malls located in Yangzhou, namely Jiangdu Mall* (江都商城) and Hongxinlong Mall* (宏信龍購物中心). Jiangdu Mall* (江都商城) was opened in 1995, covering a gross floor area of approximately 6,000 square meters, and Hongxinlong Mall* (宏信龍購物中心) was opened in 2020, covering a gross floor area of approximately 3,000 square meters.

For our wholesale operations, we sell grains and oil, food products and other products to resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators. As at the Latest Practicable Date, we have secured our district distribution rights with 15 suppliers in respect of products of 29 brands or series of brands, including renowned brands of dairy products, oil and liquors, out of which six for distribution in Jiangdu District, Yangzhou, six for distribution in Yancheng City, one for Tinghu Town of Yancheng City, one for Yangzhou City and one for distribution of liquor of a renowned brand in designated store in Jiangdu District, Yangzhou. As at the Latest Practicable Date, we had successfully renewed the district distribution agreements with ten suppliers and we were attending to the renewal of the district distribution agreements with five suppliers, which continued to supply products of the authorised brands to us. Our Directors confirm that there is no impediment to the renewal of the district distribution agreements of these five suppliers. The distribution rights under the agreements are not expressed to be exclusive in nature. Pursuant to the agreements, we generally enjoy better pricing terms than other distributors without such district distributorship rights. We also sell garment and wooden products to overseas customers and household appliances to distributors and retailers.

Our supermarkets provide a wide range of daily consumer products to cater for the daily needs of our customers, which could be broadly categorised as raw and fresh food, grains and oil, non-staple food and household products, while our convenience stores open for 16 or 24 hours a day to cater for quick purchases of everyday consumable products. We adopt the strategies of standardised branding and store design, centralised procurement, centralised inventory control and distribution as well as unified management for our Retail Stores for the purpose of our chain store management. These unities allow us to benefit from economies of scale, streamline operations, and provide a predictable shopping experience for our customers. In light of the increasing prevalence of e-commerce in the PRC, during the Track Record Period, we had two mini programmes "龍會易購" (Longhuiyigou*) and "宏信龍當日達" (Hongxinlong Same Day Delivery*) for our Retail Stores.

We sell fashion and apparel, children's wear, cosmetics and personal care, jewellery, accessories, footwear, household appliances, consumer electronics, liquor and miscellaneous products at our Malls. We endeavour to provide a wide range of merchandise to cater for the demand for trendy and fashionable products. Moreover, we operate a mini programme "江都商城" (Jiangdu Mall*) for online sale of products offered at our Malls. We have also cooperated with three third-party e-commerce platforms, namely Douyin, JD.com and WeChat for online sale of merchandise to our customers.

For our retail operations, we receive sales proceeds from (i) general sales to consumers at our Retail Stores and Malls and (ii) bulk sales to customers including corporate and government entities. We also receive sales amounts for concessionaire sales at our Retail Stores and Malls and charge the concessionaires certain percentage of gross sale amounts or the agreed sales target, whichever is the higher, as commissions. Ancillary to our retail operations, we lease some shop floor area or shop premises in our Retail Stores and Malls to other retail operators like restaurants, hotels and pharmacies, etc and receive rental income.

To support our wholesale and retail operations, apart from having two warehouses, we operate a distribution centre in Jiangdu, Yangzhou to enable daily stocking, order picking and packing in a high flow velocity. The distribution centre is equipped with our WMS system to monitor real time inventory information and allows us to efficiently manage our inventory control. The WMS system is linked to the ERP system adopted by our supermarkets and convenience stores, which enables us to distribute products to our supermarkets and convenience stores in a timely manner. The WMS system is also linked to our B2B supply chain system, which facilitates us to place orders with our suppliers in an efficient and effective manner.

Leveraging our ability to source and supply quality and fresh food ingredients, we also operate a central kitchen to produce meals and snacks and deliver to local corporates, schools or government entities. As at the Latest Practicable Date, our central kitchen was located at Yangzhou and had the capacity to produce 10,000 sets of meals for lunch and 10,000 sets of meals for dinner per day.

For FY2021, FY2022, FY2023 and 9M2024, the revenue generated from our wholesale operations amounted to approximately RMB525.3 million, RMB512.3 million, RMB686.5 million and RMB572.4 million, representing approximately 36.7%, 38.6%, 49.0% and 56.9% of our total revenue, respectively. For the same years/period, the revenue generated from our retail operations amounted to approximately RMB888.5 million, RMB787.9 million, RMB688.6 million and RMB417.8 million, representing approximately 62.0%, 59.3%, 49.1% and 41.5% of our total revenue, respectively.

In terms of revenue contribution, our retail operations were our major revenue contributor for FY2021 and FY2022, but our wholesale operations caught up to level with our retail operations for FY2023 and overtook our retail operations for 9M2024. Such change in revenue mix was mainly attributable to the impact of COVID-19 pandemic and cessation of sales of tobacco products on our retail operations and the change in food consumption behaviour of consumer and that we gradually focused more on our wholesale operations.

Our revenue decreased from approximately RMB1,432.2 million for FY2021 to approximately RMB1,328.7 million for FY2022 and increased to approximately RMB1,402.0 million for FY2023, and our revenue increased from approximately RMB987.8 million for 9M2023 to approximately RMB1,005.8 million for 9M2024. Our profit for the year increased from approximately RMB35.1 million for FY2021 to approximately RMB51.1 million for FY2022 and further increased to approximately RMB51.6 million for FY2023, and our profit for the period decreased from approximately RMB30.5 million for 9M2023 to approximately RMB24.1 million for 9M2024 mainly due to the impact of the Listing expenses. For detailed analysis of our financial performance during the Track Record Period, please refer to the paragraph headed "Financial Information – Principal components of the consolidated statements of profit or loss" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that our success and potential for future growth is attributable to the following competitive strengths:

Our brand "宏信龍" (Hongxinlong*) is a recognised brand in Jiangsu Province

Since the inception of our business which dated back to 1994, we have been positioning our Group as providing quality products at competitive price and attentive customer service. After years of operation and accumulation, we believe we have built up trust, confidence and loyalty from our customers, which is proven by the accreditation of our trademark "宏信龍" (Hongxinlong*) as a Jiangsu Famous Trademark (江蘇省著名商標) by Jiangsu Provincial Administration for Industry and Commerce and as a Yangzhou Well-known Trademark (揚州市知名商標) by Yangzhou City Administration for Industry and Commerce in 2014. Please refer to the paragraph headed "Certifications and awards" in this section for further details of such awards and recognitions. According to the Industry Report, we are known for offering high-quality and reasonably priced commodities, comfortable and convenient shopping environment, attentive customer service and the ability to accurately grasp the consumption habits and shopping preferences of local consumers, and the local consumers have strong recognition and loyalty to our brand. We believe this high degree of brand recognition is a valuable asset of our Group, which enables us to differentiate ourselves from our competitors and attract more customers. It also serves as a solid foundation from which we are able to expand further in the central region of Jiangsu Province.

Our retail operations and wholesale operations bring complementary benefits and synergies to each other

We have developed our integrated wholesale and retail operations over the years. This varied business model provides significant competitive advantages and synergies that benefit us from multiple income sources and risk mitigation.

On the retail side, our extensive network of 51 supermarkets, 109 convenience stores and two Malls in Jiangsu Province as at the Latest Practicable Date gives our Group unparalleled reach and access to a large and diverse consumer base and grants us close ties with the local communities. This provides our Group valuable customer data and insights that can be leveraged to optimise our product assortment, pricing, and marketing strategies.

At the same time, our wholesale division sources and distributes a wide range of consumer goods, food and beverage, and household products to different resellers and retail operators. The demand from our customers for both our wholesale and retail operations gives us significant purchasing power and the ability to negotiate favourable terms with our suppliers.

By integrating both the wholesale and retail functions, we are able to achieve significant economies of scale and operational efficiencies. This complementary retail-wholesale model allows us to offer competitive prices and a wide product selection to our wholesale and retail customers. The synergies created strengthen our position as an integrated shopping and supply solution in the regional market of Jiangsu Province.

We have various procurement channels to secure stable supply of products

We source our products from a wide variety of suppliers including manufacturers, district distributors, wholesalers of agricultural and food products as well as agricultural cooperatives. For each of FY2021, FY2022, FY2023 and 9M2024, we procured products from over 900 suppliers for our wholesale and retail operations. We do not substantially rely on any single supplier. Our largest supplier for each of FY2021, FY2022, FY2023 and 9M2024 accounted for approximately 7.5%, 12.5%, 25.5% and 30.5% of our total purchase of the corresponding years/period, respectively. Our various procurement channels enhance our supply chain resilience, which is instrumental to our ability to secure a stable and continuous supply of products for our wholesale and retail operations during the Track Record Period, despite the challenges posed by the disruption to supply chain during the COVID-19 pandemic.

In addition, maintaining multiple channels for sourcing provides flexibility to us and allows us to quickly adapt to changing market conditions and fluctuations in demand. If one supplier is unable to meet the requirements, alternative suppliers can be leveraged to maintain a steady supply. By having access to a variety of suppliers, we can adjust our sourcing strategies and adapt to evolving circumstances. Moreover, our multiple sourcing channels provide us access to a wider range of merchandise and enhance the product offerings at our Retail Stores and Malls.

Our extensive network of Retail Stores and wholesale customers as well as our centralised procurement result in our higher bargaining power for more favourable terms and pricing options from our suppliers for purchase in bulk. This in turn enables us to set more competitive pricing for our sales and maintain the appeal of our Retail Stores and wholesale operations. Meanwhile, our bulk procurement quantity helps foster the willingness of suppliers to supply to us, which is proven by the grant of district distributorship rights to us by some renowned brands of dairy products, oil and liquors during the Track Record Period.

Diversifying supplier channels also help to introduce competition among our suppliers, motivate them to maintain high-quality standards and deliver consistent products to secure ongoing business from us. This competition can drive our suppliers to continuously improve their processes, resulting in better quality products for our business.

We have established supply chain management systems

We have a distribution centre and two warehouses with total gross floor area of approximately 18,900 sq.m. located at Jiangdu District, Yangzhou, which support our wholesale and retail operations. Our distribution centre adopts our WMS system, which is connected to our ERP, POS and B2B supply chain systems to provides real time inventory information, allowing us to maintain efficient inventory control as well as facilitating our order placement with suppliers and product distribution to our Retail Stores and wholesale customers. We typically purchase products in bulk quantities and warehouse them in our warehouses or distribution centre for subsequent distribution to our Retail Stores and wholesale customers. Such supply chain has the benefits of receiving discounts for bulks and reducing inventory management costs. Owing to our effort in maintaining a stable and sufficient inventory level of our popular products, we have been able to replenish the supply of popular products in a timely manner.

The major information technology systems we deploy include the ERP system, the POS system and B2B supply chain system which support the procurement, inventory, sales and logistics of our products. These systems collect and monitor real time sales information to facilitate our inventory analysis and procurement decision making. Our management adjusts sales strategies, replenish products and arrange delivery to our Retail Stores and certain wholesale customers according to real time sales information processed by and centralised in our ERP system. Benefiting from our ERP system, POS system and B2B supply chain system, we are able to maintain the optimum level of stocks at our Retail Stores in line with consumer preferences and the latest market trends.

We have an experienced and professional management team

Our management team has extensive industry knowledge and experience in the retail and supply chain industries in the PRC. Each of Mr. Gao, our Chairman and executive Director, and Mr. Yuan, our executive Director, has over 40 years of experience in the supermarket and supply chain businesses, respectively. Further, Mr. Zhang and Mr. Yao, our executive Directors and members of our senior management, have over 30 years and 15 years of experience in the supermarket and supply chain businesses, respectively. For details of the experience of our Directors and members of our senior management, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus. We believe their insights and knowledge of the local market can continue to allow our Group to formulate the right model and strategies for our business growth, to identify the optimal product mix and secure strategic locations for our supermarkets and convenience stores, and to implement our business plans effectively and successfully.

We adopt an approach that aims to maintain satisfactory customer services to our customers

We have adopted an approach that aims to maintain satisfactory customer services to our customers. We have established membership schemes for our Retail Stores and Malls respectively. As at the Latest Practicable Date, our membership scheme for Retail Stores and Malls had over 420,000 and 200,000 members, respectively. With such membership schemes, we could keep our members informed of our promotional activities as well as featured products, while we could better understand the preference of our customers. This allows us to strategically enhance our product portfolio and provide suitable customer service to further promote our brand.

We actively solicit market information and customers' feedback in order to better understand our customers' preferences and purchase patterns. This is achieved through customer services hotlines, online customer services platform for our customers to raise enquiries and lodge complaints with us regarding our products and services. Our sales team would also follow up with our bulk sales and wholesale customers.

During the Track Record Period, we maintained mini programmes "龍會易購" (Longhuiyigou*) and "宏信龍當日達" (Hongxinlong Same Day Delivery*) for our Retail Stores and "江都商城" (Jiangdu Mall*) for online sale of products offered at our Malls. Real time data generated by these mini programmes reflects shopping behaviour, preferences and demand of our customers. We believe that the use of these mini programmes not only allows us to offer convenient shopping experience to our customers, but also enables us to perform targeted marketing and formulate sales strategies according to prevailing market trends.

OUR BUSINESS STRATEGIES

The principal business objectives of our Group are to further strengthen our market position, increase our market share and capture the growth in the PRC retail industry. We intend to achieve our business objective mainly through (i) expanding our presence and number of Retail Stores; (ii) expanding our warehousing capacity by establishing a new distribution centre; (iii) expanding our processing capacity of meals by establishing a new central kitchen; and (iv) enhancing our ERP system and infrastructure systems to improve our operational efficiency.

Strengthen our market position further by expanding our presence and number of Retail Stores

We aim to continue to strengthen our market position in the central region of Jiangsu Province particularly in Yangzhou and Taizhou through expansion of our retail network in the neighbouring cities of our existing markets in Jiangsu Province. Leveraging our in-depth understanding of local customers' preferences and their spending habits, we will continue to expand our retail network primarily in the central region of Jiangsu Province where we believe there exists promising growth and development potential and comparatively lesser competition from major international and national supermarket operators. We will continue to actively develop new markets and open additional outlets when we found suitable location and opportunities. In deciding whether to enter into a new market, we will take into account various factors such as the local population profile, their consumption and spending patterns, pedestrian flow nearby the potential outlets, and existence of any market competitors nearby.

We have strong commitment in supplying quality products including daily fresh food like vegetables, fruits and meats to our consumers. In order to attract more consumers to visit our Retail Stores, we plan to open a total of 12 supermarkets and 30 convenience stores in Jiangsu Province and Anhui Province from the Latest Practicable Date to the first quarter of 2026 and offer a variety of products such as grains and oil, non-staple food and household products. In particular, we plan to open three supermarkets and six convenience stores in Yangzhou, and seven supermarkets and 18 convenience stores in Taizhou. Our Directors are of the view that there will be sufficient market demand for the Company to expand and open in total 42 additional Retail Stores by the first quarter of 2026 considering the trend and industry statistic of small and medium-sized chain supermarkets and the necessity for physical stores.

As advised by the Industry Consultant, the retail sales of small and medium-size chain supermarkets with a sales area of below 6,000 sq.m. amounted to approximately RMB7.99 billion in 2023 in central region of Jiangsu Province. The retail sales of small and medium-sized chain supermarkets from 2017 to 2023 increased at a CAGR of 14.5%. It is expected that the retail sales of small and medium-sized chain supermarkets in the central region of Jiangsu Province from 2024E to 2027E will increase at a CAGR of 7.7%. Such robust upward trend presents a significant opportunity for our Group to enhance our competitive advantage and drive sustainable growth by expanding its sales network. Besides, according to the Industry Consultant, due to social needs, habits, familiarity and cash payment preferences, elders are more inclined to shop at physical retail stores like supermarkets and convenience stores and are less inclined to shopping online. The trend in population aging in the PRC therefore provides a stable or even growing customer base for physical retail stores. In Yangzhou, the elderly population has been continuously growing, with the proportion of residents aged 60 and above in Yangzhou increasing from approximately 19.23% in 2010 to approximately 28.59% in 2023. In Taizhou, the proportion of residents aged 60 and above has also been continuously increasing from approximately 22.14% in 2010 to approximately 30.50% in 2023. The elders with age over 60 has grown to over 25% of the total population and that the percentage of the elders with age over 60 has been growing in both Yangzhou and Taizhou. Such trend is expected to enhance the demand for physical retail stores which can better cater to the preferences and needs of the aging population. With this one-stop shopping experience convenient to our consumers, we believe this will allow us to cater for the needs of our consumers in line with their shopping habits, enhance our profitability through selling higher profit margins products such as those non-staple food, and facilitate us to expand our retail business into new markets in the Jiangsu Province and Anhui Province. During the Track Record Period, we accumulated experience in operating Retail Stores in Tianchang, Anhui despite their closure in 2024. Having considered that such closure was undertaken merely for the purpose of rectifying certain non-compliance for failure to complete the fire safety approvals for those Retail Stores (please refer to the paragraph headed "Business – Non-compliance – (3) Failure to complete Fire Safety Approvals" in this section for details), which was not related to the business efficiency or profitability of those Retail Stores, our Directors are of the view that expanding our retail network to Anhui can enhance our market presence and drive our growth by leveraging our prior experience and understanding of local customers' preferences and their spending habits.

Each of our new supermarkets and convenience store is expected to have a gross floor area of approximately 1,000 sq.m. and 100 sq.m., respectively. For site selection of new Retail Stores, we will evaluate whether there is sufficient population and consumers' demand in a potential area to support a new Retail Store by considering factors including whether the daily foot traffic passing by the Retail Store reaches at least 1,500 visits for supermarket and 300 visits for convenience store, whether there are a minimum of 800 resident households nearby, whether there is any landmark building in the vicinity, the distance to the nearest bus stop as well as age demographics and income level of residents nearby etc.. Taking into account the potential cannibalization effect on our other Retail Store nearby, while balancing it against the potential revenue to be generated from the new Retail Store, we generally will not open a new Retail Store at areas in which we already have another Retail Store within an approximately five-minute walking distance, unless we have sufficient traffic data showing that the traffic is sizeable enough to support an additional Retail Store in that location. Any proposal to open a new Retail Store is subject to the approval of our management, which collectively oversee the expansion of our Retail Stores as a whole to avoid any over-aggressive expansion or cannibalization effect. Based on our management's best estimation and past experience, the opening of new Retail Stores is expected to incur a total capital expenditure of approximately RMB32.4 million (equivalent to approximately HK$35.1 million), of which, approximately RMB30.0 million (equivalent to approximately HK$32.5 million) will be financed with the net proceeds from the Global Offering, and approximately RMB2.4 million (equivalent to approximately HK$2.6 million) will be financed by our internal resources.

The table below sets forth the number of supermarkets and convenience stores estimated to be opened and relevant capital expenditure for each quarter from the Listing Date up to the first quarter of 2026:

	From the Listing Date to 30 June 2025	From 1 July 2025 to 30 September 2025	From 1 October 2025 to 31 December 2025	From 1 January 2026 to 31 March 2026
Number of Retail Stores to be opened:				
By types of Retail Stores				
– Supermarkets	3	3	3	3
– Convenience stores	6	6	9	9
By province and city				
– Jiangsu Province				
• Yangzhou including Gaoyou and Yizheng	6	3	4	–
• Taizhou	3	5	6	8
• Yancheng	–	–	–	4
– Anhui Province				
• Tianchang	–	1	2	–
Estimated total capital expenditure *(RMB'000)*	7,680	7,680	8,520	8,520

In respect of our Retail Stores that were opened during the Track Record Period, it generally took us within approximately one to two months to open a new supermarket and within approximately one month to open a new convenience store.

The breakeven period is the period required for a Retail Store to generate turnover equivalent to its operating costs for the first time. The operating costs mainly consist of the expected rental expenses, staff costs, costs of goods sold and utilities expenses. We expect that the new supermarkets and convenience stores that we plan to open will have an average breakeven period of approximately three to six months and two months, respectively, on the assumption that the future turnover growth rates and gross profit margins will be similar to those opened during the year 2023. In respect of our Retail Stores that were opened during the Track Record Period, the range of breakeven period for new supermarkets and convenience stores were approximately one to six months and one to seven months, respectively. In particular, the convenience stores with a longer breakeven period were mainly the ones opened in 2021 whereby the sale performance was affected by COVID-19 pandemic.

The investment payback period is the time required for a Retail Store to generate its net profit equivalent to its initial setup costs for the first time. The initial setup costs mainly consist of equipment costs, decoration costs and installation cost for fire safety system and monitoring system. We expect that the new supermarkets and convenience stores that we plan to open will have an investment payback period of approximately two to three years and four to five years, respectively, on the assumption that the future turnover will increase in line with our overall business growth, no material change in the market demand and no material increase in the costs of purchased products and labour costs. In respect of our Retail Stores that were opened during the Track Record Period, the range of investment payback period for new supermarkets and convenience stores were approximately one to two years and two to three years, respectively.

Expanding our warehousing capacity by establishing a new distribution centre

As at the Latest Practicable Date, we had one distribution centre and two warehouses in Jiangdu District, Jiangsu Province with a total gross floor area of approximately 18,900 sq.m. for storing the products sold at our Retail Stores and to our wholesale customers. In view of our anticipated business growth and increasing inventory flow, we expect to experience a rising demand for warehousing space. As at the Latest Practicable Date, the utilisation rates of our distribution centre and warehouses were over 80%. As such, in order to leverage the market growth and deepen our market penetration, our Directors believe it is imperative for us to enhance our warehousing capabilities. In this regard, we plan to set up a new distribution centre (the "**New Distribution Centre**").

In selecting the location of the New Distribution Centre, we have considered a number of criteria, among others, including (i) whether there exists any mature infrastructure development in terms of electricity supply and transportation network for such location; and (ii) whether the land is in close proximity to our existing distribution centre and warehouses to allow a more efficient management of our daily operations and facilitate collaboration among our different warehouses. As at the Latest Practicable Date, we have considered several locations which can serve as suitable locations of our New Distribution Centre but we have not entered into any legally binding agreement for land acquisition as at the Latest Practicable Date. The land acquisition will be subject to bidding, auction or listing procedures. We plan to use 10,000 sq.m. of the land for the construction of the New Distribution Centre.

Based on our management's best estimation and past experience, it would take approximately eight months to complete the construction of the New Distribution Centre upon acquisition of land and an additional four months for the New Distribution Centre to fully come into operation. The New Distribution Centre will be equipped with cold storage facilities and general storage facilities to accommodate the storage needs of different types of products.

Our Directors believe that the expansion of our warehousing capacity by setting up the New Distribution Centre is justifiable, considering the following factors:

(A) Inadequate storage capacity of our existing distribution centre and warehouses

Our Directors believe that the high utilisation rate of our existing distribution centre and warehouses had limited our ability to obtain more business from our retail customers as we do not have adequate storage space to store the products to be supplied to our Retail Stores. Our Directors consider that the New Distribution Centre will be able to satisfy our need for storage space arising from our long-term business growth and is complementary to our business strategy of expanding the number of our Retail Stores.

(B) Expected market growth of the supermarket and convenience store retail markets in the central region of Jiangsu Province

Our Directors believe that there is substantial demand in the supermarket and convenience store retail markets in the central region of Jiangsu Province. According to the Industry Report, the nominal GDP of the PRC had increased at a CAGR of approximately 7.17% from 2017 to 2023 to reach approximately RMB126,058 billion in 2023. In particular, according to the Industry Report, the nominal GDP of the central region of Jiangsu Province had increased at a CAGR of approximately 6.76% from 2017 to 2023 to reach approximately RMB2,596.8 billion in 2023. The per capita disposable income of the PRC residents had increased from approximately RMB26,000 in 2017 to approximately RMB39,000 in 2023, representing a CAGR of approximately 6.99%. In particular, the per capita disposable income of residents in the central region of Jiangsu Province had increased from approximately RMB31,500 in 2017 to approximately RMB50,000 in 2023, representing a CAGR of approximately 8.01%. Such increasing trends indicate higher purchasing power and willingness to spend on food and household products by retail customers in the central region of Jiangsu Province, which will contribute to the growing retail sales of chain supermarkets and convenience stores in such region.

Further, according to the Industry Report, the retail sales of chain supermarkets in the central region of Jiangsu Province decreased from approximately RMB23.9 billion in 2017 to approximately RMB20.0 billion in 2023, representing a CAGR of approximately -3.0%. The retail sales of convenience stores in the central region of Jiangsu Province increased from approximately RMB3.08 billion in 2017 to approximately RMB6.83 billion in 2023, representing a CAGR of approximately 14.2%. According to the Industry Report, driven by the strong economic growth momentum and increasing income and expenditure level, it is forecasted that the market size of supermarket chain retail market in the central region of Jiangsu Province will increase from approximately RMB20.6 billion in 2024 to approximately RMB22.5 billion in 2027 at a CAGR of approximately 3.1%, and the market size of convenience store retail market in the central region of Jiangsu Province will increase from approximately RMB7.85 billion in 2024 to approximately RMB10.7 billion in 2027 at a CAGR of approximately 11.0%. Our Directors believe that enhancing our warehousing capabilities will enable us to capture more business opportunities from the growth in the supermarket chain and convenience store retail markets in the central region of Jiangsu Province.

Expanding our processing capacity of meals by establishing a new central kitchen

During the Track Record Period, our revenue from supply and sales of meals increased from approximately RMB7.7 million for FY2021 to approximately RMB15.3 million for FY2023, representing an increase of approximately 98.7%. For 9M2024, our revenue from supply and sales of meals amounted to approximately RMB4.7 million. As at the Latest Practicable Date, we had a central kitchen located at Yangzhou for preparation of meals and could produce 10,000 sets of meals for lunch and 10,000 sets of meals for dinner per day. We mainly supply meals for lunch orders and during FY2021, FY2022, FY2023 and 9M2024, the maximum number of lunch orders or dinner orders processed by us in a day had reached approximately 5,100, 6,300, 8,700 and 5,500, respectively. The processing capacity of our central kitchen during the Track Record Period was mainly constrained by the processing capacity for lunch orders or dinner orders since the production for lunch meals and dinner meals is distinctly separate and hence any excess capacity for lunch production cannot be reallocated to dinner production and vice versa. As we will face legal liabilities and reputation risk if we fail to deliver the meals to our customers on time, it is not commercially viable to exhaust the processing capacity of our central kitchen.

According to the Industry Report, the sales of prepared food in the central region of Jiangsu Province increased from approximately RMB2.39 billion in 2017 to approximately RMB7.75 billion in 2023, representing a CAGR of 21.7%. Driven by the increasing demand for convenient, fast and diverse food processing options among consumers, it is forecasted that the sales of prepared food in the central region of Jiangsu Province will increase from approximately RMB10.64 billion in 2024 to approximately RMB19.78 billion in 2027, representing a CAGR of approximately 23.0%.

With a view to capitalise on the business opportunities in the prepared food market in the PRC, we intend to expand our processing capacity of meals by establishing a new central kitchen in addition to the Muyuan Central Kitchen. We plan to construct an additional central kitchen (the "**New Central Kitchen**") with a gross floor area of approximately 3,000 sq.m. on the same parcel of land to be acquired for the construction of the New Distribution Centre. It is estimated that the New Central Kitchen will have a capacity of preparing 10,000 sets of meals for lunch and 10,000 sets of meals for dinner per day. Based on our management's best estimation and past experience, it would take approximately four months to complete the construction of the New Central Kitchen and an additional one month for the New Central Kitchen to come into full operation.

Our Directors believe that the expansion of our processing capacity of meals will enable us to take up more orders from customers and accommodate the increase in demand for our meals. Further, the New Central Kitchen will enhance our operational flexibility and stability in providing meals to our customers. In case of any disruption to the operation of our existing central kitchen, we are able to relocate our operation therein to the New Central Kitchen, thereby reducing the impact on our business operations.

Breakeven period refers to the length of time required for the New Central Kitchen to generate sufficient monthly revenue to cover its monthly operating expenses incurred for the relevant month, taking into account the non-cash items such as depreciation expenses. Our Directors estimate that the breakeven period for the New Central Kitchen will be approximately one month after it comes into operation.

Investment payback period refers to the length of time required for the New Central Kitchen to generate sufficient accumulated cash inflows to recover the initial investment costs. Our Directors estimate that the investment payback period for the New Central Kitchen will be approximately three years after it comes into operation.

Enhancing our ERP system and infrastructure systems to improve our operational efficiency

We believe that an advanced ERP system is essential to support our business growth and internal controls. We plan to establish a centralised ERP system to support and manage our business expansion and improve our operational efficiency. The centralised ERP system will be able to manage various aspects of our business operations which include (i) sales management; (ii) supply chain management; (iii) financial management; (iv) accounting management; (v) inventory management; (vi) operation flow management; (vii) quality control management; and (viii) human resources management. The centralised ERP system will be equipped with an online portal which allows us to monitor our procurement, sales and inventory data on a real-time basis, which in turn facilitates our production planning, procurement decision-making, inventory analysis, and sale and logistics analysis. We would also upgrade our general office software, so as to enable us to maintain our operations in an orderly and efficient manner.

OUR BUSINESS MODEL

Our business entails the following operations:

- **Wholesale operations:** We sell grains and oil, food products and other products to resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators. As at the Latest Practicable Date, we have secured our district distribution rights with 15 suppliers in respect of products of 29 brands or series of brands, including renowned brands of dairy products, oil and liquors, out of which six for distribution in Jiangdu District, Yangzhou, six for distribution in Yancheng City, one for Tinghu Town of Yancheng City, one for Yangzhou City and one for distribution of liquor of a renowned brand in designated store in Jiangdu District, Yangzhou. As at the Latest Practicable Date, we had successfully renewed the district distribution agreements with ten suppliers and we were attending to the renewal of the district distribution agreements with five suppliers, which continued to supply products of the authorised brands to us. Our Directors confirm that there is no impediment to the renewal of the district distribution agreements of these five suppliers. The distribution rights under the agreements are not expressed to be exclusive in nature. Pursuant to the agreements, we generally enjoy better pricing terms than other distributors without such district distributorship rights. We also sell garment and wooden products to overseas customers and household appliances to distributors and retailers.

  In respect of our wholesales, food was our major revenue contributor during the Track Record Period. Sales of food accounted for approximately 90.6%, 85.6%, 91.7%, 93.3% and 93.1% of our revenue from wholesales for FY2021, FY2022, FY2023, 9M2023 and 9M2024, respectively. In particular, oil was our major food product for our wholesale operations in term of revenue contribution. For FY2021, FY2022, FY2023, 9M2023 and 9M2024, sales of oil accounted for (i) approximately 74.6%, 73.4%, 70.0%, 72.3% and 73.2% of our revenue from sales of food under our wholesales, respectively; and (ii) approximately 67.7%, 62.8%, 64.2%, 67.5% and 68.2% of our revenue from wholesales, respectively. For breakdown of our revenue from wholesales by product types, please refer to the paragraph headed "Our products portfolio – Revenue derived from our products" in this section below.

  Our Group commenced wholesale business since 2002 and has accumulated years of experience in the wholesale market in the PRC. Oil has been our major food products sold under our wholesale operations during the Track Record Period. During FY2021, we secured our district distributorship rights in Yangzhou City with Yihai Kerry Food Marketing Co., Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司) ("**Yihai Kerry**") for the distribution of oil in which the Yihai Kerry is the brand owner. Yihai Kerry is a PRC subsidiary of a company listed on the Shenzhen Stock Exchange engaging in oilseeds crushing, edible oils refining, manufacturing of specialty fats and oleochemicals, processing of corn, wheat and soybean, as well as the sustainable multi-stage processing of rice, raw food materials, central kitchen and

R&D in grains and oil processing technology. According to publicly available information, Yihai Kerry group is one of the largest grains and oil production and processing groups in the PRC, and it held a dominant position with a market share of 39.0% in 2023, ranking the first in the PRC. Our Directors are of the view that our district distribution rights with Yihai Kerry provided a solid foundation to our Group's purchase of oil for our wholesale operations and contributed to the growth of our wholesale operations during the Track Record Period. Prior to securing our district distributorship rights with Yihai Kerry, our Group purchased oil from more dispersed suppliers. For each of FY2022, FY2023 and 9M2024, Yihai Kerry became our largest supplier, and our purchase with Yihai Kerry amounted to approximately RMB141.9 million, RMB282.3 million and RMB284.5 million for FY2022, FY2023 and 9M2024, representing approximately 12.5%, 25.5% and 30.5% of our total purchase, respectively. As an illustration of the significance of our collaboration with Yihai Kerry to the growth of our wholesale operations, our revenue from sales of oil under our wholesale operations increased significantly from approximately RMB311.0 million for FY2022 to approximately RMB436.1 million for FY2023, and increased significantly from approximately RMB293.3 million for 9M2023 to approximately RMB387.6 million for 9M2024. Of which, for FY2022, FY2023 and 9M2024, our sales of oil purchased from Yihai Kerry accounted for approximately 52.5%, 72.3% and 84.3% of our revenue from sales of oil under our wholesale operations, respectively.

To the best knowledge of our Directors, Yihai Kerry granted similar district distributorship rights in Yangzhou City to not more than three companies including us. Despite our district distributorship rights with Yihai Kerry is not exclusive, our Directors are of the view that our Group was able to expand our wholesale operations and benefit from our district distributorship rights with Yihai Kerry primarily attributable to the following factors: (i) we offered favourable credit terms to our wholesale customers for oil. For example, for FY2022, FY2023 and 9M2024, our five largest customers were wholesale customers in each year/period during the Track Record Period (save for Customer G for FY2022 which was a bulk sales customer) in which the products we sold to them were mainly oil we purchased from Yihai Kerry, and these customers were given a credit period of up to 90 days. According to the Industry Consultant, the credit terms for wholesalers of cooking oil in Jiangsu Province are typically up to 60 days. Nevertheless, certain wholesalers with longer history or a more established presence in the market may adopt more competitive credit policies by offering more favorable terms in an effort to enhance their market share and strengthen their market position. To the best knowledge of our Directors, our Group's credit terms are not least competitive than our competitors; (ii) in addition to oil and to a less extent, we also sell other day-to-day food products such as grains and milk, which we believe are essential for meeting the needs of our wholesale customers; and (iii) instead of being only a wholesaler, our brand was boosted by retail operations whereby we also operate supermarkets and convenience stores. According to the Industry Report, we ranked the second among supermarket operators in Yangzhou in terms of sales in 2023 with a market share of approximately

9.1%, the fifth among supermarket operators in the central region of Jiangsu Province in terms of sales in 2023 with a market share of approximately 2.3%, and around the twentieth among supermarket operators in Jiangsu Province in terms of sales in 2023 with a market share of approximately 0.4%.

Our latest distributorship agreement with Yihai Kerry will expire in end of December 2025, and pursuant to it, the agreement remains effective until a renewed distributorship agreement is entered into or if either party terminates the agreement. Our distributorship agreement with Yihai Kerry is renewable annually, and our Group has successfully renewed with Yihai Kerry since the first distributorship agreement with it.

- **Retail operations:** We operate our supermarkets and convenience stores under our brand "宏信龍" (Hongxinlong*), as well as two Malls, with geographical focus in the central region of Jiangsu Province. We receive sales proceeds from (i) general sales to consumers at our Retail Stores and Malls; and (ii) bulk sales to customers including corporate and government entities. We also receive sales amounts for concessionaire sales at our Retail Stores and Malls and charge the concessionaires certain percentage of gross sale amounts or the agreed sales target, whichever is the higher, as commissions.

  Our supermarkets provide a wide range of daily consumer products to cater for the daily needs of our customers, which could be broadly categorised as raw and fresh food, grains and oil, non-staple food and household products, while our convenience stores open for 16 or 24 hours a day to cater for quick purchases of everyday consumable products. We adopt the strategies of standardised branding and store design, centralised procurement, centralised inventory control and distribution as well as unified management for our Retail Stores for the purpose of our chain store management. These unities allow us to benefit from economies of scale, streamline operations, and provide a predictable shopping experience for our customers.

  We sell fashion and apparel, children's wear, cosmetics and personal care, jewellery, accessories, footwear, household appliances, consumer electronics, liquor and miscellaneous products at our Malls. We endeavour to provide a wide range of merchandise to cater for the demand for trendy and fashionable products.

- **Rental operations:** Ancillary to our retail operations, we lease some shop floor area or shop premises in our Retail Stores and Malls to other retail operators like restaurant, hotels and pharmacies, etc. and receive rental income.

- **Supply and sales of meals:** We operate a central kitchen to produce meals and deliver to local corporates, schools or government entities. Leveraging our ability to source and supply quality and fresh food ingredients, we also operate a central kitchen to produce meals and deliver to local corporates, schools or government entities. As at the Latest Practicable Date, our central kitchen was located at Yangzhou and had the capacity to produce 10,000 sets of meals for lunch and 10,000 sets of meals for dinner per day.

The table below sets forth a breakdown of our total revenue by operations during the Track Record Period:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Wholesale operations:										
– Sale of goods										
• Wholesales *(Note 1)*	515,654	36.0	495,056	37.3	679,641	48.5	434,820	44.0	568,338	56.5
– Commission income from sales and supply of goods	9,639	0.7	17,283	1.3	6,860	0.5	6,405	0.6	4,073	0.4
Sub-total	525,293	36.7	512,339	38.6	686,501	49.0	441,225	44.6	572,411	56.9
Retail operations:										
– Sale of goods *(Note 2)*										
• General sales:	751,615	52.5	613,209	46.2	616,813	44.0	472,480	47.8	362,049	36.0
– Supermarkets	*446,875*	*31.2*	*390,094*	*29.4*	*383,592*	*27.4*	*306,482*	*31.0*	*222,588*	*22.1*
– Convenience stores	*113,165*	*7.9*	*117,664*	*8.9*	*93,848*	*6.7*	*70,296*	*7.1*	*39,650*	*4.0*
– Malls	*191,575*	*13.4*	*105,451*	*7.9*	*139,373*	*9.9*	*95,702*	*9.7*	*99,811*	*9.9*
• Bulk sales	104,176	7.2	143,930	10.8	38,883	2.8	30,145	3.1	34,963	3.5
– Commission income from concessionaire sales	32,718	2.3	30,748	2.3	32,894	2.3	21,795	2.2	20,752	2.1
Sub-total	888,509	62.0	787,887	59.3	688,590	49.1	524,420	53.1	417,764	41.6
Rental income from operating lease	10,668	0.8	10,573	0.8	11,566	0.8	9,585	1.0	10,910	1.1
Supply and sales of meals	7,723	0.5	17,886	1.3	15,315	1.1	12,603	1.3	4,725	0.4
Total revenue	**1,432,193**	**100**	**1,328,685**	**100**	**1,401,972**	**100**	**987,833**	**100**	**1,005,810**	**100**

Notes:

1. Wholesales include the sale of grains and oil, food products and other products.

2. The revenue generated from our mini programmes and e-commerce platforms for Retail Stores and Malls amounted to approximately RMB14.6 million, RMB6.6 million, RMB22.7 million and RMB22.8 million for FY2021, FY2022, FY2023 and 9M2024, respectively.

3. Included in our total revenue was the insignificant amount of approximately RMB7.1 million, RMB1.3 million, RMB0.3 million and nil for FY2021, FY2022, FY2023 and 9M2024, respectively, attributable to our sales to our franchisees and franchise fee. We have terminated the franchise scheme in 2023.

WHOLESALE OPERATIONS

Our network of supermarkets and convenience store chain and Mall business, we gradually expand our wholesale operations over the years. In 2001, Hongxin Trading (which was formerly known as Jiangdu Mall Co., Ltd.* (江都商城股份有限公司)) obtained the approval for import and export rights from the Ministry of Foreign Trade and Economic Cooperation of the PRC (對外貿易經濟合作部), pursuant to which Hongxin Trading was permitted to engage in the import and export of merchandise. Over the years, we develop our wholesale and retail operations simultaneously, which helps to bring complementary benefits and synergies to our business.

We believe that our wholesale model is commonly used in the wholesale industry in the PRC and is in line with the industry norm. Our Directors believe such model allows us to grow our wholesale operations by reaching the downstream customer groups of our wholesale customers and their sales network, and this helps us to broaden our consumer base at comparatively lower costs. For FY2021, FY2022, FY2023 and 9M2024, our revenue from wholesale operations amounted to approximately RMB525.3 million, RMB512.3 million, RMB686.5 million and RMB572.4 million, respectively, representing approximately 36.7%, 38.6%, 49.0% and 56.9% of our total revenue, respectively. During the Track Record Period, all of its revenue was generated in the PRC, considering that the control over products sold under our Group's wholesale business was passed to its wholesale customers (whether located within or outside the PRC) within the PRC.

During the Track Record Period, we conducted three major types of wholesale, namely:

- sale of grains and oil, food products and other products to local customers;
- sale of household appliances to local customers; and
- sale of garment and wooden products to overseas customers.

In respect of our wholesales, food was our major revenue contributor during the Track Record Period. Sales of food accounted for approximately 90.6%, 85.6%, 91.7%, 93.3% and 93.1% of our revenue from wholesales for FY2021, FY2022, FY2023, 9M2023 and 9M2024, respectively. In particular, oil was our major food product for our wholesale operations in term of revenue contribution. For FY2021, FY2022, FY2023, 9M2023 and 9M2024, sales of oil accounted for (i) approximately 74.6%, 73.4%, 70.0%, 72.3% and 73.2% of our revenue from sales of food under our wholesales, respectively; and (ii) approximately 67.7%, 62.8%, 64.2%, 67.5% and 68.2% of our revenue from wholesales, respectively. For breakdown of our revenue from wholesales by product types, please refer to the paragraph headed "Our products portfolio – Revenue derived from our products" in this section below.

Our Group commenced wholesale business since 2002 and has accumulated years of experience in the wholesale market in the PRC. Oil has been the one of our food products sold under our wholesale operations. During FY2021, we secured our district distributorship rights in Yangzhou City with Yihai Kerry Food Marketing Co., Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司) ("**Yihai Kerry**") for the distribution of oil in which the Yihai Kerry is the brand owner. Yihai Kerry is a PRC subsidiary of a company listed on the Shenzhen Stock Exchange engaging in oilseeds crushing, edible oils refining, manufacturing of specialty fats and oleochemicals, processing of corn, wheat and soybean, as well as the sustainable multi-stage processing of rice, raw food materials, central kitchen and R&D in grains and oil processing technology. According to publicly available information, Yihai Kerry group is one of the largest grains and oil production and processing groups in the PRC, and it held a dominant position with a market share of 39.0% in 2023, ranking first in the PRC. Our Directors are of the view that our district distribution rights with Yihai Kerry provided a solid foundation to our Group's purchase of oil for our wholesale operations and contributed to the growth of our wholesale operations during the Track Record Period. Prior to securing our district distributorship rights with Yihai Kerry, our Group purchased oil from more dispersed suppliers. For each of FY2022, FY2023 and 9M2024, Yihai Kerry became our largest supplier, and our purchase with Yihai Kerry amounted to approximately RMB141.9 million, RMB282.3 million and RMB284.5 million for FY2022, FY2023 and 9M2024, representing approximately 12.5%, 25.5% and 30.5% of our total purchase, respectively. As an illustration of the significance of our collaboration with Yihai Kerry to the growth of our wholesale operations, our revenue from sales of oil under our wholesales increased significantly from approximately RMB311.0 million for FY2022 to approximately RMB436.1 million for FY2023, and increased significantly from approximately RMB293.3 million for 9M2023 to approximately RMB387.6 million for 9M2024. Of which, for FY2022, FY2023 and 9M2024, our sales of oil purchased from Yihai Kerry accounted for approximately 52.5%, 72.3% and 84.3% of our revenue from sales of oil under our wholesales, respectively.

To the best knowledge of our Directors, Yihai Kerry granted similar district distributorship rights in Yangzhou City to not more than three companies including us. Despite our district distributorship rights with Yihai Kerry is not exclusive, our Directors are of the view that our Group was able to expand our wholesales and benefit from our district distributorship rights with Yihai Kerry primarily attributable to the following factors: (i) we offered favourable credit terms to our wholesale customers for oil. For example, for FY2022, FY2023 and 9M2024, our five largest customers in each year/period during the Track Record Period were wholesale customers (save for Customer G for FY2022 which was a bulk sales customer) in which the products we sold to them were mainly oil we purchased from Yihai Kerry, and these customers were given a credit period of up to 90 days. According to the Industry Consultant, the credit terms for wholesalers of cooking oil in Jiangsu Province are typically up to 60 days. Nevertheless, certain wholesalers with longer history or a more established presence in the market may adopt more competitive credit policies by offering more favorable terms in an effort to enhance their market share and strengthen their market position. To the best knowledge of our Directors, our Group's credit terms are not least competitive than our competitors; (ii) in addition to oil and to a less extent, we also sell other day-to-day food products such as grains and milk, which we believe are essential for meeting the needs of our wholesale customers; and (iii) instead of being only a wholesaler, our brand was boosted by retail operations whereby we also operate supermarkets and convenience stores. According to the Industry Report, we ranked second among supermarket operators in Yangzhou in terms of sales in 2023 with a market share of approximately 9.1%, the fifth among supermarket operators in the central region of Jiangsu Province in terms of sales in 2023 with a market share of approximately 2.3%, and around the twentieth among supermarket operators in Jiangsu province in terms of sales in 2023 with a market share of approximately 0.4%.

Our latest distributorship agreement with Yihai Kerry will expire in end of December 2025, and pursuant to it, the agreement remains effective until a renewed distributorship agreement is entered into or if either party terminates the agreement. Our distributorship agreement with Yihai Kerry is renewable annually, and our Group has successfully renewed with Yihai Kerry since the first distributorship agreement with it.

Sale of grains and oil, food products and other products to local customers

As a wholesaler of grains and oil with retail operations of supermarkets and convenience stores, we leverage our collective purchase power to negotiate better prices and terms with our suppliers. As such, we are able to attract wholesale customers which procure grains and oil, food products and other products from us at comparatively competitive prices. We sell grains and oil, food products and other products to local customers in the PRC, which mainly include resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators. In respect of sale of grains and oil, food products and other products, our Group recognises revenue on gross basis.

District distributorship rights

According to the Industry Report, the wholesale markets in different districts of the PRC are governed by a system of district-level distributorship rights. After years of operation and accumulation, we have gained the trust of different suppliers and brand owners, and obtained district distributorship rights for their products. As at the Latest Practicable Date, we have secured our district distribution rights with 15 suppliers in respect of products of 29 brands or series of brands, including renowned brands of dairy products, oil and liquors, out of which six for distribution in Jiangdu District, Yangzhou, six for distribution in Yancheng City, one for

Tinghu Town of Yancheng City, one for Yangzhou City and one for distribution of liquor of a renowned brand in designated store in Jiangdu District, Yangzhou. As at the Latest Practicable Date, we have successfully renewed the district distribution agreements with ten suppliers and are currently in the renewal process with the remaining five suppliers. All 15 suppliers continue to provide products of authorised brands to us. Our Directors confirm that there are no impediments to renewing all district distribution agreements. The distribution rights under the agreements are not expressed to be exclusive in nature. Pursuant to the agreements, we generally enjoy better pricing terms than other distributors without such district distributorship rights. Our rights to distribute such products are confined to the regions as stipulated in the distributorship agreements.

The following table sets out the salient terms of the district distributorship agreements:

Term:	Usually for 12 months
Distribution territory(ies):	Six for distribution in Jiangdu District, Yangzhou, six for distribution in Yancheng City, one for Tinghu Town of Yancheng City, one for Yangzhou City and one for distribution of liquor of a renowned brand in designated store in Jiangdu District, Yangzhou Some agreements expressly restrict sales at online channels, gas stations and vending machines.
Minimum purchase commitments/sales targets:	Some agreements set out some annual, quarterly and/or monthly minimum purchase commitments or sales targets.

Consequences for failing to meet the minimum purchase commitments/sales targets:	Some contracts set out one or more of the following consequences: 1. We may bear the liability for breach of contract and we may need to compensate the supplier for its economic loss. 2. The supplier is entitled to terminate the agreement. 3. If we fails to meet the targets for consecutive months, the supplier is entitled to terminate the agreement. 4. The supplier may adjust the authorised area or open it up to other distributors. 5. The supplier may deduct certain amount from our deposit or forfeit our deposit.
Sales rebates:	Under some agreements, we are entitled to certain sales rebates if we meet the sales targets.
Return arrangements:	We are usually required to notify the supplier within 3 to 10 days upon identifying quality issues with the products. Products may only be returned upon confirmation by both parties.

Out of the 15 district distributorship rights we have secured as at the Latest Practicable Date, we have maintained business relationship with the suppliers for around one to 13 years, in particular seven for over 4 years and four for over ten years.

During the Track Record Period, there were incidents where we might have failed to meet the minimum purchase commitments or sales targets under the district distribution agreements.

The following sets out the relevant facts regarding the possible breaches and renewal status:

	Type of products	Minimum purchase commitment	Shortfall between the minimum purchase commitment and actual purchase	Renewal status
Supplier J	Liquor	RMB9 million from 6 December 2019 to 25 November 2022	RMB0.45 million	Renewed in 2023
		RMB2 million from 27 February 2023 to 5 December 2023	RMB1 million	Renewed in 2024
		RMB1.5 million from 6 December 2023 to 5 December 2024	RMB0.97 million	No impediment in renewing 2025 agreement
Supplier E	Liquid Milk	RMB62.05 million from 1 January 2021 to 31 December 2021	RMB4.42 million	Renewed in 2022
		RMB62.01 million from 1 January 2022 to 31 December 2022	RMB4.95 million	Renewed in 2023
		RMB59.67 million from 1 January 2023 to 31 December 2023	RMB10.51 million	Renewed in 2024
		RMB56 million from 1 January 2024 to 31 December 2024	RMB16.12 million	Renewed in 2025
Supplier K	Hair Products	RMB2 million from 1 December 2022 to 30 November 2023	RMB0.55 million	Renewed in 2024
		RMB1.45 million from 1 December 2023 to 30 November 2024	Approximately RMB0.22 million	Renewed in 2025
Supplier L	Baby Food	RMB2.8 million from January 2021 to December 2021	Approximately RMB0.52 million	Renewed in 2022
		RMB4 million from 1 January 2022 to 31 December 2022	Approximately RMB0.93 million	Renewed in 2023 and 2024
		RMB6.5 million from 1 January 2024 to 31 December 2024	Approximately RMB2.9 million	No impediment in renewing 2025 agreement

According to the district distributorship agreements, if we fail to meet the minimum purchase commitments or sales targets, we may face the following consequences: (i) we may bear the liability for breach of contract and we may need to compensate the supplier for its economic loss; (ii) the supplier may be entitled to terminate the agreement; (iii) the supplier may adjust the authorised area or open it up to other distributors; and/or (iv) the supplier may deduct certain amount from our deposit or forfeit our deposit. In particular, if we fail to meet the minimum purchase commitments or sales targets for prolonged period of time, and especially when the supplier identifies another market player which they believe the market player can achieve higher sales than us, the supplier may consider terminating our district distributorship rights or refuse to renew our rights upon expiry.

As advised by Industry Consultant, it is not uncommon in the PRC wholesale market that suppliers granting district distributorship rights for their products do not usually strictly enforce the minimum purchase commitments or impose penalties on the distributors for failing to meet the minimum purchase commitments because (i) the sales of branded products are dependent on the popularity of brands and the branding strategies of the suppliers, which may be beyond the control of the distributors; and (ii) the suppliers rely on the distributors to distribute the products and penalising the distributors with reasonable sales performance may deter them from cooperating with these suppliers.

During the Track Record Period, we had not received any penalties for failing to meet any of the minimum purchase commitments under the district distributorship agreements. As at the Latest Practicable Date, we had successfully renewed the district distribution agreements with Supplier E, Supplier K, and Supplier L and we were attending to the renewal of the district distribution agreements with Supplier J, which continued to supply products of the authorised brands to us. Our Directors confirm that there is no impediments to the renewal of that said two district distribution agreements.

We are only allowed to return products with quality issues to our suppliers. As such, we bear inventory risk of any unsold products. For details, please refer to the paragraph headed "Risk Factors – We may be subject to the risk of obsolescence for our inventory" in this prospectus.

Agreements with our wholesale customers

We generally enter into sales agreements with our wholesale customers for grains and oil, food products and other products. The terms of sales agreements range from one to three years. Our wholesale customers place purchase orders with us on an order-by-order basis during the term of the sales agreements. The purchase orders specify the brands, types, quantities and unit prices of the products.

Pursuant to the sales agreements, we generally require upfront payment from customers before delivery of goods. We may grant credit terms of up to three months to some customers with long-term business relationship with us and/or high creditworthiness.

For bulk items like grains and oil, we may arrange our suppliers to deliver the products to the locations designated by our customers directly. For other food products, generally we arrange delivery of the products to our customers from our distribution centre or warehouses.

We have a seller/buyer relationship with our wholesale customers as we sell goods to our wholesale customers. We are not responsible for any of their unsold stock and do not allow for any refund or return of the products sold to our wholesale customers except for return of defective products pursuant to the terms of the sales agreements.

Sale of household appliances to local customers

With our wide network of customers and suppliers and wealth of consumer data collected from our daily interaction with consumers, we gain insights into popular merchandise and the market demand for seasonal products. On behalf of our wholesale customers including distributors and retailers, we source household appliances from brand owners in wholesale quantities. We generally enter into sales contracts with our wholesale customers for household appliances on an order by order basis, specifying the brands, specifications, quantities and unit prices of the products. We generally require our wholesale customers to pay deposits or payment in full before or upon arranging delivery of the household appliances by our suppliers to the locations designated by our customers. Our suppliers only accept return of products with quality issues. In respect of sale of household appliances, our Group recognises revenue on net basis. In determining our commission income, we generally take into account factors including the volume and amount of sales orders and the costs of sourcing the goods. During the Track Record Period, our commission percentage ranged from approximately 0.2% to 1.0%.

Sale of garment and wooden products to overseas customers

We commenced our export sales in 2002. We sell garment and wooden products to customers in overseas countries including the United States and the Philippines. On behalf of our overseas customers, we source garment and wooden products from PRC manufacturers in wholesale quantities. We generally enter into sales contracts with our wholesale customers for garment and wooden products on an order by order basis, specifying the specifications, quantities and unit prices of the products. We grant our wholesale customers credit terms up to 90 days. We only accept return of products with quality issues. Our suppliers arrange delivery of products to our overseas customers while we handle the customs clearance of the shipment. Our suppliers only accept return of products with quality issues. In respect of sale of garment and wooden products, our Group recognises revenue on net basis. In determining our commission income, we generally take into account factors including the volume and amount of sales orders and the costs of sourcing the goods. To the best knowledge of our Directors, they generally procured from our Group in light of our good product quality, suitability and reasonable pricing. During the Track Record Period, our commission percentage ranged from approximately 3.3% to 7.4%.

In relation to our export sales of garment to a customer in the United States, we are advised by our U.S. Legal Advisers that we will not be the party responsible for the payment of any tariffs if we ship our products to our U.S. customer on a free on board (FOB) basis. As such, as all of our products to our U.S. customer were shipped on FOB basis, our U.S. customer is the importer of record and is responsible for payment of tariffs, if any. As advised by our U.S. Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, our export sales to the United States are also not subject to any tariff, quotas, embargoes, sanctions and/or anti-dumping and countervailing duties. The U.S. government announced to impose additional tariff of 10% on goods from the PRC in February 2025 and imposed a further additional tariff of 10% on 4 March 2025. As advised by our U.S. Legal Advisers, the garment we mainly sold to the U.S. during the Track Record Period would be subject to a tariff ranging from approximately 34.6% to 59.5% if those products are shipped from or originated from the PRC and entered the U.S. on or after 4 March 2025. Our Directors are of the view that the recent increase in tariff by the U.S. government up to the Latest Practicable Date is not expected to have a material adverse impact on our business operations having considered (i) the products we sell under our wholesales business are predominantly food within the PRC; and (ii) our U.S. customer advised that our long business relationship (over 20 years) with it, our good understanding on its requirements, our financial capabilities and the fact that there has been no significant interruption to our business relationship even during the COVID-19 pandemic were among the key factors it considers in doing business with us, and it would not cease doing business with us merely because of the tariff increase so far. For the related risk factor on the increase in tariff imposed by the U.S. government, please refer to the paragraph headed "Risk Factors – Any further increase in the tariff imposed on our products exporting to the U.S. may have a material adverse impact on us" in this prospectus.

Management of our wholesale customers

Our relationship with our wholesale customers is a seller/buyer relationship as we sell goods to our wholesale customers and recognise revenue from our sales to them. We have limited control over our wholesale customers and they are under no contractual obligation to provide us with any information regarding their inventory levels and sales data in respect of products sold by us. For the associated risks, please refer to the paragraph headed "Risk Factors – We may not be able to assess the sales and inventory levels of our wholesale customers or correctly predict the sales trends of our products" in this prospectus.

We are not responsible for any of their unsold stock and do not allow for any refund or return of the products sold to our wholesale customers except for return of defective products pursuant to the terms of the agreements between us and our wholesale customers. Our wholesale customers on-sell products sold by us to their downstream customers. We do not have direct contractual relationship with the downstream customers of our wholesale customers.

Risk of channel stuffing

We regularly communicate with our wholesale customers to understand their demand for products. We also monitor the purchase pattern of our wholesale customers and hold discussions with our wholesale customers when there are significant variations in their demand. Our Directors are of the view that the risk of excessive inventory accumulation by our wholesale customers and the risk of channel stuffing of the products sold by us to our wholesale customers are low because (i) grains and oil and food products are perishable in nature and have short shelf lives; (ii) we only grant our wholesale customers credit terms up to three months; (iii) our wholesale customers can only return the products with quality issues, and we did not experience any material sales return or product exchanges from our wholesale customers during the Track Record Period.

Risk of cannibalisation among our wholesale customers

Our Directors are of the view that the risk of cannibalisation among our wholesale customers for grains and oil and food products is low because the products sold under our wholesale operations are daily consumer products and necessities, thus our Directors believe that there are stable and substantial market demand for such products from end customers. According to the Industry Report, the wholesales of grains and oil in the central region of Jiangsu Province increased from approximately RMB7.9 billion in 2017 to approximately RMB16.7 billion in 2023, representing a CAGR of approximately 13.32%. Driven by the increasing trend of population in the PRC and the PRC's government policies in promoting the development of the agricultural industry, it is forecasted that the wholesales of grains and oil in the central region of Jiangsu Province will increase from approximately RMB18.0 billion in 2024 to approximately RMB23.3 billion in 2027, representing a CAGR of approximately 8.0%.

Relationship with our wholesale customers

We have a large number of wholesale customers for grains and oil, food products and other products. For each of FY2021, FY2022, FY2023 and 9M2024, we had more than 1,900 wholesale customers for such products, and the revenue generated from our wholesale operations for such products amounted to approximately RMB515.7 million, RMB495.1 million, RMB679.6 million and RMB568.3 million, respectively. Our Group identified the wholesale customers who had placed orders with us in the prior financial years as recurring wholesale customers. The revenue generated from these recurring wholesale customers for FY2021, FY2022, FY2023 and 9M2024 amounted to approximately RMB416.4 million, RMB419.8 million, RMB552.7 million and RMB413.2 million, respectively.

The following table sets forth changes in the number of our wholesale customers, which are mainly distributors and resellers, during the periods indicated below:

	FY2021	FY2022	FY2023	9M2024
At the commencement of year/period	1,954	2,447	2,378	1,950
Addition during the year/period	1,129	811	193	1,042
Decrease during the year/period	(636)	(880)	(621)	(748)
Net increase/(decrease)	493	(69)	(428)	294
At the end of the year/period	2,447	2,378	1,950	2,244
Turnover rate *(Note)*	32.5%	36.0%	26.1%	38.4%

Note: Number of wholesale customers terminated or not renewed as a percentage of number of wholesale customers at the beginning of the year/period. As advised by the Industry Consultant, during the Track Record Period, market turnover rate of regional distributors in the PRC was generally 20% to 40%.

The number of our wholesale customers decreased during FY2023 and slightly increased for 9M2024 despite that the number of our wholesale customers in 9M2024 was still less than those in FY2021 and FY2022. Such changes were mainly driven by wholesale distributor consolidation in the PRC market in 2023 and 2024. As advised by the Industry Consultant, the distribution sector in the PRC, particularly food distributors, features a vast number of players, ranging from small local distributors to large national companies. The fierce price competition made it more challenging for smaller or individual distributors to survive through till the end of COVID-19 pandemic.

RETAIL OPERATIONS

We operate our Retail Stores under our brand "宏信龍" (Hongxinlong*). As at the Latest Practicable Date, we operated 51 supermarkets and 109 convenience stores in Jiangsu Province, out of which 49 supermarkets and 108 convenience stores are located in Yangzhou, and two supermarkets and one convenience store are located in Taizhou.

Our supermarkets provide a wide range of daily consumer products which could be broadly categorised as raw and fresh food, grains and oil, non-staple food and household products to cater for the daily needs of our customers, while our convenience stores open for 16 or 24 hours a day to cater for quick purchases of everyday consumable products.

We also operate two Malls located in Yangzhou, namely Jiangdu Mall* (江都商城) and Hongxinlong Mall* (宏信龍購物中心), and offer for sale fashion and apparel, cosmetics and personal care, children's wear, jewellery, accessories, footwear, household appliances, consumer electronics, liquor and miscellaneous products at our Malls.

We receive sales proceeds from (i) general sales to consumers at our Retail Stores and Malls; and (ii) bulk sales to customers including corporate and government entities. We also receive sales amounts for concessionaire sales at our Retail Stores and Malls and charge the concessionaires certain percentage of gross sale amounts or the agreed sales target, whichever is the higher, as commissions. Our revenue generated from retail operations amounted to RMB888.5 million, RMB787.9 million, RMB688.6 million and RMB417.8 million for FY2021, FY2022, FY2023 and 9M2024, respectively, representing 62.0%, 59.3%, 49.1% and 41.5% of our total revenue, respectively. Ancillary to our retail operations, we lease some shop floor area or shop premises in our Retail Stores and Malls to other retail operators like restaurants, hotels and pharmacies, etc and receive rental income.

Our Retail Store network

As at the Latest Practicable Date, we operated 160 Retail Stores, consisting of 51 supermarkets and 109 convenience stores in Jiangsu Province.

The following table sets forth the changes in the number of our supermarkets during the periods indicated below:

	FY2021	FY2022	FY2023	9M2024	After 30 September 2024 and up to the Latest Practicable Date
At the commencement of year/period	48	54	53	52	51
Addition during the year/period	6	–	1	–	1
Termination during the year/period	–	(1)	(2)	(1)	(1)
Net increase/(decrease)	6	(1)	(1)	(1)	–
At the end of the year/period	54	53	52	51	51

The following table sets forth the changes in the number of our convenience stores during the periods indicated below:

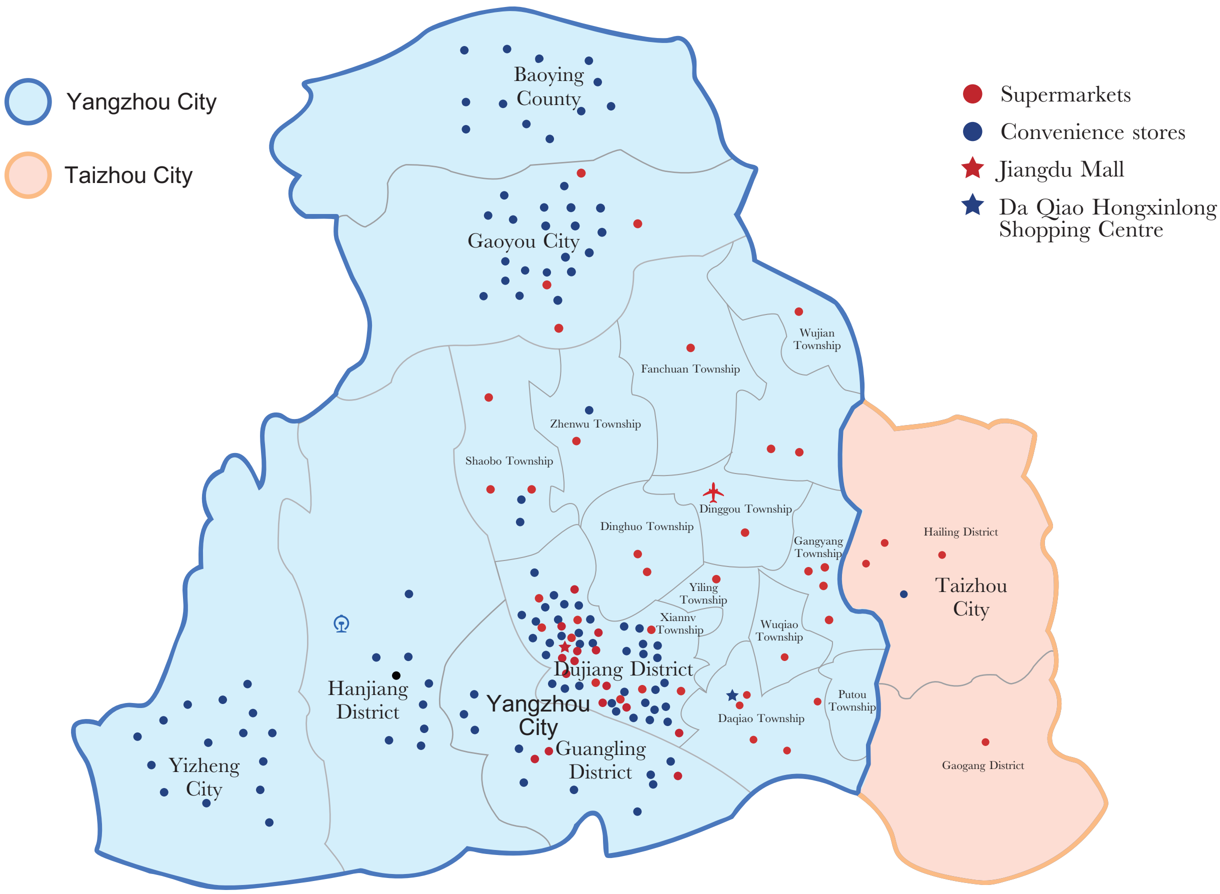
	FY2021	FY2022	FY2023	9M2024	After 30 September 2024 and up to the Latest Practicable Date
At the commencement of year/period	102	107	109	109	107
Addition during the year/period	9	5	4	2	3
Termination during the year/period	(4)	(3)	(4)	(4)	(1)
Net increase/(decrease)	5	2	–	2	–
At the end of the year/period	107	109	109	107	109

During FY2021, FY2022, FY2023 and 9M2024, closure of our Retail Stores was mainly due to failure to renew expired leases at favourable terms. During the Track Record Period, we also closed certain Retail Stores to remedy certain non-compliance for failure to complete the fire safety approvals for those Retail Stores. For details, please refer to the paragraph headed "Business – Non-compliance – (3) Failure to complete Fire Safety Approvals" in this section. The increase in the number of Retail Stores during the periods was attributable to our strategy to expand our presence of retail network in the central region of Jiangsu Province.

The following table sets out the number of our Retail Stores by geographical locations as at the Latest Practicable Date:

	Supermarkets	Convenience stores
Jiangsu Province		
Yangzhou	49	108
Taizhou	2	1
Total	51	109

Set forth below is a map showing the approximate locations of our Retail Stores and Malls as at the Latest Practicable Date:



Retail Stores to be opened

We aim to continue to strengthen our market position in the central region of Jiangsu Province particularly in Yangzhou and Taizhou through expansion of our retail network in the neighbouring cities of our existing markets in Jiangsu Province. In particular, we plan to open three supermarkets and six convenience stores in Yangzhou, and seven supermarkets and 18 convenience stores in Taizhou out of proceeds from the Global Offering. For details, please refer to the paragraph headed "Our business strategies – Strengthen our market position further by expanding our presence and number of Retail Stores" in this section.

Selection of location

We believe that the strategic location of our Retail Stores is crucial to our success. The following are the major factors that we would normally take into account during our Retail Stores selection process:

- size of the store;
- convenience and accessibility;
- proximity to our existing stores or existence of any similar competitors nearby;
- level of pedestrian flow and vehicles traffic flow; and
- consumption power of the target customers in the area.

We strategically select some prime locations in the urban and rural areas in the central region of Jiangsu Province as the sites of our Retail Stores. We believe such strategy is beneficial to us as we can mitigate the risk of cannibalisation among our Retail Stores. Our Retail Stores in rural areas help integrate urban elements and amenities into rural areas and empowered rural residents to access the modern conveniences of urban life. This approach is in line with the "rural revitalization" strategy and the longstanding commitments of the PRC government to narrowing the urban-rural divide and enabling rural populations to enjoy the benefits of the country's rapid development.

Measures to avoid cannibalisation among our Retail Stores

To avoid cannibalisation among our Retail Stores, we have implemented the following measures:

(i) during the process of site selection, we evaluate whether there is sufficient population and consumers' demand in a potential area to support a new Retail Store. For factors to be considered during the evaluation, please refer to the paragraph headed "Our Business Strategies – Strengthen our market position further by expanding our presence and number of Retail Stores" in this section. We generally will not open a new Retail Store at areas in which we already have another Retail Store within an approximately five-minute walking distance, unless we have sufficient traffic data showing that the traffic is sizeable enough to support an additional Retail Store in that location. Among our 51 supermarkets and 109 convenience stores as at the Latest Practicable Date, none of the Retail Stores are located within an approximately five-minute walking distance from another Retail Store;

(ii) during the process of site selection, we take into account the potential cannibalisation effect on our other Retail Store nearby, while balancing it against the potential revenue to be generated from the new Retail Store;

(iii) any proposal to open a new Retail Store is subject to the approval of our management, which collectively oversee the expansion of our Retail Stores as a whole to avoid any over-aggressive expansion or cannibalisation effect; and

(iv) we conduct post-investment review of the operational and financial performance of our new Retail Stores after they have been opened in the assessment conducted for all Retail Stores on a regular basis, respectively. If the performance of a new Retail Store is below our expectation, we will review whether its performance could be improved by launching marketing and promotional activities to attract customers and boost sales. We also continuously monitor the operational and financial performance of all our Retail Stores as a whole. If there is any unsatisfactory performance, we will carry out analysis and adjust our strategies accordingly.

Chain store management

We adopt the following strategies for our chain store management, which benefit us from economies of scale, streamlining our operations, and providing a predictable shopping experience for our customers:

- *Standardised branding and store design*: To give our customers a consistent and recognisable experience throughout our chain of supermarkets and convenience stores, we adopt standardised branding and store design for our Retail Stores. We require all our Retail Stores to prominently display our trademark "宏信龍" (Hongxinlong*) and logos, to adopt consistent colour schemes, fonts and images throughout marketing and in-store materials, and to advertise using our standard slogans, taglines or brand messages. Our Retail Stores also adopt similar floor layouts, product placements and consistent interior design elements. We believe a high degree of standardisation of branding and store design helps to differentiate us from our competitors, enhance our brand awareness and foster our customers' loyalty.

- *Centralised inventory control and distribution*: Our ERP system monitors the inventory levels of our Retail Stores and sends an alert to our distribution centre automatically when the inventory levels of our Retail Stores drop below certain levels. Our procurement team will then arrange delivery of products to our Retail Stores for replenishment. This enables more effective inventory control and distribution and reduce the risk of stockouts or excess inventory, and ultimately leading to improved customer satisfaction and reduce inventory obsolescence. For more details of our inventory control and distribution for our Retail Stores, please refer to the paragraph headed "Inventory management, warehousing and logistics" in this section.

- *Centralised procurement*: Our ERP system will send an alert to our procurement team automatically when the inventory levels at our distribution centre and warehouses drop below the set minimum levels. Our procurement team will then place orders with our suppliers. We usually make procurement in large quantities, rather than making frequent purchases in small quantities, to leverage our collective purchase power to negotiate better prices and terms with our suppliers. Our centralised procurement eliminates the need for individual stores to handle their own purchasing activities, streamlines our procurement process and reduce our administrative costs. This "Operation-Procurement Separation" (營採分離) model helps to increase the accountability of procurement decisions and mitigate the risk of collusion between suppliers and individual Retail Store to conduct improper marketing and sales practices which are contrary to our Group's strategies and planning. This also ensures a consistent product offerings across all of our Retail Stores and generates a wealth of consumer data for us, which provides us with insights into buying patterns, supplier performance, and the effectiveness of promotional activities, all of which facilitate our strategic planning and operational improvements.

- *Unified management*: We adopt unified management for all our Retail Stores. Our head office oversees and coordinates the operations of multiple individual Retail Stores. Major strategic decisions such as expansion plans are made by our head office. Our marketing team at our head office is responsible for decision on product assortment, pricing, and marketing campaigns, rather than independently by individual store managers. Store managers of the Retail Stores inspect the physical appearance and expiry dates of stock, monitors sales and consumer behaviours and report to our head office regularly. Through our ERP system, our head office is able to monitor the daily sales performance of each Retail Store and adjust our marketing strategies from time to time. Our head office also conducts unified accounting for all of our Retail Stores, which ensure the overall efficiency of our Group.

Our Malls

As at the Latest Practicable Date, we operated two Malls, namely Jiangdu Mall* (江都商城) and Hongxinlong Mall* (宏信龍購物中心).

Jiangdu Mall* (江都商城) is a shopping mall located in Jiangdu District, Yangzhou City. It was opened in 1995 and covers an area of approximately 6,000 square meters. The mall is a department store equipped with various concessionaires, supermarkets, pharmacies, etc. to meet the consumers' shopping needs.

Hongxinlong Mall* (宏信龍購物中心) is a multi-storey shopping mall located in Daqiao Town, Jiangdu District, Yangzhou City. It was opened in 2020 and it covers an area of approximately 3,000 square meters. The mall is equipped with various concessionaires, cinema, restaurants, etc. to meet the shopping and entertainment needs of consumers.

During the Track Record Period, our revenue from general sales in Malls was substantially contributed by Jiangdu Mall* (江都商城), which accounted for over 95% of our revenue from general sales in Malls. Jiangdu Mall did not obtain the Fire Safety Inspection Certificate, despite the atrium of Jiangdu Mall has completed Fire Safety Review (as defined below). For details of non-compliance and remedies, please refer to the paragraph headed "Non-compliance – (3) Failure to complete Fire Safety Approvals" in this section below.

Types of sales

General sales

General sales refer to the sales of our products to retail customers, usually local residents living in the surrounding communities, who come to our Retail Stores or Malls in person to shop and purchase. Customers generally pay at purchase. Our revenue from general sales to customers at our Retail Stores and Malls amounted to approximately RMB751.6 million, RMB613.2 million, RMB616.8 million and RMB362.0 million for FY2021, FY2022, FY2023 and 9M2024, respectively, representing 52.5%, 46.2%, 44.0% and 36.0% of our total revenue, respectively.

The following table sets forth the breakdown of our revenue and gross profit margin from general sales by Retail Stores and Malls for the years/periods indicated:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Retail Stores	560,040		507,758		477,440		376,778		262,238	
– Supermarkets	*446,875*	*23.8*	*390,094*	*24.7*	*383,592*	*25.8*	*306,482*	*27.7*	*222,588*	*26.2*
– Convenience stores	*113,165*	*14.0*	*117,664*	*14.1*	*93,848*	*16.1*	*70,296*	*16.7*	*39,650*	*21.7*
Malls	191,575	12.0	105,451	16.3	139,373	17.2	95,702	17.7	99,811	16.7
Total from general sales	**751,615**	**19.3**	**613,209**	**21.2**	**616,813**	**22.4**	**472,480**	**24.0**	**362,049**	**23.1**

Bulk sales

Bulk sales from our Retail Stores refer to the sales of our products to customers who purchase our products in large quantities, for whom we generally offer credit terms to our bulk sales customers. Our bulk sale customers include corporate and government entities, and they place orders with our Retail Stores or our sales team of our head office. Payments are made by our bulk sale customers in advance of delivery. Alternatively, we grant credit terms ranging from 0 to 90 days to our bulk sale customers. We may offer certain discount to our pre-set selling price of the products to bulk sale customers for their purchase in large quantities, and discounts for bulk sales shall be approved by our head office.

The following table sets forth changes in the number of our bulk sale customers during the periods indicated below:

	FY2021	FY2022	FY2023	9M2024
At the commencement of year/period	984	953	810	156
Addition during the year/period	526	37	31	66
Decrease during the year/period	(557)	(180)	(685)	(55)
Net (decrease)/increase	(31)	(143)	(654)	11
At the end of the year/period	953	810	156	167

The number of our bulk sales customers decreased significantly during FY2023 and 9M2024 mainly driven by the easing of COVID-19 pandemic in the PRC. In 2021, we were recognised as a Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業) by the Command for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新冠肺炎疫情防控工作指揮部). During the COVID-19 pandemic in FY2021 and FY2022, we had a high number of bulk sales customers. In addition, as advised by the Industry Consultant, during the lock-downs in the PRC, driven by uncertainty about future availability and the desire to minimise shopping trips, consumers in the PRC exhibited a stock piling behaviour as they tended to rush to stockpile essentials such as rice, oil, canned foods and hygiene products. However, following the lifting of restrictions with COVID-19 pandemic largely behind in the PRC, consumers in the PRC returned to more regular shopping habits, which led to the decrease in the number of our bulk sales customers.

The major differences between bulk sales and wholesale operations are summarised as follows:

	Bulk sales	Wholesale operations
End customers	Yes	No
Onward distribution	No	Yes
Major product type	All products available in supermarkets and convenience stores	Grains, oil, milk and alcoholic beverages
Major customer type	Corporate and government entities	Resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators
Typical credit terms and payment method	Within 3 months; by bank transfer	Within 3 months; by bank transfer
Delivery	Direct delivery by our Group or by the supplier/ manufacturer to end customers	Direct delivery by our Group or by the supplier/ manufacturer to wholesale customers or self pick-up by wholesale customers

Concessionaire sales

We enter into concessionaire sale agreements with our concessionaires and charge commission at a percentage of gross sales amounts for the right to occupy designated areas of our Retail Stores and Malls, set up their own sales counters and sell their products. Products offered by our concessionaires for sale at our Retail Stores include raw and fresh food, non-staple food and household products, while products offered by our concessionaires for sale at our Malls include fashion and apparel, cosmetics and personal care, jewellery, accessories, footwear, children's wear, household appliances, consumer electronics and miscellaneous products, ranging from local brands to international brands. These concessionaire sales arrangements enable us to offer a broader range of products to our customers while we do not have to bear the risks and costs of inventory management, including the risks associated with obsolete products.

Under the concessionaire sale agreements, we would agree with our concessionaires about the details of the product types and their respective prices, duration, commission rates, sales target, profit guarantee by the concessionaires, settlement arrangements, promotion and marketing activities, responsibilities for ancillary costs such as design, decoration, fitting and removal expenses, and pricing policies. We are generally entitled to terminate the concessionaire sale agreements if the concessionaires fail to meet the agreed sales target, commit any conduct which prejudice our reputation and the interests of our customers or materially breach the terms of the agreement.

We collect the payments for concessionaire sales from consumers through our designated cashier counters in our Retail Stores and Malls on behalf of the concessionaires. The concessionaires are not allowed to collect payment on their own. The concessionaires issue invoices to us on a monthly basis. We retain the commission income at a certain percentage from the gross sales proceeds before we make payment to the concessionaires. We normally settle the payment with the concessionaires within two to three months following the month of sale.

The following table sets forth the amount due to concessionaires as at the year/period end and the gross sale amounts (exclusive of value added tax) from concessionaires sales during the year/period end:

	For the year ended/As at 31 December			**For the period ended/ As at 30 September**
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to concessionaires	39,022	38,256	34,800	18,749
Gross sale amounts (exclusive of value added tax) from concessionaires sales	219,669	187,609	183,106	113,890

The following table sets forth the gross sales amounts (exclusive of value added tax) and our commission from concessionaire sales for the years/period indicated:

	FY2021	**FY2022**	**FY2023**	**9M2024**
Gross sale amounts (exclusive of value added tax) from concessionaire sales *(RMB'000)*	219,669	187,609	183,106	113,890
Commission income from concessionaire sales *(RMB'000)*	32,718	30,748	32,894	20,752
Commissions as a percentage of concessionaire sales	14.9%	16.4%	18.0%	18.2%

During the Track Record Period, our commissions as a percentage of concessionaire sales increased from approximately 14.9% for FY2021 to approximately 16.4% for FY2022, and further increased to approximately 18.0% and 18.2% for FY2023 and 9M2024, respectively. The increasing commissions as a percentage of concessionaire sales was due to the combined effect of (i) the decreasing gross sale amounts from concessionaire sales, in particular from FY2021 to FY2022 mainly due to COVID-19 pandemic; and (ii) the stable trend of our commission income mainly due to the profit guarantee by the concessionaires.

E-commerce

In light of the increasing prevalence of e-commerce in the PRC, during the Track Record Period, we had two mini programmes "龍會易購" (Longhuiyigou*) and "宏信龍當日達" (Hongxinlong Same Day Delivery*) for our Retail Stores and a mini programme "江都商城" (Jiangdu Mall*) for our Malls. These mini programmes are linked to the popular mobile application WeChat. The mini programmes complement operation and sales of our Retail Stores and Malls by allowing purchase of our products around the clock throughout the year. Registered customers could place orders for the products available online and pay with electronic payments such as WeChat pay, and they could select to pick up the ordered products at our Retail Stores, Malls or delivery of our products to their designated locations. Leveraging the business model of "online shopping, pick up offline and home delivery (線上訂貨、線下取貨、送貨上門)", we believe such mini programmes are able to offer our customers the convenience of real time products information and place orders directly at anytime from anywhere, such that our customers are more accustomed to purchase our products online.

We have also cooperated with three third-party e-commerce platforms, namely Douyin, JD.com and WeChat for online sale and delivery of our products at our Malls to our customers. By purchasing our products through these e-commerce platforms, customers could enjoy the convenience of saving transportation time and costs and speedy delivery of the products.

The revenue generated from our mini programmes and e-commerce platforms for Retail Stores and Malls amounted to approximately RMB14.6 million, RMB6.6 million, RMB22.7 million and RMB22.8 million for FY2021, FY2022, FY2023 and 9M2024, respectively, representing 1.0%, 0.5%, 1.6% and 2.3% of our total revenue, respectively.

Measures to avoid cannibalisation between offline and online sales

During the Track Record Period, sales generated from our mini programmes and e-commerce platforms for Retail Stores and Malls only serve as an additional channel for our customers to place orders for our products. We believe the risk of cannibalisation between our offline and online sales is limited because:

1. **Different customer segments**: Online and offline shopping attract different customer segments. Some customers prefer the convenience of online shopping, while others enjoy the experience of shopping in-store.

2. **Shopping behaviour**: Customers may use both channels for different purposes. For example, they may shop online for convenience and bulk items, while visiting physical stores for fresh produce, meat and bakery items so that they can inspect the quality and freshness of the products.

3. **Logistics and delivery**: The logistics of online shopping, including delivery time, minimum purchase amount to qualify for free delivery and delivery fees, may influence customer choices. Some customers may prefer shopping in-store to avoid delivery fees or to receive their items immediately.

4. **Multi-channel strategy**: By integrating both online and offline experience, we offer our customers channels which best suit their needs and therefore enhance their purchase experience and loyalty and trust towards our brands.

As disclosed above, we believe the risk of cannibalisation between our offline and online sales is limited. In the event the risk of cannibalisation increased, we can adopt the following measures to minimise such risk:

1. **"Online shopping, pick up offline and home delivery" model**: Our customers can order online and choose to pick up their groceries in-store. This can drive foot traffic to physical stores while providing the convenience of online shopping.

2. **Differentiated pricing, stock keeping units and promotions**: We may implement distinct strategies in terms of pricing and stock keeping units for online and offline channels. For example, we may offer exclusive discounts or promotions for online shoppers while maintaining in-store promotions which encourage foot traffic. We may also set exclusive product lines or products with different packagings or limited-time offers which are only available in-store to create a reason for customers to visit.

3. **Enhanced in-store experience**: We focus on creating a unique and enjoyable in-store shopping experience which cannot be replicated online. This includes food product sampling, cooking demonstrations or personalised customer service.

4. **Cross-promotion**: We can promote online shopping options in-store through signage, flyers or staff recommendations. Conversely, we can encourage online customers to visit physical stores by highlighting in-store events or promotions.

Franchise operations

During the Track Record Period, we had a franchise scheme for operation of franchised supermarkets and franchised convenience stores. We generated insignificant revenue of approximately RMB7.1 million, RMB1.3 million, RMB0.3 million and nil from sales to our franchisees for FY2021, FY2022, FY2023 and 9M2024, respectively, representing not more than 0.5% of our revenue for the corresponding years/period. We received franchise fees of approximately RMB341,000, RMB78,000, RMB279,500 and nil for FY2021, FY2022, FY2023 and 9M2024, respectively. Pursuant to the franchise agreements with our franchisees, our franchisees are allowed to use our trademark "宏信龍" (Hongxinlong*) within the designated franchise outlets while they are not required to purchase any products from us. To strengthen the protection of our trademark and in light of the insignificant amount of revenue and franchise fees generated from our franchise operations, we have terminated the franchise scheme in 2023.

Customer services

We believe that customer service is a crucial part for our success as a Retail Stores operator and Malls operator, as it could increases customer loyalty and satisfaction. Each of our Malls have a customer service counter, where we provide customers services such as offline pick-up points, product return, lost and found services, alterations on apparel, shoe and watch repair, rest areas, merchandise availability notification, customer service hotline, missing persons broadcasting, complaints counter and information centre.

We actively solicit market information and customers' feedback in order to better understand our customers' preferences and purchase patterns. This is achieved through customer services hotlines, online customer services platform for our customers to raise enquiries and lodge complaints with us regarding our products and services.

We also endeavour to handle customers' complaints (if any) promptly. Our operation team is responsible for investigating the facts associated with such complaints and usually would provide feedback within one day from the date of receipt of feedback and complaints. During the Track Record Period, we from time to time received certain complaints from our customers mainly relate to products description, product quality, staff services and/or requests for refund or exchange. Our Directors confirmed that all the complaints were immaterial and did not have any material adverse impact on our Group or our business operation.

Marketing and promotional activities

In order to attract customers' attention and maintain their interest and loyalty in shopping at our Retail Stores and Malls, we organise promotional activities and sales events from time to time. Such promotional activities and sales events includes festival sales organised during festivals such as the Chinese New Year and anniversary of our Group as well as seasonal sales based on the sales strategies of our Group and market trend. Our procurement team would also suggest promotional activities for clearance certain products if the inventory level of such products were too high or the expiry date is approaching.

For FY2021, FY2022, FY2023 and 9M2024, our marketing expenses amounted to approximately RMB7.3 million, RMB5.8 million, RMB6.3 million and RMB5.7 million, respectively.

Customer membership programmes

We maintain a membership programme for our Retail Stores (the "**Retail Stores Membership Programme**"). Customers of our Retail Stores could become a member upon registration and there is no minimum purchase amount for joining the Retail Stores Membership Programme. As at the Latest Practicable Date, we have more than 420,000 members under our Retail Stores Membership Programme. Members under our Retail Stores Membership Programme could enjoy certain membership benefits and accumulate points based on purchases. The accumulated points are redeemable for coupons.

We also maintain a membership programme for our Malls (the "**Malls Membership Programme**"). Upon purchase of our products, customers could join our Malls Membership Programme. As at the Latest Practicable Date, we had more than 200,000 members under our Malls Membership Programme. Members under our Malls Membership Programme could accumulate points based on purchases and the accumulated points are redeemable for different items, such as gift or coupons.

Our Directors believe that the Retail Stores Membership Programme and Malls Membership Programme could facilitate our communication with our customers to understand their preferences and for disseminating updates for our marketing and promotional activities. By providing membership discounts and point accumulation schemes, we create value for our members, boost up our sales and cultivate emotional bonding of our customers simultaneously and thereby procuring more recurring businesses.

Return and exchange policy

For products sold at our Retail Stores, we generally allow customers to return and exchange the products within seven days of purchase by presenting the invoices provided that (1) there is no damage to the products and the return or exchange would not affect resale of the products or (2) the products have quality issues. These general rules are subject to certain exceptions for selected categories of products like fresh food, products with shelf life within 15 days, tobacco and liquors, which we do not generally allow product return or exchange.

For products sold at our Malls, we generally allow customers to return or exchange the products within seven days of purchase by presenting the invoices provided that (1) there is no damage to the products and the return or exchange would not affect resale of the products or (2) the products have quality issues. These general rules are subject to certain exceptions for selected categories of products like jewellery, mobile phones, cosmetics and innerwear, etc., which we do not generally allow product return or exchange save for products with quality issues.

In unusual circumstances of quality issues or other irregularities in products originated from manufacturing processes or other defaults of our upstream suppliers, we would be responsible to recall problematic products sold to our customers and seek reimbursements on product procurement costs and expenses incurred in such recall actions from the relevant suppliers of the problematic products.

During the Track Record Period, we did not experience any material claim for product returns or exchanges due to product quality defects or damages or any related product liability claims.

Settlement and cash management

The majority of our retail customers settle their purchases at our Retail Stores and Malls by cash and electronic payment. We also receive payment by way of prepaid cards and coupons.

Cash and cash management

While cash payments has become less popular in the PRC in recent years, our Retail Stores and Malls still handle certain amount of cash every day. Therefore, we have in place certain internal control measures in relation to cash management to prevent misappropriation of cash. All transactions of our Retail Stores and Malls are conducted and concluded through our POS system. All cash received are required to be kept in our cashier machines. We deposit cash received from sales into our bank accounts within one business day from the date of sales, while maintaining sufficient cash-on-hand in each Retail Store. If cash in cashier machine exceeded RMB20,000, cashier shall inform the store manager and arrange deposit with bank. At the end of each shift, the cashier counts the cash received in the cashier machine during his/her shift and record in the cashier records. If the cash count is inconsistent with the record, the cashier is required to be responsible for the deficit. The store managers of our Retail Stores monitor the amount of cash received from sales every day and the record shown in our POS system, and report to our finance department. Our finance department also designates staff to stocktake the amount of cash at our Retail Stores and Malls and check with the records kept by our finance department at regular interval. In addition, we have installed CCTV surveillance system in all of our Retail Stores and Malls which operates 24 hours.

Our Directors confirm that there was no incident of any material cash misappropriation during the Track Record Period and up to the Latest Practicable Date.

Electronic payment

Our Retail Stores and Malls accept electronic payments, such as WeChat pay and Alipay. Our POS system is linked to the electronic payment systems and payment status could be shown on our POS system instantly. The transaction amount settled by electronic payments is usually credited into our designated bank account within one business day after the date of the transaction. During the Track Record Period, service charges of not more than 1% on the transaction amount were generally imposed by the electronic payments operators.

Prepaid cards

Customers could purchase prepaid cards at our Retail Stores and our Malls, respectively. Customers can pay for goods from our Retail Stores or our Malls at a later date using the balances in the prepaid cards. We usually sell prepaid cards at full price.

Amount that we receive from the issuance of prepaid cards is an advance we receive from customers that is recorded on our consolidated statements of financial position, but is not recognised as our revenue until the customers redeem the prepaid cards when purchasing our merchandise. The prepaid cards issued by our Group do not have an expiry date. For details, please refer to the paragraph headed "Financial Information – Contract liabilities" in this prospectus.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, the balance of contract liabilities in respect of our prepaid cards amounted to approximately RMB63.7 million, RMB64.3 million, RMB62.0 million and RMB66.5 million, respectively.

Our Company and Hongxin Trading were registered under the Measures for the Administration of Single-purpose Commercial Prepaid Cards (for Trial Implementation)* (《單用途商業預付卡管理辦法(試行)》) and Detailed Rules for the Implementation of the Measures for the Administration of Single-purpose Commercial Prepaid Cards in Jiangsu Province (Trial Implementation)* (《江蘇省單用途商業預付卡管理辦法(試行)實施細則》) for issuance of the prepaid cards. As advised by our PRC Legal Advisers, according to the confirmation letter issued by Yangzhou Municipal Bureau of Commerce* (揚州市商務局), our Group has complied with the relevant law and regulations relating to issuance of prepaid cards during the Track Record Period.

Coupons

Members under our Retail Stores Membership Programme and Malls Membership Programme could accumulate reward points based on purchases and the accumulated points are redeemable for different items, including coupons.

Rental operations

During the Track Record Period, we generated rental income mainly from leasing some shop floor area or shop premises in our Retail Stores and Malls to other retail operators like restaurants, hotels and pharmacies, etc. and receive rental income. During the Track Record Period, the GFA (and as a percentage of total GFA of all Retail Stores and Malls) of the Retail Stores and Malls that are leased out, the occupancy rate and the average fee per GFA are set out as follows:

	As of 31 December			As of 30 September
	2021	**2022**	**2023**	**2024**
		(Approximately)		
GFA of the Retail Stores and Malls that are leased out	28,000 m^2	30,000 m^2	32,000 m^2	31,000 m^2
Total GFA of all Retail Stores and Malls	98,000 m^2	98,000 m^2	93,000 m^2	92,000 m^2
% of total GFA of all Retail Stores and Malls leased out	28.96%	31.08%	34.01%	34.23%
Average annual rental income per GFA leased out	RMB255/m^2	RMB274/m^2	RMB261/m^2	RMB234/m^2

As at the Latest Practicable Date, we entered into 77 lease agreements for leasing our properties of a total gross floor area of approximately 55,000 sq.m., of which approximately 32,000 sq.m. was in respect of the Retail Stores and Malls and approximately 23,000 sq.m. was in respect of our land and warehouses with an average rental income of approximately RMB56 per GFA leased out. All of our tenants are Independent Third Parties. We select such tenants based on our customers' preferences and the market trends of the products or services of our tenants. The complementary nature of their products and services could offer our customers a choice for greater variety of products and create a convenient one-stop shopping experience to our customers. We believe the synergistic effect created is able to attract more customers to shop at our Retail Stores and widen our customer base. According to the Industry Report, in order to generate additional source of income and diversify the business operations within the outlet, it is common for supermarket and shopping mall operators in the PRC to lease part of the outlet areas to providers of other products and/or services.

The tenants generally enter into lease agreements with us for terms ranging from one to ten years based on our standard form, which sets out details of the designated areas, the types of business of the tenants, the rents, settlement arrangements, cooperation regarding expansion, decoration and maintenance, and responsibilities for ancillary costs such as design, decoration and fitting expenses. The tenants generally have the right to design and decorate their designated areas and are responsible for the costs. In addition, they are generally responsible for employing their own staff and for maintaining their merchandise or service at a quality acceptable to our customers.

For FY2021, FY2022, FY2023 and 9M2024, our rental income (inclusive of management fee) from leasing certain areas in our Retail Stores and Malls to our tenants amounted to approximately RMB10.7 million, RMB10.6 million, RMB11.6 million and RMB10.9 million, respectively.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR OPERATIONS

Due to the emergence of the COVID-19 pandemic in the PRC in early 2020, the PRC government imposed various lockdown measures during the Track Record Period (FY2021 and FY2022) to contain its spread. Such measures included but not limited to, stay-at-home orders for residents, with only one person per household allowed to leave for essential tasks every few days, massive testing for the whole population and contact tracing efforts to identify and isolate close contacts of positive cases. These stringent measures imposed restrictions on residents' mobility which in turn had adverse impacts on the number of customers visiting and shopping in our Retail Stores and Malls and thus our revenue generated therefrom. Besides, our operations experienced material disruptions as a result of (i) temporary closure of certain of our Retail Stores and Malls during FY2021 and FY2022; and (ii) shortening of the opening hours of our Retail Stores and Malls. For instance, during FY2021, over 20 of our Retail Stores and our Malls experienced temporary closure in August and September 2021 and the temporary closure in FY2021 for each of the relevant Retail Stores and Malls lasted for no more than 45 days. In addition, towards the end of FY2022 when the restriction was initially lifted, the infection cases significantly increased which adversely affected the number of customers visiting and shopping in our Retail Stores and Malls over the high-season end of year sales, despite that only one of our Retail Stores was temporarily closed for 7 days due to the restrictions imposed by the PRC government during the end of FY2022. As a result of these, our revenue from general sales decreased significantly from approximately RMB751.6 million for FY2021 to approximately RMB613.2 million for FY2022. Apart from the above, delivery of products from and to us was adversely affected as a result of restrictive transportation measures such as heavy restriction on travelling from and to Yangzhou and suspension of public transportation within Yangzhou.

Despite these challenges, we managed to maintain a relatively stable gross profit from sales of goods at approximately RMB230.9 million and RMB238.8 million for FY2021 and FY2022, respectively, which was primarily contributed by our bulk sales, the revenue and gross profit of which increased from approximately RMB104.2 million and RMB21.4 million for FY2021, respectively, to approximately RMB143.9 million and RMB46.8 million for FY2022. As advised by the Industry Consultant, during the lock-downs in the PRC, driven by uncertainty about future availability and the desire to minimise shopping trips, consumers in the PRC exhibited a stock piling behaviour as they tended to rush to stockpile essentials such as rice, oil, canned foods and hygiene products, which contributed to the increase in bulk sales in the PRC market.

During the COVID-19 pandemic, we assisted in procuring and distributing essential daily necessities when various lockdown measures were imposed by the PRC government to ensure prevention and control of spread, and were recognised as a (i) Key Supply Unit for Prevention and Control in Jiangdu District, Yangzhou City* (揚州市江都區防控重點保障供應單位) by the Office of the Command for the Prevention and Control of the Novel Coronavirus Pneumonia

Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新型冠狀病毒肺炎疫情防控指揮部辦公室) in 2020; and (ii) Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業) by the Commerce Bureau of Yangzhou City* (揚州市商務局) and Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業) by the Command for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新冠肺炎疫情防控工作指揮部) in 2021.

In April 2022, a white list was established by Shanghai Municipal Commission of Commerce (上海市商務委員會) for enterprises providing daily necessities during the COVID-19 pandemic in Shanghai to ensure effective epidemic prevention and the guarantee of daily necessities. Due to the normalisation of production and daily life order and resumption of business operations in Shanghai, the white list had ceased to be updated and used since 1 June 2022 and all information contained thereon is no longer available for inspection.

SUPPLY AND SALES OF MEALS

Leveraging our ability to source and supply quality and fresh food ingredients, we also operate a central kitchen to produce meals and snacks and deliver to local corporates, schools or government entities at the general price range of RMB8 to RMB25 per meal and RMB1.5-2.5 per snack. As at the Latest Practicable Date, our central kitchen was located at Yangzhou and had the capacity to produce 10,000 sets of meals for lunch and 10,000 sets of meals for dinner per day.

The salient terms of the relevant agreements are set forth below:

Term	Generally ranging from 6 months to 1 year, subject to customers' need
Payment terms	For schools: advance monthly payment for the following month For other customers: generally up to 15 days
Food safety issues	In case of food safety issues caused by our Group or resulted from any of our acts, our Group shall bear all liabilities arising therefrom.
Renewal	In case of schools or government entities, our Group is required to participate in annual bidding for the purpose of renewal. In other cases, advance notice shall be served on our Group by customers generally one month before expiry as to their intention of renewal.

The general workflow of our central kitchen entails:

1. Procurement of food ingredients: Our procurement team procures food ingredients for our meals based on the menu set. Upon delivery of the food ingredients, our staff would inspect and check the quality of the food ingredients to ensure that the food ingredients comply with our food safety standards.

2. Cooking: According to the menu set, we prepare and cook the dishes using our machines and equipment. We usually cook the dishes daily and three hours before the specified delivery time of our meals.

3. Packaging of the meals: Meals offered by us are generally Chinese-style food. We package the meals according to the menu.

4. Delivery to customers and consumption by end consumers: We are generally responsible for delivering the meals to locations designated by our customers and ensuring that the meals meet the required temperature upon delivery.

5. Return of cutleries and containers and cleaning and disinfection of cutleries and containers: We use reusable cutleries and containers for our meals. We collect the used cutleries and containers from our customers after one hour of delivery of the meal. We would then clean and conduct disinfection of cutleries and containers for reuse.

As at the Latest Practicable Date, the premises at which our central kitchen is situated have certain title defects due to the absence of relevant land use right certificate. For details, please refer to the paragraph headed "Non-compliance – (1) Failure to obtain certain land use right certificates and property ownership certificates – Failure to obtain certain property ownership certificates" in this section. We have enacted a relocation plan to remedy the non-compliance. For details, please refer to the paragraph headed "Non-compliance – (1) Failure to obtain certain land use right certificates and property ownership certificates – Current status and remedies" in this section.

According to the Industry Report, the sales of prepared food in the central region of Jiangsu Province increased from approximately RMB2.39 billion in 2017 to approximately RMB7.75 billion in 2023, representing a CAGR of 21.66%. Driven by the increasing demand for convenient, fast and diverse food processing options among consumers, it is forecasted that the sales of prepared food in the central region of Jiangsu Province will increase from approximately RMB10.64 billion in 2024 to approximately RMB19.78 billion in 2027, representing a CAGR of approximately 22.96%. With a view to capitalise on the business opportunities in the prepared food market in the PRC, we intend to apply approximately RMB26.0 million (equivalent to approximately HK$28.1 million), or approximately 26.4% of the net proceeds from the Global Offering will be used for establishing a new central kitchen for meals. For details, please refer to the paragraph headed "Our business strategies – Expanding our production capacity of meals by establishing a new central kitchen" in this section.

OUR PRODUCTS PORTFOLIO

Through our wholesale and retail operations, we offer a wide range of daily consumer products for our customers.

The table below sets forth the major category of our products, major products in such category, general price range and major reasons for price fluctuation regarding our wholesale distribution operation:

Category$^{(Note\ 1)}$	**Examples of products**	**General price range**
Garment	Ladies' fashion and men's fashion	USD3.3–39
Wooden products	Wooden doors and flooring	RMB147–221
Household appliances	Televisions, air conditioner, washing machines and refrigerators	RMB300–25,000
Food products$^{(Note\ 2)}$	– Grains and oil	RMB4.2–278.3
	– Dairy products	RMB2.15–144
	– Liquor	RMB3–32,000

The table below sets forth the major category of products offered at our Retail Stores and Malls and the general price range:

Category	Examples of products	General price range *(RMB)*
Retail Stores(Note 3)		
Raw and fresh food	Vegetables, fruits, meat and poultry	0.5–60
Grains and oil	Rice, grains, wheat, beans, flour and starch and cooking oil	4.5–168
Non-staple food		
– Sauces, and condiments	Cooking sauce and various food seasoning ingredients	0.5–168
– Dairy products	Ice-cream, milk and cheese	1.2–135
– Frozen food	Frozen meat, frozen dim sum and frozen hotpot food	0.9–688
– Packaged food and commodities	Biscuits, candies, chocolate, pastries, chips, jellies, nuts, noodles and canned food	0.5–425
– Drinks and beverages	Alcoholic beverages, water, carbonated drinks, juice, soft drinks and beverage powder	1–1,380
Household products	Household cleaners, laundry products, paper products, bedding, hair and skincare products, towels, clothes, stationeries, household appliances and kitchen appliances	0.3–7,999
Malls (Note 4)		
Fashion and apparel and children's wear	Ladies' fashion, men's fashion, sport wear, leisure wear, children's clothing, shoes and baby clothing	25–29,800
Cosmetics and personal care	Skincare, cosmetics and perfume	30–5,000
Jewellery	Various kinds of jewellery made of gold, platinum, pearl, silver, jade and other materials	38–350,000
Accessories and footwear	Eyeglasses, watches, belts, bags, women's shoes, men's shoes and sport shoes	30–20,000

Category	**Examples of products**	**General price range** *(RMB)*
Household appliances and consumer electronics	Refrigerators, washing machines, televisions, air conditioners, kitchen appliances, small appliances, smartphones, computers and earphones	79–40,000
Liquor	–	118–13,500
Miscellaneous products	Bedding, snacks	12.9–4,940

Notes:

1. The major reason of price fluctuation of the products during the Track Record Period was mainly due to fluctuation in production costs.

2. We have obtained district distributorship rights from suppliers for certain food products.

3. The major reasons of price fluctuation of the products during the Track Record Period were mainly due to fluctuation in production costs, weather and seasonality.

4. The major reasons of price fluctuation of the products during the Track Record Period were mainly due to promotional activities, seasonality, different brands and types of products.

As advised by our PRC Legal Advisers, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Exemption of VAT at the Stage of Circulation of Vegetables (《財政部、國家稅務總局關於免徵蔬菜流通環節增值稅有關問題的通知》) (財稅[2011]137號) and the Notice of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Exemption Policies for Certain Fresh Meat and Egg Products in Circulation (《財政部、國家稅務總局關於免徵部分鮮活肉蛋產品流通環節增值稅政策的通知》) (財稅[2012]75號) (together referred as "**Notices**") issued by Ministry of Finance and the State Administration of Taxation, the relevant goods including vegetables and defined fresh meat categories referred in the Notices are VAT exempted. Certain raw and fresh food sold at our Retail Stores are within the categories of the Notices and are VAT exempted.

For FY2021, FY2022, FY2023 and 9M2024, approximately RMB114.3 million, RMB126.1 million, RMB88.4 million and RMB54.5 million of our revenue from sales of raw and fresh food were within the categories of the Notices that were VAT exempted, respectively.

Revenue derived from our products

The following table sets forth the breakdown of our revenue from sales of goods which was recognised on gross basis for the years/periods indicated:

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wholesale Operations					
Wholesales:					
Non-food products	48,257	71,379	56,377	29,029	39,064
Food	467,397	423,677	623,264	405,791	529,274
Oil	*348,887*	*310,971*	*436,086*	*293,345*	*387,592*
Grains	*15,282*	*24,697*	*33,425*	*15,662*	*39,202*
Alcoholic beverages	*56,550*	*50,237*	*97,661*	*51,976*	*60,063*
Milk	*42,976*	*33,111*	*34,314*	*26,374*	*26,900*
Others	*3,702*	*4,661*	*21,778*	*18,434*	*15,517*
Sub-total	515,654	495,056	679,641	434,820	568,338
Retail Operations					
Retail Stores and bulk sales:					
Food (Note 1)	525,228	491,901	384,236	297,524	253,733
Non-food products	75,735	64,945	81,813	58,177	46,874
Tobacco products	67,708	99,158	54,788	54,788	–
Discount and coupon deduction	(4,455)	(4,316)	(4,514)	(3,566)	(3,406)
	664,216	651,688	516,323	406,923	297,201
Malls:					
Electronic appliances	49,463	35,422	72,928	45,516	49,579
Fashion, apparel and children's wear	57,602	16,904	16,104	11,146	11,430
Gold, jewellery and accessories	61,619	43,751	43,732	34,226	35,357
Others (Note 2)	25,501	10,874	9,652	6,535	5,331
Discount and coupon deduction	(2,610)	(1,500)	(3,043)	(1,721)	(1,886)
	191,575	105,451	139,373	95,702	99,811
Sub-total	855,791	757,139	655,696	502,625	397,012
Aggregate revenue from wholesales, general sales and bulk sales	**1,371,445**	**1,252,195**	**1,335,337**	**937,445**	**965,350**

Notes:

1. Food under our retail operations mainly include raw and fresh food, grains, oil and non-staple food.

2. Others include cosmetics, beauty products, stationeries and other groceries.

In respect of our wholesale operations, food was the most significant type of goods in terms of revenue contribution during the Track Record Period. Our revenue from sales of food increased significantly from approximately RMB423.7 million for FY2022 to approximately RMB623.3 million for FY2023 and also increased significantly from approximately RMB405.8 million for 9M2023 to approximately RMB529.3 million for 9M2024. As advised by the Industry Consultant, the increase in wholesale of food in the PRC in 2023 and 2024, particularly as a result of recovery from COVID-19 pandemic, was driven by a combination of economic recovery and pent-up demand. In particular, as COVID-19 restrictions were lifted, businesses resumed normal operations, including resellers, retail operators such as operators of supermarkets and convenience stores as well as catering business operators. This resurgence in economic activity led to increased demand for wholesale food supplies as food service establishments sought to replenish stock. In addition, during the lockdowns, businesses in the PRC tended to postpone many purchases particularly in the food sector. As restrictions eased, there was a tendency to purchase food supplies to meet the needs of retail operators and catering business operators, thereby driving up wholesale sales. Furthermore, our increase in revenue from sales of food under our wholesale operations for 9M2024 as a result of a change in food consumption behaviour which in turn led to an increase in the demand for food ingredients (such as grains and oil) at the wholesale level. As advised by the Industry Consultant, in 2024, there has been a notable increase in the number of individuals dining out at restaurants, which was mainly driven by several key factors including, (1) the gradual recovery of the general economy in Yangzhou and the PRC has resulted in increased disposable income for consumers, enabling greater spending on dining out; (2) restaurants are proactively seeking to attract customers in order to recover from business losses incurred during the lockdowns; and (3) many people appreciate the social aspect of dining out, which fosters gatherings with friends and family in a lively atmosphere. As a result of the increasing number of individuals dining out at restaurants, consumers have reduced their spending on food purchased from supermarkets at the retail level, while at the same time the demand for food ingredients (such as grains and oil) at the wholesale level increased.

In respect of our retail operations, food was the most significant type of goods in terms of revenue contribution during the Track Record Period. For FY2021, FY2022, FY2023 and 9M2024, the percentage of revenue from sales of food to revenue from Retail Stores and bulk sales was approximately 79.1%, 75.5%, 74.4% and 85.4%, respectively. The increase in such percentage for 9M2024 was mainly driven by the nil revenue contribution from sales of tobacco products for 9M2024 as a result of our cessation of sales of tobacco products. On 31 December 2023, our Group ceased the sales of tobacco products. For details of such cessation, please refer to the paragraphs headed "History and Development – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" and "Business – Our product portfolio – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" in this prospectus.

Our revenue from sales of food under our retail operations decreased from approximately RMB525.2 million for FY2021 to approximately RMB491.9 million for FY2022, which was mainly driven by the negative impact brought by the epidemic measures/lockdown for COVID-19 in Yangzhou during 2022 in which our Retail Stores were required to shorten our operating hours. Our revenue from sales of food under our retail operations further decreased to approximately RMB384.2 million for FY2023, which was mainly driven by the negative impact of change in shopping habits on our bulk sales following the restrictions were lifted with COVID-19 pandemic largely behind in the PRC. For 9M2024, our revenue from sales of food under our retail operations decreased to approximately RMB253.7 million from approximately RMB297.5 million for 9M2023. Such decrease was mainly driven by the abovementioned change in food consumption behaviour of consumer.

Driven by the decrease in revenue from sales of food and our cessation of sales of tobacco products as disclosed above, our revenue from sales of goods (which was recognised on gross basis) under our retail operations decreased from approximately RMB502.6 million for 9M2023 to approximately RMB397.0 million for 9M2024.

Our revenue from sales of electronic appliances under our retail operations increased significantly from approximately RMB35.4 million for FY2022 to approximately RMB72.9 million for FY2023. As advised by the Industry Consultant, as the restrictions were lifted with COVID-19 pandemic largely behind in the PRC, consumers in the PRC were eager to spend on electronic appliances, leading to a surge in sales as people sought to upgrade or replace older devices, and in particular, with more time spent at home during lockdowns, many consumers in the PRC tended to take on home improvement projects.

Our revenue from sales of fashion, apparel and children's wear and gold, jewellery and accessories under our retail operations decreased significantly from approximately RMB57.6 million and RMB61.6 million for FY2021, respectively, to approximately RMB16.9 million and RMB43.8 million for FY2022, respectively. As advised by the Industry Consultant, the impact of lock-down in the PRC had led to a decline in the sales of fashion, apparel and children's wear and gold, jewellery and accessories in the PRC, primarily due to the priority of consumers in the PRC to focus their spending on essentials as well as the closing down of physical retail and department stores. In particular, (i) the need to stay at home and the unavailability of fitting rooms had hindered the sales of fashion, apparel and children's wear; and (ii) consumers tended to purchase luxury goods such as gold and jewellery physically in store, and were more cautious in buying luxury items in view of the uncertainty on the economic recovery after COVID-19 pandemic.

Cessation of sales of tobacco products and disposal of tobacco product inventory assets

Due to the restriction imposed on foreign-invested enterprises to carry on the sales of tobacco products in the PRC under the applicable PRC laws and regulations, namely the PRC Tobacco Monopoly Law (《中華人民共和國煙草專賣法》), Tobacco Retail Licence Management Measures (《煙草專賣許可證管理辦法》), Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (《外商投資准入特別管理措施(負面清單) (2021年版)》) and Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (《外商投資准入特別管理措施(負面清單) (2024年版)》) which replaced Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) and was effective on 1 November 2024, our Group ceased the sales of tobacco products. For the details of such cessation, please refer to the paragraph headed "History and Development – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" in this prospectus.

During the Track Record Period, the gross profit generated from sales of tobacco products was RMB8.4 million, RMB12.0 million, RMB6.3 million and nil for FY2021, FY2022, FY2023 and 9M2024 respectively, which represented approximately 3.0%, 4.0%, 2.1% and nil of our total gross profit for the respective years/period.

PRICING POLICY

For wholesale, when setting the wholesale price, we also consider the type of the merchandise, the sales volume, the profit margin under the prevailing market conditions and indicative price list from our suppliers.

In order to maintain our competitiveness in the market, we believe that offering quality daily consumer products at competitive prices is important for our success. We have adopted a "cost-plus" pricing policy, pursuant to which we set target prices with different profit margins over our products taking into consideration our costs of goods sold and the associated operational costs. We would also conduct market research from time to time and compare prices of similar products offered by our competitors to ensure that our products remained sufficiently competitive with those set by our competitors while still capable of meeting our targeted profit margins. We adjust our retail prices of our products based on the prevailing market trends, sourcing prices, seasonality and the pricing strategy as determined by our management. The retail prices set by our procurement department for our retail products are inputted and recorded in our ERP System.

OUR CUSTOMERS

The customers of our wholesale operations mainly include resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators. During the Track Record Period, we generally offer to our wholesale customers credit terms of up to three months.

The customers of our retail operations mainly consist of general sale customers and bulk sale customers. General sale customers are primarily individuals, usually local residents living in the communities, who come to our Retail Stores or Malls in person to shop and purchase, and typically settle payments in cash, credit cards, electronic payment such as WeChat pay and Alipay or pre-paid cards on their purchase. Bulk sale customers include corporate and government entities, which purchase products in large quantities and they typically settle payments by bank transfer. During the Track Record Period, our bulk sale customers generally made payment to us in advance of delivery. Alternatively, we offered credit terms ranging from 0 to 90 days to our bulk sale customers during the Track Record Period.

The customers for our meals are local corporates, schools or government entities, and they typically settle payments by bank transfer. During the Track Record Period, our customers for our meals generally made payment to us in advance. Alternatively, our customers for our meals made monthly payment to us following the delivery of meals.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our customers. We had a limited number of claims for defective products sold at our Retail Stores and Malls, and such claims, whether on an individual or an aggregate basis are not considered to have any material adverse impact on our Group during the Track Record Period.

Major customers

For FY2021, FY2022, FY2023 and 9M2024, our revenue attributable to our largest customer in each year/period during the Track Record Period accounted for approximately 5.7%, 12.4%, 16.2% and 11.2% of our total revenue, respectively, while our revenue attributable to our five largest customers in each year/period during the Track Record Period in aggregate accounted for approximately 18.8%, 26.8%, 31.8% and 28.5% of our total revenue, respectively.

The following table sets forth a breakdown of our five largest customers during each of FY2021, FY2022, FY2023 and 9M2024:

FY2021

Rank	Customer	Principal business	Major types of products purchased	Type of customers	Business relationship with the customer commenced in	Typical credit terms and payment method	Revenue derived from the customer	
							RMB'000	*%*
1	Suzhou Qingsui Food Co., Ltd.* (蘇州慶穗食品有限公司)	A PRC company principally engaging in the wholesale business of grains and oil	Soybean oil	Wholesale customer	2020	up to 90 days; by bank transfer	81,070	5.7
2	Jiangsu Fukangyuan Grain and Oil Co., Ltd.* (江蘇福康源糧油有限公司)	A PRC company principally engaging in the wholesale business of oil	Soybean oil	Wholesale customer	2020	up to 90 days; by bank transfer	74,901	5.2
3	Wuxi Kangzhuang Agricultural Development Co., Ltd.* (無錫康莊農業發展有限公司)	A PRC company principally engaging in the sale of grains and oil, liquor and other food products through multiple sales channels including but not limited to retail, bulk sale and wholesale	Soybean oil	Wholesale customer	2020	up to 90 days; by bank transfer	42,659	3.0
4	Shanghai Xirui Food Sales Co., Ltd.* (上海熙瑞食品銷售有限公司)	A PRC company principally engaging in the retail and wholesale business of grains and oil	Soybean oil and rice	Wholesale customer	2020	100% advance payment; by bank transfer	35,479	2.5
5	Zhangjiagang Feiniao Grain and Oil Trading Co., Ltd.* (張家港飛鳥糧油商貿有限公司) and Jiangsu Xunye Food Co., Ltd.* (江蘇洵燁食品有限公司)	Two PRC companies with a common shareholder principally engaging in the wholesale business of grains and oil	Soybean oil	Wholesale customer	2021	up to 90 days; by bank transfer	35,163	2.5
						Five largest customers combined	269,272	18.8
						All other customers	1,162,921	81.2
						Total revenue	1,432,193	100

FY2022

Rank	Customer	Principal business	Major types of products purchased	Type of customers	Business relationship with the customer commenced in	Typical credit terms and payment method	Revenue derived from the customer	
							RMB'000	*%*
1	Jiangsu Fukangyuan Grain and Oil Co., Ltd.* (江蘇福康源糧油有限公司)	A PRC company principally engaging in the wholesale business of oil	Soybean oil	Wholesale customer	2020	up to 90 days; by bank transfer	164,501	12.4
2	Wuxi Kangzhuang Agricultural Development Co., Ltd.* (無錫康莊農業發展有限公司)	A PRC company principally engaging in the sale of grains and oil, liquor and other food products through multiple sales channels including but not limited to retail, bulk sale and wholesale	Soybean oil	Wholesale customer	2020	up to 90 days; by bank transfer	57,974	4.4
3	Wuxi Kaifu Supply Chain Management Co., Ltd.* (無錫開富供應鏈管理有限公司) and Wuxi Zhilian Agricultural Food Trading Co., Ltd.* (無錫智連農食品貿易有限公司)	Two PRC companies with a common shareholder and under common control principally engaging in the wholesale business of grains and oil	Soybean oil	Wholesale customer	2022	up to 90 days; by bank transfer	56,168	4.2
4	Customer G	A local government authority at Hongqiao Town, Minhang District, Shanghai, the PRC	Fruits and vegetables	Bulk sale customer	2022	50% of the contract sum payable within two days upon signing of contract; balance to be paid within five days upon acceptance of products; by bank transfer	41,690	3.1
5	Zhangjiagang Feiniao Grain and Oil Trading Co., Ltd.* (張家港飛鳥糧油商貿有限公司) and Jiangsu Xunye Food Co., Ltd.* (江蘇洵燁食品有限公司)	Two PRC companies with a common shareholder principally engaging in the wholesale business of grains and oil	Soybean oil	Wholesale customer	2021	up to 90 days; by bank transfer	35,832	2.7
						Five largest customers combined	356,165	26.8
						All other customers	972,520	73.2
						Total revenue	1,328,685	100

FY2023

Rank	Customer	Principal business	Major types of products purchased	Type of customers	Business relationship with the customer commenced in	Typical credit terms and payment method	Revenue derived from the customer	
							RMB'000	*%*
1	Jiangsu Fukangyuan Grain and Oil Co., Ltd.* (江蘇福康源糧油有限公司)	A PRC company principally engaging in the wholesale business of oil	Soybean oil	Wholesale customer	2020	up to 90 days; by bank transfer	227,426	16.2
2	Zhangjiagang Feiniao Grain and Oil Trading Co., Ltd.* (張家港飛鳥糧油商貿有限公司) and Jiangsu Xunye Food Co., Ltd.* (江蘇洵燁食品有限公司)	Two PRC companies with a common shareholder principally engaging in the wholesale business of grains and oil	Soybean oil and rice	Wholesale customer	2021	up to 90 days; by bank transfer	81,939	5.8
3	Wuxi Kaifu Supply Chain Management Co., Ltd.* (無錫開富供應鏈管理有限公司) and Wuxi Zhilian Agricultural Food Trading Co., Ltd.* (無錫智連農食品貿易有限公司)	Two PRC companies with a common shareholder and under common control principally engaging in the wholesale business of grains and oil	Soybean oil and rice	Wholesale customer	2022	up to 90 days; by bank transfer	61,190	4.4
4	Hong Hai (Suzhou) Food Technology Co., Ltd.* (鴻海(蘇州)食品科技股份有限公司)	A PRC company principally engaging in the supply of food products for Chinese-style meals	Soybean oil	Wholesale customer	2023	up to 60 days; by bank transfer	39,104	2.8
5	Wuxi Kangzhuang Agricultural Development Co., Ltd.* (無錫康莊農業發展有限公司)	A PRC company principally engaging in the sale of grains and oil, liquor and other food products through multiple sales channels including but not limited to retail, bulk sale and wholesale	Soybean oil	Wholesale customer	2020	up to 90 days; by bank transfer	36,911	2.6
						Five largest customers combined	446,570	31.8
						All other customers	955,402	68.2
						Total revenue	1,401,972	100

9M2024

Rank	Customer	Principal business	Major types of products purchased	Type of customers	Business relationship with the customer commenced in	Typical credit terms and payment method	Revenue derived from the customer	
							RMB'000	*%*
1	Jiangsu Fukangyuan Grain and Oil Co., Ltd.* (江蘇福康源糧油有限公司)	A PRC Company principally engaging in the wholesale business of oil	Soybean oil	Wholesale customer	2020	up to 90 days; by bank transfer	113,070	11.2
2	Zhangjiagang Feiniao Grain and Oil Trading Co., Ltd.* (張家港飛鳥糧油商貿有限公司) and Jiangsu Xunye Food Co., Ltd. * (江蘇洵燁食品有限公司)	Two PRC companies with a common shareholder principally engaging in the wholesale business of grains and oil	Soybean oil	Wholesale customer	2021	up to 90 days; by bank transfer	55,049	5.5
3	Shanghai Saifu Grain and Oil Co., Ltd.* (上海賽福糧油有限公司)	A PRC company principally engaging in the wholesale business of grains and oil	Soybean oil	Wholesale customer	2024	up to 90 days; by bank transfer	51,091	5.1
4	Jiangsu Yuelingwan Agricultural Technology Co., Ltd.* (江蘇悅靈灣農業科技有限公司) and Shanghai Haorun Industrial Co., Ltd.* (上海好潤實業有限公司)	Two PRC companies with a common shareholder principally engaging in the wholesale business of grains and oil	Grains and oil	Wholesale customer	2020	up to 90 days; by bank transfer	37,641	3.7
5	Hong Hai (Suzhou) Food Technology Co., Ltd.* (鴻海(蘇州)食品科技股份有限公司)	A PRC company principally engaging in the supply of food products for Chinese style meals	Soybean oil	Wholesale customer	2023	up to 60 days; by bank transfer	30,028	3.0
						Five largest customers combined	286,879	28.5
						All other customers	718,931	71.5
						Total revenue	1,005,810	100

The five largest customers of our Group in each year/period during the Track Record Period are Independent Third Parties to us. None of our Directors and their associates, or any Shareholders who owned more than 5% of the number of Shares in issue as at the Latest Practicable Date had any interest in any of the five largest customers of our Group in each year/period during the Track Record Period.

To the best knowledge of our Directors, there are no past or present relationships or dealings (including, without limitation, business, employment, family, trust, financing, shareholding, fund flow or otherwise) between our Group (including its subsidiaries, shareholders, directors, supervisors or senior management, or any of their respective associates) and its five largest customers in each year/period during the Track Record Period.

Except for Customer G, which is a local government authority and is regarded as our bulk sale customer, all of our major customers are our wholesale customers.

OUR SUPPLIERS

Our suppliers include manufacturers, suppliers and distributors of food products and merchandise. Our procurement department has a set of internal quality assessment criteria for selection of our suppliers taking into consideration their reputation, quality and price of goods and products supplied. We select only those suppliers which are able to meet our standards and satisfy our selection criteria. Each of our suppliers is subject to our annual assessment and evaluation over their quality and price of products supplied to us. During the Track Record Period, all of our suppliers are domestic suppliers in the PRC. We generally make advance payments to our suppliers through bank transfer.

We believe that alternative suppliers for most of our products are readily available and the loss of any single supplier would not have any material impact on our business. We generally have alternative source of supply for comparable products and we do not anticipate significant difficulties in obtaining the substitutes. We believe that we have maintained good relationships with our suppliers and we are able to source our products in a reliable manner and at reasonable commercial terms. During the Track Record Period, we did not experience any material interruption, shortage or delays of supply from our suppliers.

We did not experience any significant shortage of supply of products from our suppliers during the Track Record Period and the sourcing prices of the products were relatively stable. If we experience substantial increase in the sourcing prices of our products, we would renegotiate the prices with our suppliers in order to maintain our profit margins. Our procurement department is responsible for the procurement of our products based on data available in our ERP and WMS systems and maintaining reasonable level of inventory of our products.

Major suppliers

For FY2021, FY2022, FY2023 and 9M2024, our purchase from our largest supplier in each year/period during the Track Record Period accounted for approximately 7.5%, 12.5%, 25.5% and 30.5% of our total purchase costs, respectively, while our purchase from our five largest suppliers in each year/period during the Track Record Period in aggregate accounted for approximately 28.0%, 35.9%, 42.4% and 50.0% of our total purchase costs, respectively.

The following tables set out the breakdown of our purchase from our five largest suppliers during each of FY2021, FY2022, FY2023 and 9M2024 and their respective background:

FY2021

Rank	Supplier	Principal business	Major types of purchases	Type of suppliers	Business relationship with the supplier commenced in	Typical credit terms and payment method	Purchases by us from the supplier	
							RMB'000	*%*
1	Yangzhou Qianbaijia Trading Co., Ltd.* (揚州仟佰佳商貿有限公司), Yangzhou Xinbaoli Trading Co., Ltd.* (揚州新寶莉商貿有限公司) and Jiangsu Youchu Technology Co., Ltd.* (江蘇悠儲科技有限公司)	Three PRC companies with a common shareholder or under common control principally engaging in the sale of grains and oil and liquor	Soybean oil and rice	Distributor for certain grains and liquor products; wholesaler for other grains and oil and liquor	2016	up to 30 days; by bank transfer	98,017	7.5
2	Suzhou Kangda Supply Chain Management Co., Ltd.* (蘇州康達供應鏈管理有限公司)	A PRC company principally engaging in the sale of oil	Soybean oil and rapeseed oil	Wholesaler	2020	up to 20 days; by bank transfer	91,992	7.0
3	Shanghai Ruixiang Oils & Fats Co., Ltd.* (上海瑞祥油脂有限公司)	A PRC company principally engaging in the sale of grains and oil	Soybean oil	Wholesaler	2019	up to 30 days; by bank transfer	59,517	4.6
4	Yangzhou Mengsheng Trading Co., Ltd.* (揚州盟勝商貿有限公司)	A PRC company engaging in the distribution of liquor	Liquor	Distributor	2021	100% advance payment; by bank transfer	59,296	4.5
5	Supplier E	A branch office of a company listed on the Shanghai Stock Exchange engaging in the processing, manufacturing and sales of dairy products and health drinks in the PRC and overseas	Dairy products	Brand owner	2013	100% advance payment; by bank transfer	57,631	4.4
						Five largest suppliers combined	366,453	28.0
						All other suppliers	940,109	72.0
						Total	1,306,562	100

FY2022

Rank	Supplier	Principal business	Major types of purchases	Type of suppliers	Business relationship with the supplier commenced in	Typical credit terms and payment method	Purchases by us from the supplier *RMB'000*	*%*
1	Yihai Kerry Food Marketing Co., Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司)	A PRC subsidiary of a company listed on the Shenzhen Stock Exchange engaging in oilseeds crushing, edible oils refining, manufacturing of specialty fats and oleochemicals, processing of corn, wheat and soybean, as well as the sustainable multi-stage processing of rice, raw food materials, central kitchen and R&D in grains and oil processing technology	Soybean oil	Brand owner	2020	100% advance payment; by bank transfer	141,867	12.5
2	Yangzhou Qianbaijia Trading Co., Ltd.* (揚州仟佰佳商貿有限公司), Yangzhou Xinbaoli Trading Co., Ltd.* (揚州新寶莉商貿有限公司) and Jiangsu Youchu Technology Co., Ltd.* (江蘇悠儲科技有限公司)	Three PRC companies with a common shareholder or under common control principally engaging in the sale of grains and oil and liquor	Soybean oil and rice	Distributor for certain grains and liquor products; wholesaler for other grains and oil and liquor	2016	up to 10 days; by bank transfer	127,287	11.2
3	Supplier E	A branch office of a company listed on the Shanghai Stock Exchange engaging in the processing, manufacturing and sales of dairy products and health drinks in the PRC and overseas	Dairy products	Brand owner	2013	100% advance payment; by bank transfer	57,056	5.0
4	Yangzhou Mengsheng Trading Co., Ltd.* (揚州盟勝商貿有限公司)	A PRC company engaging in the distribution of liquor	Liquor	Distributor	2021	100% advance payment; by bank transfer	45,018	4.0
5	Yangzhou Tobacco Company Jiangdu Branch* (揚州市煙草公司江都分公司)	A PRC company engaging in the distribution of tobacco	Tobacco	Distributor	2008	100% advance payment; by bank transfer	36,035	3.2
						Five largest suppliers combined	407,263	35.9
						All other suppliers	725,907	64.1
						Total	1,133,170	100

FY2023

Rank	Supplier	Principal business	Major types of purchases	Type of suppliers	Business relationship with the supplier commenced in	Typical credit terms and payment method	Purchases by us from the supplier	
							RMB'000	*%*
1	Yihai Kerry Food Marketing Co., Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司)	A PRC subsidiary of a company listed on the Shenzhen Stock Exchange engaging in oilseeds crushing, edible oils refining, manufacturing of specialty fats and oleochemicals, processing of corn, wheat and soybean, as well as the sustainable multi-stage processing of rice, raw food materials, central kitchen and R&D in grains and oil processing technology	Soybean oil	Brand owner	2020	100% advance payment; by bank transfer	282,320	25.5
2	Yangzhou Qianbaijia Trading Co., Ltd.* (揚州仟佰佳商貿有限公司), Yangzhou Xinbaoli Trading Co., Ltd.* (揚州新寶莉商貿有限公司) and Jiangsu Youchu Technology Co., Ltd.* (江蘇悠儲科技有限公司)	Three PRC companies with a common shareholder or under common control principally engaging in the sale of grains and oil and liquor	Soybean oil and rice	Distributor for certain grains and liquor products; wholesaler for other grains and oil and liquor	2016	up to 10 days; by bank transfer	53,349	4.8
3	Supplier E	A branch office of a company listed on the Shanghai Stock Exchange engaging in the processing, manufacturing and sales of dairy products and health drinks in the PRC and overseas	Dairy products	Brand owner	2013	100% advance payment; by bank transfer	49,159	4.5
4	Jiangsu Xinanyi Trading Co., Ltd.* (江蘇心安益商貿有限公司)	A PRC company principally engaging in the sale of grains and oil and liquor	Edible oil and rice	Wholesaler	2023	100% advance payment; by bank transfer	42,118	3.8
5	Yangzhou Mengsheng Trading Co., Ltd.* (揚州盟勝商貿有限公司)	A PRC company engaging in the distribution of liquor	Liquor	Distributor	2021	100% advance payment; by bank transfer	41,664	3.8
						Five largest suppliers combined	468,610	42.4
						All other suppliers	637,129	57.6
						Total	1,105,739	100

9M2024

Rank	Supplier	Principal business	Major types of purchases	Type of suppliers	Business relationship with the supplier commenced in	Typical credit terms and payment method	Purchases by us from the supplier	
							RMB'000	*%*
1	Yihai Kerry Food Marketing Co., Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司) and Yihai Kerry Food Marketing Co., Ltd. Shanghai Branch* (益海嘉里食品營銷有限公司上海分公司)	A PRC subsidiary of a Company listed on the Shenzhen Stock Exchange engaging in oilseeds crushing, edible oils refining, manufacturing of specialty fats and oleochemicals, processing of corn, wheat and soybean, as well as the sustainable multi-stage processing of rice, raw food materials, central kitchen and R&D in grains and oil processing technology	Soybean oil	Brand owner	2020	100% advance payment; by bank transfer	284,515	30.5
2	Yangzhou Qianbaijia Trading Co., Ltd.* (揚州仟佰佳商貿有限公司), Yangzhou Xinbaoli Trading Co., Ltd.* (揚州新寶莉商貿有限公司) and Jiangsu Youchu Technology Co., Ltd.* (江蘇悠儲科技有限公司)	Three PRC companies with a common shareholder or under common control principally engaging in the sale of grains and oil and liquor	Soybean oil and rice	Distributor for certain grains and liquor products; wholesaler for other grains and oil and liquor	2016	up to 10 days; by bank transfer	91,570	9.8
3	Yangzhou Mengsheng Trading Co., Ltd.* (揚州盟勝商貿有限公司)	A PRC company engaging in the distribution of liquor	Liquor	Distributor	2021	100% advance payment; by bank transfer	36,639	3.9

Rank	Supplier	Principal business	Major types of purchases	Type of suppliers	Business relationship with the supplier commenced in	Typical credit terms and payment method	Purchases by us from the supplier	
							RMB'000	*%*
4	Supplier E	A branch office of a company listed on the Shanghai Stock Exchange engaging in the processing, manufacturing and sales of dairy products and health drinks in the PRC and overseas	Dairy products	Brand owner	2013	100% advance payment; by bank transfer	34,794	3.7
5	Yangzhou Duolianxi Communication Equipment Co., Ltd.* (揚州市多聯繫通訊器材有限公司)	A PRC company principally engaging in the sale of communication equipment, electronic devices, new energy vehicles and provision of telecommunications services	Mobile phones and televisions	Distributor	2021	up to 10 days; by bank transfer	19,591	2.1
						Five largest suppliers combined	467,109	50.0
						All other suppliers	465,717	50.0
						Total revenue	932,826	100

Note:

(1) Notwithstanding that there were some changes in the composition of our five largest suppliers for each year/period of the Track Record Period, our key top suppliers remained largely consistent throughout the Track Record Period. For instance, (i) the group of Yangzhou Qianbaijia Trading Co., Ltd.* (揚州仟佰佳商貿有限公司), Yangzhou Xinbaoli Trading Co., Ltd.* (揚州新寶莉商貿有限公司) and Jiangsu Youchu Technology Co., Ltd.* (江蘇悠儲科技有限公司 (with whom we started procurement since 2016); (ii) Supplier E (with whom we started procurement from 2013); and (iii) Yangzhou Mengsheng Trading Co., Ltd.* (揚州盟勝商貿有限公司) (with whom we started procurement from 2021) remained to be one of the five largest suppliers consistently throughout the Track Record Period. Furthermore, the group of Yihai Kerry Food Marketing Co., Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司) and Yihai Kerry Food Marketing Co., Ltd. Shanghai Branch* (益海嘉里食品營銷有限公司上海分公司) remained to be our largest supplier for each of FY2022, FY2023 and 9M2024. Besides, out of the five largest suppliers during each year/period of the Track Record Period, our business relationship with four, four, three and three of them for each of FY2021, FY2022, FY2023 and 9M2024, respectively, commenced prior to the Track Record Period.

The emergence of COVID-19 pandemic since 2020 has caused widespread disruption in the supply chains, transportation, manufacturing and logistics in the PRC. As advised by the Industry Consultant, to ensure continuity and stability of supply and to meet consumer needs effectively during COVID-19 pandemic, it is not uncommon for retail operators especially supermarket operators to diversify their sourcing in order to mitigate risks associated with relying on a single supplier or region in respect of a particular type of products. Besides, a diversified supply chain may provide retail operators with greater flexibility in response to the changing market conditions including but not limited to consumer behavior and government regulations during COVID-19 pandemic.

The five largest suppliers of our Group in each year/period during the Track Record Period are Independent Third Parties to us. None of our Directors and close associates, or any Shareholders who owned more than 5% of the number of Shares in issue as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group in each year/period during the Track Record Period.

Overlapping of customers and suppliers

Wuxi Kangzhuang Agricultural Development Co., Ltd.* (無錫康莊農業發展有限公司) and Jiangsu Youchu Technology Co., Ltd.* (江蘇悠儲科技有限公司)

During the Track Record Period, Wuxi Kangzhuang Agricultural Development Co., Ltd.* (無錫康莊農業發展有限公司) ("**Wuxi Kangzhuang**") and Jiangsu Youchu Technology Co., Ltd.* (江蘇悠儲科技有限公司) ("**Jiangsu Youchu**"), which are one of our five largest customers during each of FY2021, FY2022 and FY2023 and one of our five largest suppliers during each of FY2021, FY2022, FY2023 and 9M2024, respectively, share a common shareholder with less than 50% shareholding interest in both companies. The common shareholder ceased to be a shareholder of Jiangsu Youchu in November 2023. According to publicly available information and our Directors' best knowledge, there is no overlapping between the management of Wuxi Kangzhuang and Jiangsu Youchu. We sold soybean oil and liquor to Wuxi Kangzhuang. The revenue derived from Wuxi Kangzhuang amounted to approximately RMB42.7 million, RMB58.0 million, RMB36.9 million and RMB29.3 million, respectively, accounting for approximately 3.0%, 4.4%, 2.6% and 2.9% of our total revenue for FY2021, FY2022, FY2023 and 9M2024, respectively. Pursuant to the terms of agreements between Wuxi Kangzhuang and our Group, Wuxi Kangzhuang made advance payment to our Group before delivery.

We purchased soybean oil from Jiangsu Youchu. The purchases from Jiangsu Youchu amounted to approximately RMB30.3 million, RMB107.4 million, RMB22.5 million and RMB17.8 million, respectively, accounting for 2.3%, 9.5%, 2.0% and 1.9% of our total purchases for FY2021, FY2022, FY2023 and 9M2024, respectively. Pursuant to the terms of agreements between Jiangsu Youchu and our Group, the credit term granted by Jiangsu Youchu to us is 30 days.

We purchased soybean oil with a specific container volume from Jiangsu Youchu of approximately RMB22.5 million for FY2023. During the same year, we sold soybean oil with the same container volume to Wuxi Kangzhuang of approximately RMB9.2 million. Such revenue derived accounted for approximately 0.7% of our total revenue for FY2023.

Our Directors confirmed that negotiations of the salient terms of our sales to and purchase from Wuxi Kangzhuang and Jiangsu Youchu were conducted separately. As a result, the sales and purchases in question were incidental transactions, neither inter-connected with nor inter-conditional upon each other or otherwise considered as one transaction.

Wuxi Kaifu Supply Chain Management Co., Ltd.* (無錫開富供應鏈管理有限公司), Wuxi Zhilian Agricultural Food Trading Co., Ltd.* (無錫智連農食品貿易有限公司) and Jiangsu Huixiangfu Supply Chain Management Co., Ltd.* (江蘇惠享福供應鏈管理有限公司)

Wuxi Kaifu Supply Chain Management Co., Ltd.* (無錫開富供應鏈管理有限公司) ("**Wuxi Kaifu**") and Wuxi Zhilian Agricultural Food Trading Co., Ltd.* (無錫智連農食品貿易有限公司) ("**Wuxi Zhilian Agricultural**") comprises two PRC companies with a common shareholder and under common control. One of the two PRC companies, Wuxi Zhilian Agricultural, shares a common shareholder and is under common control with Jiangsu Huixiangfu Supply Chain Management Co., Ltd.* (江蘇惠享福供應鏈管理有限公司) ("**Jiangsu Huixiangfu**") which was our supplier for FY2023. During the Track Record Period, we sold soybean oil and rice to Wuxi Kaifu and Wuxi Zhilian Agricultural. The revenue derived from Wuxi Kaifu and Wuxi Zhilian Agricultural amounted to nil, approximately RMB56.2 million, RMB61.2 million and RMB13.3 million, respectively, accounting for nil, approximately 4.2%, 4.4% and 1.3% of our total revenue for FY2021, FY2022, FY2023 and 9M2024, respectively. Pursuant to the terms of agreements between Wuxi Kaifu and Wuxi Zhilian Agricultural and our Group, Wuxi Kaifu and Wuxi Zhilian Agricultural made advance payment to our Group before delivery.

During the Track Record Period, we purchased soybean oil from Jiangsu Huixiangfu. The purchases from Jiangsu Huixiangfu amounted to nil, nil, approximately RMB21.4 million and nil, respectively, accounting for nil, nil, approximately 1.9% and nil of our total purchases for FY2021, FY2022, FY2023 and 9M2024, respectively. We generally make advance payment to Jiangsu Huixiangfu before delivery.

Out of the total revenue derived from Wuxi Kaifu and Wuxi Zhilian Agricultural for FY2023, there was one single sales transaction of soybean oil amounting to approximately RMB1.4 million and the relevant products were procured from Jiangsu Huixiangfu. Such revenue accounted for approximately 0.1% of our total revenue for FY2023. After we purchased soybean oil from Jiangsu Huixiangfu from April to June 2023, Wuxi Kaifu encountered demand for soybean oil with the same specifications in June 2023. As we were able to supply the soybean oil readily, they purchased soybean oil from us.

The terms of transaction with each of Wuxi Kangzhuang, Wuxi Kaifu and Wuxi Zhilian Agricultural, Jiangsu Youchu and Jiangsu Huixiangfu were similar to those with our other customers and suppliers, which our Directors considered to be normal commercial terms.

Save as disclosed above, to the best knowledge of our Directors, (i) none of our five largest customers in each year/period during the Track Record Period were also our supplier; and (ii) none of our five largest suppliers in each year/period during the Track Record Period were also our customers during the Track Record Period.

PROCUREMENT AND QUALITY CONTROL

Selection of suppliers

We maintain a list of approved suppliers and our procurement team shall procure from the suppliers on our list of approved suppliers. For new suppliers, our procurement team would assess and evaluate the suppliers and their products by considering the licences and qualifications held by the suppliers, the background and capacity of the suppliers, the specifications of the products, the licences or registration of the products, whether the products comply with the relevant laws and regulations, independent test reports as well as the price offered by the suppliers. The potential supplier will be required to provide documents proving its corporate background and relevant certifications or qualifications possessed by the potential supplier for meeting certain international or local standards.

For existing products, our procurement team would also conduct periodical reviews on the supplier and the products supplied by it, including obtaining updated licences and qualifications. We may also require suppliers to provide production licences, hygiene licences, trademark registration certificates and test reports issued by independent third parties in respect of products to be procured by us that provide assurance on regulatory compliance, food or products safety and/or quality manufacturing process, where applicable, of the products to be procured by us.

Further, our procurement agreements with our suppliers generally provide that we are entitled to return defective products to our suppliers and all product defects or product liability in respect of any product supplied to us are the responsibilities of our suppliers.

Procurement of products

We generally enter into procurement agreements with suppliers for a term of one to two years. Our procurement team would monitor the inventory level of our products through our WMS system and place purchase orders with our suppliers based on the demand for the products at our Retail Stores. We generally place purchase orders for food merchandise on a weekly basis and non-food merchandise on a bi-weekly basis. We usually make procurement in large quantities, rather than making frequent purchases in small quantities, in order to take advantage of the discount of bulk purchase from suppliers and save overhead expenses such as administrative and transportation costs.

Agreements with our suppliers

Our agreements with our suppliers can be broadly categorised into two types: (i) procurement agreements pursuant to which we procure the products for our retail operations and wholesale operations; and (ii) district distributorship agreements pursuant to which we act as their district distributor in the designated territories specified in the agreements.

We typically enter into procurement agreements with our suppliers for our retail operations and wholesale operations. We place purchase orders with our suppliers on an order-by-order basis during the term of the procurement agreements. Set out below are the typical terms of our procurement agreements:

- Term: Typically one to two year(s)
- Minimum purchase commitment: Nil
- Delivery arrangements: Our suppliers are responsible for delivery in general.
- Credit term and payment method: We are usually required to make payment before delivery or are granted credit term ranging from 0 to 60 days by bank transfer.
- Product quality requirements: The products and their packaging and labels shall be in compliance with the applicable laws and regulations in the PRC. The agreements specify the requirements on minimum remaining shelf life of the products.
- Product returns and exchange: We generally have the right to return products to our suppliers if the products are defective, the packaging is damaged, the remaining shelf life of the products is less than the minimum period specified in the agreements, the labels of the products do not comply with the applicable PRC laws and regulations or the products do not comply with the agreement between us and our suppliers.

We enter into distribution agreements with some suppliers including some renowned brands, pursuant to which we act as their district distributor in the designated territories specified in the agreements. We place purchase orders with our suppliers on an order-by-order basis during the term of the distribution agreements. Set out below are the typical terms of our distribution agreements:

- Term: Typically one to two year(s)
- Products: The agreements stipulate the brand and type of products to be supplied.
- Geographical area: We are restricted to carry out the sub-distribution and/or retail sales within the designated territories and are prohibited from distributing to any other places or areas.
- Minimum purchase commitment: For certain distribution agreements, we are required to purchase a minimum purchase amount per annum, failing which the suppliers may terminate the agreements and/or we might be held liable for breach of the agreements and damages.

- Sales target: For certain distribution agreements, we are subject to annual and monthly sales targets, failing which the suppliers may terminate the agreements and/or we might be held liable for breach of the agreements and damages.

- Pricing policies: The prices of the products are to be adjusted and agreed by the parties according to the prevailing market price on the date of order. For certain distribution agreements, we are prohibited from selling below the suggested selling price for our sales to our customers.

- Delivery arrangements: Our suppliers are responsible for delivery in general or we collect the products from our suppliers.

- Credit term and payment method: We are usually required to make payment before delivery by bank transfer.

- Other obligations of our Group: (for Supplier D) We are required to conform to the storage needs and requirements to achieve a certain level of storage safety, layout, temperature and humidity.

- Product returns and exchange: We generally have the right to return products with quality issue to our suppliers.

- Termination clause: Our suppliers generally have the right to terminate the agreements if we are in breach of the terms of the agreements, fail to meet the sales target for three months, or are subject to winding-up proceedings.

Delivery of products by suppliers and quality check

Depending on the nature of the products and the delivery capacity of the suppliers, some products are directly delivered to our Retail Stores by the suppliers and some products are delivered to our distribution centre. Upon the delivery of the products to our Retail Stores or our distribution centre, our staff would inspect and randomly check the quantity and packaging of the delivered products and report to our procurement team any irregularities of the delivered products. Those damaged or defected products will be returned to the suppliers. Products passing quality check will be recorded in WMS system and ERP system and be stored in the warehouse of the Retail Stores or the distribution centre.

Storage of goods

We have implemented "first in, first out" policy at our distribution centre and our Retail Stores to mitigate the risk of occurrence of early production and late sales caused by random display. Frontline staff are required to check products on display in the Retail Stores on a daily basis to avoid sale of expired or damaged products. In particular, frontline staff shall check the quality of perishable food products to ensure their qualities are in compliance with the agreed and regulatory standards so that they are then supplied at an acceptable level of freshness to our customers and avoid sale of expired food products.

FOOD SAFETY

For FY2021, FY2022, FY2023 and 9M2024, our revenue from sales of food (including grains and oil, food products, etc.) accounted for approximately 69.3%, 68.9%, 71.9% and 77.8% of our total revenue, respectively. As such, food safety is a critical concern for our business. According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), we shall be responsible for exchange of or refund for products sold by us if they do not conform to the applied product standard as carried on the product or its packaging. In addition, according to the PRC Food Safety Law (《中華人民共和國食品安全法》) and the Implementation Rules of PRC Food Safety Law (《中華人民共和國食品安全法實施條例》), we as the seller are liable for ensuring the food we sold is safe, meets quality standards and is properly labeled which are emphasized, for instance, that if we as the seller fulfill our obligations of inspecting incoming food, providing sufficient evidence to prove that we do not know the food does not meet the safety standards, and explaining the source of the food, we could be exempt from penalties. For details of the relevant laws and regulations concerning food safety, please refer to the paragraph headed "Regulatory Overview – Product Liability" and "Regulatory Overview – Food safety" in this prospectus.

As we place strong emphasis on food safety and quality, we have adopted the following food safety measures:

Selection of food suppliers

Before adding a food supplier to our list of approved suppliers, our procurement staff require the food supplier to provide certifications for food safety and quality. We require our food suppliers to provide a copy of valid business licences, food production licences, food operation licences, food quality compliance certificates, trademark registration certificates, test reports issued by independent third parties in respect of products, quality inspection compliance reports, mandatory certificates (for food subject to national mandatory certification), inspection and quarantine certificates for imported food, procurement invoices (if applicable). We monitor our food suppliers of food by regular assessment and request updated licences and registrations from time to time. If the food products supplied by a supplier fail to meet the required food safety and quality standards, or if there is any material food safety or quality issue concerning such supplier, we may suspend or terminate the procurement from such supplier. We only renew procurement agreements with our food suppliers if the suppliers continue to meet the qualifications.

Procurement

We prohibit our procurement team from procuring food products that (i) are produced by non-food raw materials, harmful substances or recycled food; (ii) are supplied by companies without necessary licences; (iii) contain pathogenic microorganisms, pesticide residues, veterinary drug residues, heavy metals, pollutants, and other harmful substances exceeding food safety standard limits; (iv) are spoiled, contaminated or adulterated; (v) are from poultry, livestock, or aquatic animals that are dead from disease, poisoning, or unknown causes; (vi) are uninspected or non-quarantined meat; (vii) are contaminated by packaging materials, containers, transport vehicles, etc.; (viii) are expired; or (ix) are prepackaged without labels or proper labels; (x) fail to meet food safety standards or requirements.

We request our suppliers to only supply products with labeling with details of products including origin, name and address of the manufacturer, ingredients, specifications, grading, date of production, shelf life, warning and usage (if any) in compliance with the relevant laws and regulations. Although we do not generally conduct any third party laboratory testing to check the composition of products intended to be procured by us, our procurement team will inspect food packaging labels to ascertain whether such labels are in compliance with the relevant laws and regulations. In addition, all of our suppliers are required to warrant the accuracy and completeness of such product information that are necessary in the labeling for us to assess the safety and quality of the target products, in compliance with the relevant laws and regulations.

Quality check upon delivery by suppliers

In general, upon delivery of the products, the incoming products shall be inspected based on the corresponding purchase orders or contracts. If the quality, specifications, or quantity of a batch of products delivered does not match the purchase order or contract, our Group will not accept the batch of goods and will proceed with the relevant return process.

We have different inspections for different kinds of food upon delivery by our suppliers. Our quality control officers perform quality controls on food products on a daily basis upon their delivery to our distribution centre or Retail Stores, including checks and inspections on their appearance, packaging, names and information of products, bar codes, production and/or expiry dates, quantities and quality. For raw and fresh food including vegetable, fruits, meat and seafood, the suppliers shall provide a pesticide residue testing report issued by a qualified third-party testing agency upon delivery of products. We will assess the authenticity and validity of the report to check if the products comply with national and industry standards. Before the raw and fresh food is stored, we conduct sample testing in our own laboratory to detect pesticide residue and ensure the accuracy and timeliness of the test results. We also retain certain samples of each batch of raw and fresh food for not less than 48 hours to facilitate traceability and investigation in case of any food safety issue. For quality checks and inspections, we also give top priority to perishable food products to ensure their qualities are in compliance with the agreed and regulatory standards so that they are then supplied at an acceptable level of freshness to our customers.

Logistics and warehouse conditions

Our warehouse team stationed in our distribution centre and warehouses perform designated check procedures upon delivery of products to our distribution centre and warehouses. These quality checks include checks on brand name, quantity ordered, barcode of products, product appearance, smell, packaging, date of expiry and net weight.

Besides, our distribution centre and warehouses are equipped with fire protection and temperature and humidity control systems, with the relevant results recorded. Our logistics teams are also responsible for monitoring and recording the temperature of the cold storage section of our distribution centre and warehouses and to avoid over-stacking or compression of products in the cold storage section, so as to prevent any quality issues arising from unexpected or accidental changes or fluctuations of temperature in the cold storage section of our distribution centre and warehouses.

Procedures to check food expiry and disposal of expired or rotten food products

Food products are stored in our distribution centre and warehouses by batch and on a first-in first-out principle to prevent expiration and for better management of shelf life of products. Warehouse staff and relevant personnel will conduct regular inventory checks on the stock, and verify the product information and quantity registered in the ERP system based on the results of such checks. During the inventory checks, the shelf life of the products will be checked, and products approaching their expiry dates will be listed separately, with the expiry dates marked to determine whether disposal is necessary. If any product is found to be rotten, they should be disposed of promptly.

After our products are delivered to our Retail Stores for sale, our store manager is responsible for supervising our front-line sales staff to conduct regular checks on our in-store products, so as to maintain the safety and quality of our in-store inventory and to ensure the expired products be removed from the shelves.

We establish a designated section or display for near-expiry food products, with clear signage stating “Near-Expiry Food Area” and “Please consume before expiry date”.

For food products which are vulnerable to various quality influential factors, such as storage temperature, packaging method and standard and nature and substances of products, notwithstanding that the specific products have not expired yet, our store manager is responsible for supervising our front-line sales staff to conduct additional quality checks regularly.

Our Internal Control Consultant is of the view that there are no material deficiencies relating to the aforesaid enhanced internal controls on supplier selection and food safety, and there are no matters identified suggesting these enhanced internal control measures are inadequate or ineffective.

Immaterial food safety incidents

Despite our quality control procedures for selecting suppliers and quality checks and inspections, in light of the volume of products handled by us daily, we may not always be able to detect quality issues of products or fraud. For the associated risks, please refer to the paragraph headed "Risk Factors – We may be subject to food safety issue, product liability claims or product recalls relating to defective products sold by us" in this prospectus.

During the Track Record Period, we had received administrative penalties for supplying certain products which failed to comply with the food safety laws and regulations. For example, in 2022, we were procured by a local government authority at Hongqiao Town, Minhang District, Shanghai, the PRC (Customer G) to provide living support supplies to residents affected by COVID-19. Some residents complained that certain vermicelli supplied by us was manufactured by a company which had been deregistered. Shanghai City Minhang District Administration for Market Regulation* (上海市閔行區市場監督管理局) had launched an investigation on the incident.

During the Track Record Period, we have generated revenue of approximately RMB41.7 million from Customer G. The vermicelli concerned accounted for a negligible amount of revenue generated from Customer G. We procured the vermicelli concerned from a company named "夏邑縣匯龍食品有限公司" (the "**Alleged Supplier**"). Before procuring vermicelli from the Alleged Supplier, we had obtained a stamped copy of a business registration certificate, a stamped copy of the production permit and a copy of the testing report in respect of the vermicelli concerned. However, we subsequently discovered that the vermicelli procured from the Alleged Supplier was in fact manufactured by an individual passing off another manufacturer's name and production address, with the food label containing false information, and had infringed a famous trademark. We launched a recall of the vermicelli and made a public apology.

Upon investigation by Shanghai City Minhang District Administration for Market Regulation* (上海市閔行區市場監督管理局), the authority found that we failed to verify the authenticity of the batch number, trademark registration and labelling information in respect of the vermicelli. As a result, in 2022, we were ordered by the authority to pay fines of RMB370,000, which were duly settled in November 2022.

Our Directors considered that such incident has limited impact on our Group's operations and financial performance. Notwithstanding that, any incident of food safety issue concerning products supplied by us will affect our reputation and customers' confidence in our brands and products sold by us. As such, we have adopted enhanced internal control measures in relation to mitigate the risk of recurrence of similar incident. In particular, upon obtaining a stamped copy of the business registration certificate from our suppliers, we will also verify the subsistence of the suppliers via online search platforms.

Our Directors confirmed that (i) save for the aforesaid incident, our Group was not subject to other material food safety incident, or any material claims, relating to counterfeit products or intellectual property infringement; and (ii) we have not received any material customer complaints, product recalls or product liability claims during the Track Record Period and up to the Latest Practicable Date.

INVENTORY MANAGEMENT, WAREHOUSING AND LOGISTICS

Inventory management

Our procurement team would monitor the inventory level of our products through our ERP system and WMS system and place purchase orders with our suppliers based on the demand for the products at our Retail Stores and Malls. We generally place purchase orders for food merchandise on a weekly basis and non-food merchandise on a bi-weekly basis for our Retail Store operations. In order to maintain an optimal level of inventory to balance our inventory holding costs and the need to provide a wide variety of products in sufficient quantities for the selection of our customers, we regularly review, determine and adjust our inventory level from time to time with reference to the historical and recent sales of different products, the historical and recent turnover days for different products and the cost effectiveness for logistics in ordering different products. We would also identify and clear out obsolete inventories or unpopular products or products that are near to its expiry date through special promotion or discounted sales.

As we offer a wide variety of products at our Retail Stores and Malls, we rely on our information technology systems to monitor and manage our inventory level. Our ERP system allows us to track the sales, inventories level and movement of each product in each of our Retail Stores and Malls on a real time basis. Based on these real time sales information centralised in our information technology systems, we could make timely responses and adjustments to our sales strategies, replenish and deliver products to our Retail Stores, Malls and distribution centre in a timely manner. Our ERP system records product description, product mix and number of products in individual Retail Stores and our Malls. In case the inventory level of our products in a Retail Store, Malls or our distribution centre falls below a preset value, our ERP system will generate an alert to our procurement team for replenishment. Our WMS system and ERP system therefore enable us to monitor and manage our inventory level to avoid any issues relating to shortage of or aged products.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, the balance of our inventories amounted to approximately RMB286.4 million, RMB324.0 million, RMB266.3 million and RMB317.6 million, respectively, representing approximately 37.5%, 34.7%, 25.9% and 31.0%, respectively of our total current assets as at the same dates. Our average number of inventory turnover days (calculated based on average inventories divided by costs of sales times 365 days) for FY2021, FY2022, FY2023 and 9M2024 were approximately 77.5 day, 108.5 days, 97.9 days and 100.2 days (annualised), respectively. As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, our balance of provision for write-down of inventories amounted to approximately RMB8.9 million, RMB8.6 million, RMB10.2 million and RMB11.0 million, respectively, representing approximately 3.0%, 2.6%, 3.7% and 3.4% of our gross inventories balance as at the same dates.

Warehousing

We adopt different types of storage methods for our products such as room temperate storage, cold storage and freezer storage depending on the type and nature of such products in order to keep and maintain the freshness or storage needs of such products. As at the Latest Practicable Date, we have one distribution centre and two warehouses. The table below sets out the details of our distribution centre and warehouses as well as their respective utilisation rate during the Track Record Period and as at the Latest Practicable Date:

				Utilisation Rate				
Location	**Rental period**	**Specific usage**	**Gross floor area**	**FY2021**	**FY2022**	**FY2023**	**9M2024**	**Latest Practicable Date**
			(Approximate sq.m.)	*(Approximate %)*				
Industrial Concentration Zone, Shaobo Town, Jiangdu District, Jiangsu Province (江蘇省江都區邵伯鎮工業集中區)	Self-owned property	Distribution centre used partly for storage of products of supermarket, and partly for rental	11,741.63	85.33	85.05	84.97	83.27	85.97
No. 114, Jianghuai Road, Fairy Town, Jiangdu District, Jiangsu (江蘇省江都區仙女鎮江淮路114號)	1 September 2022 to 31 August 2025	Warehouse used for storage of alcoholic beverages, milk and health supplements	3,062	85.85	86.25	84.91	83.25	86.38
No. 10 Ranhua Road, Fairy Town, Jiangdu District, Jiangsu (江蘇省江都區仙女鎮染化路10號)	10 February 2024 to 9 February 2029	Warehouse used partly for storage of alcoholic beverages, and partly for rental	4,056	87.48	87.66	87.27	89.86	91.61

Notes:

1. Our distribution centre had our unit loads stacked on top of each other and stored on the wooden pallets. The calculation is based on the assumption that the maximum number of pallets our distribution centre can accommodate at one time is approximately 14,146 pallets. The utilisation rate is calculated by the total number of pallets with products stored divided by 14,146 pallets.

2. The utilisation rate is calculated by the total volume (in cubic metre) of products stored at the warehouse as at the Latest Practicable Date divided by the total volume (in cubic metre) of the warehouse.

The distribution center is designed to cover a radius of 100 kilometers and the Retail Stores are organised into 13 delivery routes based on their geographical locations. Under normal circumstances, (i) raw and fresh food products will be delivered on the same day, (ii) products of ambient temperature will be delivered within 48 hours within the Jiangdu District, and (iii) other products will be delivered within 72 hours. During the Track Record Period, our Group mainly relied on our own fleet for all deliveries, and as of the Latest Practicable Date, our logistics team consisted of 73 employees and was equipped with 53 delivery truck, to meet our delivery and distribution needs. Our Group might also engage external third party service providers to ensure time delivery of products when we encountered high demands during holidays.

There is also a storeroom inside each of our Retail Stores and our Malls for storage of some inventory for its business operation. Depending on the nature of the products and the delivery capacity of the suppliers, some products are directly delivered to our Retail Stores by the suppliers and are stored in the storeroom before they are displayed for sale.

Logistics

Our Group maintain our own logistics team for delivery of products to our Retail Stores regularly from our distribution centre. As at the Latest Practicable Date, our logistics team owned and operated 53 transportation vehicles for delivery of products between our distribution centre, warehouses, Retails Stores and Malls. We cooperated with three e-commerce platforms, namely Douyin, JD.com and WeChat for online sale and delivery of our products to our customers. By purchasing our products through these e-commerce platforms, customers could enjoy the convenience of saving transportation time and costs and speedy delivery of the products. Some of our Retail Stores also maintain transportation vehicles for delivery of products to their customers.

INFORMATION TECHNOLOGY

Our integrated information technology systems are essential for supporting our daily business operations, including procurement, sales, inventory management, stock replenishments, membership management, financial data management and other administrative functions. Our major information technology systems include ERP system, POS system, WMS system and B2B supply chain system.

Our POS system is used in all of our Retail Stores and Malls. All transactions of our Retail Stores and Malls are conducted and concluded through our POS system, which is linked to our ERP system. Our ERP system allows us to track the sales, inventories level and movement of each products in each of our Retail Stores and Malls on a real time basis. Based on these real time sales information centralised in our information technology systems, we could make timely responses and adjustments to our sales strategies, replenish and deliver products to our Retail Stores, Malls and distribution centre in a timely manner. Besides, our ERP system also supports our daily financial management by providing fundamental financial data on real time basis for accounting purpose.

Our ERP system and WMS system are adopted for monitoring the inventory level of our products. Our ERP system records product description, product mix and number of products in our Retail Stores and our Malls, while our WMS system records the locations and quantities of our inventories in our distribution centre. Our WMS system is linked to our ERP system. Our ERP system monitors the inventory levels of our Retail Stores and Malls and sends an alert to our procurement team automatically when the inventory levels of our Retail Stores drop below certain levels. Our procurement team will then arrange delivery of products to our Retail Stores from our distribution centre or warehouses for replenishment.

Our ERP system will send an alert to our procurement team automatically when the inventory levels at our distribution centre and warehouses drop below the set minimum levels, and our procurement team shall arrange for replenishment from our suppliers accordingly. Our WMS system and ERP system therefore enable us to monitor and manage our inventory level to avoid any issues relating to shortage of or aged products.

Besides, our WMS system records the weight and quantity of products delivered by our logistics team within a period of time. Such data are used by our management to assess the work efficiency of our logistics staff.

Distinctive user IDs have been assigned to individual staff or a group of staff, such as purchasing staff, marketing staff, warehouse and logistics staff, front-line-sales staff and information technology staff, etc. with differentiated scope of access rights. Access right control is stringently managed with reference to employees' different job grading, departmental segregation and job requirements.

SEASONALITY

Our business is slightly affected by seasonality. We usually record higher sales revenue during holidays and festivals, such as Chinese New Year and anniversary of our Group. We also usually record a higher sales revenue during September to February of the next year, as there are more Chinese traditional festivals during this period.

LICENCES AND REGISTRATIONS

As confirmed by our Directors and as advised by our PRC Legal Advisers, with the exception of our failure to complete the required fire safety approvals pursuant to relevant PRC laws and regulations as disclosed in the paragraph headed "Non-compliance" below in this section during the Track Record Period and up to the Latest Practicable Date, we maintained all licences and registrations required to carry out our operation in the PRC. As at the Latest Practicable Date, we hold the following material licences and registrations in relation to our business in the PRC:

Licence/registration	Purpose	Year of grant/first registration	Expiry date
Food operation licence (食品經營許可證)	Conduct business in food selling	17 April 2007 to 9 January 2025	1 April 2025 *(Note 1)* to 24 February 2030 *(Note 2)*
Filing for food operation for selling pre-packaged food only (食品經營僅銷售預包裝食品備案)	Sale of pre-packaged food	28 January 2022 to 23 November 2022	No expiry date
Fire safety inspection certificates (消防安全檢查合格證)	Conduct retail stores and shopping malls business	9 December 2005 to 27 September 2023	No expiry date
Hygiene Licence (衛生許可證)	Conduct retail stores and shopping malls business	8 June 1999 to 17 January 2024	12 April 2025 *(Note 1)* to 17 January 2029 *(Note 2)*

Licence/registration	Purpose	Year of grant/first registration	Expiry date
Publications operation permit (出版物經營許可證)	Sale of books and newspaper	17 November 2005 to 26 March 2024	30 April 2028

Notes:

1. In relation to the licences which are expiring in April 2025, our Group either has submitted (for those that are expiring on or before 12 April 2025) or is in the process of preparing documentation for renewal of the relevant licences. As advised by our PRC Legal Advisers, there will be no legal impediments to renew the necessary licences and permits when they expire provided that we are able to meet the relevant requirements and conditions imposed by the competent government authorities.

2. The dates specified represent the range of expiry dates of the relevant licence held by different licence holding entities.

During the Track Record Period, we did not experience any material difficulty in renewing the business licences, permits and certificates of our business operations. As advised by our PRC Legal Advisers, there will be no legal impediments to renew the necessary licences and permits when they expire provided that we are able to meet the relevant requirements and conditions imposed by the competent government authorities.

CERTIFICATIONS AND AWARDS

We have obtained/received the following awards, certificates and recognition over the years:

Award/Certificate/Recognition	Awarding organisation/institution	Years of first grant
Civilised Unit in Jiangsu Province* (江蘇省文明單位)	Jiangsu Provincial Steering Committee for Ideological and Ethical Advancement* (江蘇省精神文明建設指導委員)	1997
Credit Management Unit* (誠信單位)	Jiangsu Consumers' Association* (江蘇省消費者協會)	1999
Credit Management Unit* (誠信單位)	China Consumers' Association* (中國消費者協會)	2001
Jiangsu Province E-commerce Demonstration Enterprise* (江蘇省電子商務示範企業)	Department of Commerce of Jiangsu Province* (江蘇省商務廳)	2012

Award/Certificate/Recognition	Awarding organisation/institution	Years of first grant
Yangzhou Famous Trademark (揚州市知名商標)	Yangzhou Administration for Industry and Commerce* (揚州市工商行政管理局)	2014
Jiangsu Famous Trademark (江蘇省著名商標)	Jiangsu Provincial Administration for Industry and Commerce* (江蘇省工商行政管理局)	2014
Key Supply Unit for Prevention and Control in Jiangdu District, Yangzhou City* (揚州市江都區防控重點保障供應單位)	Office of the Command for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新型冠狀病毒肺炎疫情防控指揮部辦公室)	2020
AAAA-level Logistics Enterprise* (AAAA物流企業)	China Federation of Logistics and Purchasing (中國物流與採購聯合會)	2021
Safe Consumption Demonstration Unit of Jiangsu Province* (江蘇省放心消費創建示範單位)	Jiangsu Provincial Safe Consumption Creation Activity Office* (江蘇省放心消費創建活動辦公室) and Jiangsu Provincial Administration for Market Regulation* (江蘇省市場監督管理局)	2021
Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業)	Commerce Bureau of Yangzhou City* (揚州市商務局)	2021
Key Enterprise for Ensuring People's Livelihood Supply in Yangzhou City* (揚州市民生保供重點企業)	Command for the Prevention and Control of the Novel Coronavirus Pneumonia Epidemic in Jiangdu District, Yangzhou City* (揚州市江都區新冠肺炎疫情防控工作指揮部)	2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Board Governance

We acknowledge the responsibility on environmental protection, social responsibilities and is aware of the climate-related issues that may have impacts on our business operations. We committed to comply with the environmental, social and governance ("**ESG**") reporting requirements upon Listing and committed to operating our business in a lawful, ethical and responsible attitude.

We have established a set of internal policies with respect to ESG issues. For environmental matters, we have adopted various policies and procedures related to (i) conservation of resources, (ii) responding to climate change, and (iii) treatment of exhaust gas, sewage and solid waste, among other aspects. For social matters, we have adopted policies and procedures related to (i) supplier management, (ii) product responsibility, (iii) occupational safety and health, and (iv) customer complaints and handling, among other aspects. For governance matters, we have adopted an employee manual that encompasses policies on different areas, such as conflict of interest, anti-corruption, etc., and have provided regular compliance training for employees to enhance internal regulatory compliance and ethical business practices. We conduct periodic reviews to monitor our compliance with the above policies and procedures.

The Board of Directors ("**The Board**") is directly and collectively responsible for the supervision and oversight of execution of climate-related matters and ESG performance. The Board will be informed through various channels of the risks and findings related to environmental, social and governance, the results of the review of existing strategies, objectives and policies, and the results of the Group's materiality assessment. Under the supervision of the Board, the Group actively identifies and monitors environmental, social and climate-related risks and opportunities. At the same time, the Board also evaluates transactions based on the identified ESG risks and opportunities, assesses whether each transaction meets sustainability requirements and relevant social responsibility standards, and captures relevant ESG opportunities. The Board will delegate authority to management and relevant department heads to develop and implement ESG policies and establish an ESG Committee to monitor the progress of ESG. We expect to set up the ESG Committee before listing. After listing, we will publish an ESG report each year pursuant to the reporting requirements under the Listing Rules to facilitate long-term strategies and seek continuous improvements.

ESG Risk Management and Strategy

For the purpose of overseeing our Group's risk management and internal controls, we have adopted or will adopt certain risk management and internal control framework, policies, procedures and measures in order to address major risks or compliance requirements identified. For more details related to the overall risk management and internal control framework, policies, procedures and measures, please see the paragraph headed "Risk management and internal control" in this section.

Assessment of material ESG-related issues is a three-step process, including:

- ***Step 1. Identification of material issues***

  Based on the industry research, the materiality maps of Morgan Stanley Capital International (“**MSCI**”) and Sustainability Accounting Standards Board (“**SASB**”) and comparative industry analysis, we identified a series of sustainability issues relevant to our environment and social impact and performance.

- ***Step 2. Ranking of material issues***

  We prepared questionnaires to conduct the stakeholder survey, and we ranked the material issues based on the survey results.

- ***Step 3. Verification and establishment of materiality matrix***

  We collected and analysed the survey results and assigned priority levels to the identified issues based on their potential impact. This approach led to the creation of a two-dimensional matrix that clearly demonstrates the importance of each issue to our stakeholders as well as to the business. The results were reviewed by our management and external experts.

These environmental, social and climate-related issues may lead to various risks and opportunities to us, potentially impacting our Group in different ways. Our Group identified 6 material ESG-related issues which have significant impacts on our business and stakeholders and listed below:

Materials Issues	Impact Period	Potential Risks, Impacts and Our Strategies	Environmental Target
Energy Management	Medium-Term	Increasingly stringent carbon emission requirements are expected in the future and may impact the business operations of our Group. Potential impacts on the business operations of our Group include resulting in heavy fines and legal consequences and jeopardising our Group's reputation if our Group is unable to comply with the relevant requirements under the increasing regulatory pressure. We have developed resource-saving policies and procedures to reduce energy consumption and enhance energy management by setting guidelines for electricity usage in our offices and retail stores, and optimising transport and delivery routes to reduce vehicle energy consumption. We provide environmental training courses for our employees to raise their awareness and develop an environmentally friendly culture in the Group. Our investment in measures to reduce energy consumption, such as purchasing electric vehicles and LED lighting, upgrading air-conditioners, amounted to RMB1,183,694, RMB710,950, RMB1,276,822 and RMB359,100 for FY2021, FY2022, FY2023 and 9M2024, respectively.	We have strictly abided with the Energy Conservation Law of the PRC to fulfil energy management responsibilities, promote energy conservation measures, and ultimately achieve energy saving and emissions reduction targets. We have set an energy saving target to reduce energy intensity of our own operations by 5% by 2028, with 2023 as the base year.

Materials Issues	Impact Period	Potential Risks, Impacts and Our Strategies	Environmental Target
Waste Management	Long-Term	Inadequate waste management practices may lead to environmental pollutions when disposing hazardous materials or non-recyclable waste improperly. Non-compliance with waste management regulations can result in penalties and legal consequences for supermarkets, which eventually affects our Group's reputation and finances. We have strictly complied with the "Solid Waste Pollution Prevention and Control Law of the People's Republic of China". During the Track Record Period, we did not have any material non-compliance against waste related laws and regulations. Internally, we have waste management procedures in place to ensure responsible disposal of hazardous and non-hazardous waste. In respect of the non-hazardous waste, we are committed to minimising the generation of such waste and enhancing waste resource utilisation through better inventory management and avoidance of overstocking. In respect of the hazardous waste, we have engaged certified third parties to collect and process. For FY2021, FY2022, FY2023 and 9M2024, our investment in waste treatment and measures to reduce waste generation was RMB195,092, RMB188,798, RMB180,092 and RMB256,445, respectively.	We have strictly abided with the Solid Waste Pollution Prevention and Control Law of the PRC to regulate and control solid waste management, minimise the generation of solid waste, promote resource utilisation, and protect the environment and public health. We have set a waste reduction target to reduce the intensity of waste generation by 10% by 2028, with 2023 as the base year.

Materials Issues	Impact Period	Potential Risks, Impacts and Our Strategies	Environmental Target
Labour Management	Long-Term	Potential disputes arising from employee dissatisfaction with wages, benefits and fairness may initiate controversy and impair our Group's reputation for a significant period of time. Insufficient skilled employees may reduce the efficiency of our Group's production lines and eventually jeopardise the long-term competitiveness of our Group. We have formulated human resource management policies and established management systems as to promotion and welfare in order to safeguard employee's rights across different aspects such as recruitment, advancement, payment, termination, equal opportunities, diversity, prevention of discrimination and benefits. Besides, we have implemented various measures and procedures to prohibit child and forced labour. For FY2021, FY2022, FY2023 and 9M2024, employee remuneration and benefits amounted to approximately RMB113.3 million, RMB111.8 million, RMB105.0 million and RMB69.2 million, respectively. For further details related to our labour management, please see the paragraph headed "Labour Management" in this section.	We have strictly abided with the Labour Law of the PRC and the Labour Contract Law of the PRC to protect the rights and interests of employee, ensure fair and harmonious labour relations, and promote social stability and economic development. We aim to promote fairness and equity in the workplace, provide equal opportunities for our employees and increase employee satisfaction.

Materials Issues	Impact Period	Potential Risks, Impacts and Our Strategies	Environmental Target
Operational Compliance	Long-Term	Potential operational compliance risks are expected in the future, as we operate in the retail industry with a complex supply chain system and a wide range of products for daily life of our customers. Therefore, regulatory compliance, supply chain compliance and product quality & safety are very crucial to us. It may impact the business operations of our Group. If any food safety problems caused by any non-compliance exist, that may potentially threaten the health and safety of customers. Our Group may also face fines, reputational damage or legal proceedings. We provide training on product quality control and management to enhance our employees' awareness of compliance. During the Track Record Period, we did not have any material non-compliances with operation related ESG laws and regulations. For FY2021, FY2022, FY2023 and 9M2024, our financial investment in meeting operational compliance requirements was RMB409,426, RMB262,680, RMB706,329 and RMB101,944, respectively. The cost of meeting operational compliance includes but is not limited to the fee for environmental testing and cleaning and purchasing or replacing fire extinguishers. For further details related to operational compliance, please see the paragraph headed "Operational Compliance" and "Supply Chain Management" in this section.	We have strictly complied and will continue to comply with environmental and social related laws and regulations of the PRC to ensure that: • No breaches of laws at the operational level; • No penalties imposed by regulatory authorities; and • No negative news exposures concerning our Group throughout the year.

Materials Issues	Impact Period	Potential Risks, Impacts and Our Strategies	Environmental Target
Privacy & Data Security	Long-Term	Insecure database and servers may significantly increase the possibility of data leakage resulting from hacker attacks and our Group may fail to maintain privacy and data security. Under this circumstances, our Group may be fined and held liable for violating relevant laws and regulations, and also be liable for high litigation and compensation costs. Such litigation and compensation may also cause significant economic risks and impair the reputation of our Group. During the Track Record Period, we did not have any material non-compliances with any privacy and data security related laws and regulations. As of 30 September 2024, we did not suffer from any financial losses as a result of leakage of confidential company information or customer information. To prevent such incidents and ensure the security of Group's database, for FY2021, FY2022, FY2023 and 9M2024, our financial investment in upgrading information infrastructure such as servers and firewall, etc., and purchasing licensed software was RMB394,800, RMB47,200, RMB104,500 and RMB773,639, respectively. We also conduct training for our employees on the importance of data and privacy security to raise their awareness of data and privacy protection. For further details related to Privacy & Data Security, please see the paragraph headed "Privacy & Data Security" in this section.	We have strictly abided and will continue to strictly abide by the Internet Security Law of the PRC, the Personal Information Protection Law of the PRC, and the Data Security Law of the PRC to prevent any leakage of confidential company information or customer information.

Materials Issues	Impact Period	Potential Risks, Impacts and Our Strategies	Environmental Target
Supply Chain Management	Long-Term	Selecting appropriate suppliers can minimise the environmental and social impacts throughout the supply chain. If the suppliers are not able to fulfil their environmental and social responsibilities and comply with relevant laws and regulations, our Group may face the risk of reputation being impaired within the industry. We have established procurement and supplier management procedures as well as a supplier admission and performance review system, giving preference to suppliers with internationally recognised certifications, requiring suppliers to comply with environmental protection laws and purchasing materials and/or manufacturing in a responsible and sustainable manner. For further details related to supply chain management, please see the paragraph headed "Supply Chain Management" in this section.	Our supply chain management target is to establish a sustainable, transparent and ethical supply chain system that ensures product quality and safety, protects labour rights, improves supply chain efficiency and builds good relationships with suppliers.

Metrics and Targets

Environmental Matters

We endeavour to minimise the potential environmental and climate-related risks and impacts from daily operation and to foster green operation within the Group. We strictly abide by the environmental-related laws and regulations involving air emissions, wastewater discharge, and waste disposal of the PRC. We are aware of the environmental impacts that our business operations may induce and the resources that are required for the business operation. We have taken into account the quantitative information that reflects our management of environmental-related risks. We monitor the following metrics to assess and manage the environmental and climate-related risks and opportunities arising from our business operation:

Climate Change

We recognise that global warming presents a diverse array of risks to our business operations. As part of our proactive approach, we diligently identify and monitor climate-related risks and opportunities that may affect our business, strategy, and financial performance. Under our policies and procedures for responding to climate change, we have set our goals to support the national "30•60" carbon peak and neutrality targets by reducing the greenhouse gas emissions and striving for smooth operations while ensuring the safety of our employees.

For climate-related physical risks, climate change induces more frequent and severe extreme weather events, such as floods, heat waves, hurricane and storms. These events have the potential to inflict damage on the physical infrastructure of assets, including buildings, warehouses, and goods. Additionally, they can lead to project planning and implementation delays, transportation challenges, disruptions in the supply chain, and negative impacts on the workforce. These combined effects may ultimately have an impact on our overall business operations. The business premise of one of our Group's entities is located in coastal area, which may be vulnerable during extreme weather events. We have implemented crisis and emergency management strategies to effectively handle the increasingly frequent and severe extreme weather events associated with climate change. We maintain property insurances for properties and other assets that are vulnerable to extreme weather damage or other physical impacts caused by climate change. Furthermore, through workshops and training programs, we have better understood the impact of climate-related risks on our business operations. We also assess climate-related risks in our supply chain by evaluating the vulnerability of our suppliers located in flood-prone areas or other high-risk regions. By identifying alternative sources of supply and establishing robust contingency plans, we aim to minimise disruptions caused by climate-related events and ensure the continuity of our operations. Additionally, we will closely monitor daily observatory predictions and promptly notify our employees and other personnel of any related measures in case of extreme weather.

For climate-related transition risks, one significant transition risk involves the need to allocate greater capital expenditure towards low-carbon commodity replacements. Besides, with evolving policies and regulations, we may be exposed to litigation risks if we fail to address climate change in accordance with the relevant policies or regulations. These risks may lead to an increase in capital expenditures due to the need to constructing new facilities and implementation of new practices and processes and alterations in the income mix and sources.

To effectively manage these transition risks, we prioritise the selection of locally sourced products and organic food to minimise carbon emissions during transportation and supply chain. Furthermore, we remain committed to closely monitoring national and industry policies as well as consumer preferences. By staying informed of the latest developments in climate-related policies and regulations, we can proactively adjust our product strategy to align with evolving market demands and sustainability requirements.

For climate-related opportunities, we have observed an increasing demand from customers and a growing regulatory emphasis on the transition to low-carbon products. We have increased our investments in sustainable products and brands, including organic food, locally sourced food and other environmentally friendly products to develop and promote low emission products.

The capital expenditures on climate-related risks include investment in energy efficient products, operating costs for asset repairs, and the costs associated with purchasing property insurances etc. With regard to the climate-related opportunities, we also purchased sustainable products including organic food, local food and plant-based food, which amounted to RMB144.33 million, RMB206.17 million, RMB124.44 million and RMB86.99 million as at 31 December 2021, 2022, 2023 and 30 September 2024, respectively.

Emission Control

The primary source of air pollutant emissions is the combustion of fuel from the Group's vehicles, stationary equipment and direct emissions of pollutants. Typical air pollutants emitted include nitrogen oxides, sulphur oxides and particulate matter. The following table sets forth the amount of air pollutant emissions from our Group during the Track Record Period.

Air Emissions (kg)	**2021**	**2022**	**2023**	**9M2024**
Nitrogen Oxides (NO_x)	4,110.56	4,057.71	4,178.33	2,817.94
Sulphur Oxides (SO_x)	5.39	3.92	4.63	3.24
Particulate Matter (PM)	332.66	322.77	325.73	221.55

Referring to "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" ("**Appendix II**") provided by the Stock Exchange, the Group's greenhouse gas emissions are primarily classified into three scopes: (i) scope 1 includes direct emissions from the combustion of fuels of the Group's vehicles and stationary equipment as well as the use of refrigerant; (ii) scope 2 includes indirect emissions from purchased electricity; and (iii) scope 3 other includes indirect emissions from the business air travel, treatment of waste paper and electricity used for fresh water and sewage processing. The following table sets forth the amount of greenhouse gas emissions during the Track Record Period:

Greenhouse Gases Emissions	**2021**	**2022**	**2023**	**9M2024**
Total GHG Emissions (tCO_2e)	11,738	11,972	12,274	10,080
Scope 1 – Direct emissions	2,814	2,711	2,828	2,640
Scope 2 – Energy indirect emissions	8,852	9,186	9,368	7,381
Scope 3 – Indirect emissions	72	75	79	59
Intensity (tCO_2e/RMB million of revenue)	6.41	6.48	8.27	9.46

Use of Resources

Energy Management

We regularly review the energy consumption data and seek for opportunities to optimise energy use and improve energy efficiency wherever possible. Our energy consumption is classified into direct and indirect energy consumption. The direct energy consumption is from the fuel consumption of vehicles and stationary source. The indirect energy consumption is from the consumption of purchased electricity. We have set an energy saving target to reduce energy intensity of our own operations by 5% by 2028, with 2023 as the base year.

Energy Consumption	**2021**	**2022**	**2023**	**9M2024**
Total Energy Consumption (MWh)	23,830	23,725	24,215	18,637
Direct energy consumption (MWh)	7,932	7,227	7,391	5,381
Indirect energy consumption (MWh)	15,898	16,498	16,824	13,256
Intensity (MWh/RMB million of revenue)	13.02	12.85	16.32	17.48

Waste Management

We strictly comply with the "Solid Waste Pollution Prevention and Control Law of the People's Republic of China" and are committed to reducing the generation of waste. The non-hazardous waste generated by our Group mainly includes daily office waste and product packaging. Office waste will be collected and processed in a proper and legal manner. We also recycle paper, metals and plastics by using waste sorting bins. In addition, the usage of materials is evaluated regularly in order to avoid overstocking. The hazardous waste generated by our Group comprises waste light tube, toner cartridge, computers and lubricant. All hazardous waste generated is properly collected and treated. We have set our target to reduce the intensity of waste generation by 10% by 2028, with 2023 as the base year.

Waste Generation	**2021**	**2022**	**2023**	**9M2024**
Waste generated (tons)	33.21	31.20	30.67	22.20
Intensity (kg/RMB million of revenue)	18.15	16.90	20.68	20.83

Water Usage

The usage of municipal water contributes to the majority of water consumption for the operation of the office and physical stores. Thus, we inevitably generate a small amount of domestic sewage which is discharged into the municipal sewage pipe network for treatment. We understand the importance of water conservation as water is a precious resource. Therefore, we have implemented various water conservation measures. For instance, putting up water saving reminder labels in washrooms and pantries to raise the employee's awareness of water saving, reducing water pressure to the lowest practical level and checking water meter readings regularly. We monitor our sewage discharge levels on a periodic basis.

Water Consumption	**2021**	**2022**	**2023**	**9M2024**
Total Water Consumption (m^3)	96,137	92,007	78,302	52,423
Intensity (m^3/RMB million of revenue)	52.53	49.83	52.79	49.18

Social Matters

Labour Management

We are committed to promoting fairness and equity in the workplace, as well as providing equal opportunities to employees. We have formulated multiple measures in order to protect the rights of employees, including but not limited to recruitment and dismissal, development and training, compensation and benefits as well as occupational health and safety. We lay emphasis on providing targeted trainings for employees to fulfil the needs of different positions. Meanwhile, we also encourage employees to participate in external training, seminars and sharing sessions to enrich their professional knowledge.

In terms of employees' development, we prioritise internal promotions based on the skills and performance of employees, thereby encouraging and rewarding the contributions of hardworking employees. In order to promote the corporate culture and professionalism of our Group, we provide employees with abundant opportunities for professional development and clear career paths, and value and recognise the contributions of outstanding employees.

As of 30 September 2024, the metrics related to social indicators are as follows:

Employment indicators	**2021**	**2022**	**2023**	**9M2024**
Number of total employees	1,974	1,829	1,696	1,580
By gender				
Male	261	226	227	219
Female	1,713	1,603	1,469	1,361
By employment type				
Full-time	1,941	1,800	1,636	1,536
Part-time	33	29	60	44
By age group				
< 30 years old	116	88	49	44
30–50 years old	1,304	1,226	1,009	976
> 50 years old	554	515	638	560

Employee Turnover Rate	2021	2022	2023	9M2024
Total	13%	5%	10%	20%
By gender				
Female	14%	5%	11%	20%
Male	11%	6%	2%	16%
By age group				
< 30 years old	50%	17%	9%	59%
30–50 years old	13%	6%	10%	14%
> 50 years old	6%	2%	10%	26%
By Geographical Region				
PRC	13%	5%	10%	20%
Hong Kong	0%	0%	0%	0%

Occupational Health and Safety

We recognise the importance of occupational safety and health. Therefore, we strictly comply with relevant occupational safety laws such as *the Law of the PRC on Work Safety and the Law of the PRC on the Prevention and Control of Occupational Diseases*. We have established a clear and effective reporting system. Any reports of unsafe and unhealthy environments in the workplace will be responded immediately and the cause of any injuries will be investigated to prevent same incidents from happening again. We also provide safety training for employees to raise their safety awareness. In addition, we have established contingency measures for different emergency situations as well as organised regular emergency evacuation drills and inspection of fire safety facilities to ensure staff safety. During the Track Record Period, we did not have any material non-compliance issues and accidents with regard to occupational health and safety.

Operational Compliance

Due to the nature of our business, operational compliance is vital to us. We have established a strict food safety management system to ensure the quality and safety of food products, strengthen quality control on product labels and descriptions, and implement environmental management plans. To further ensure the quality of supermarket products, the purchasing department reviews the qualifications and certifications of suppliers every year. We have also formulated a quality management system in order to manage and track customer feedback and take different actions on product quality and safety matters. All public product sales and marketing information is reviewed to ensure compliance with legal requirements and that it is not false or misleading. We also will supervise the content of advertisements and product labels to ensure the content is clear and authentic as well as establish specific advertising and product label design requirements, promotional data application methods or precautions.

Anti-corruption

We have always adhered to the principle of integrity in business operations and strictly abide by the *Criminal Law of the PRC, Anti-Unfair Competition Law of the PRC, Anti-money Laundering Law of the PRC* and other national laws and regulations in terms of anti-corruption and anti-money laundering. To reinforce the principles stated therein, we have developed an anti-corruption and anti-money laundering policy and implemented a reporting system to allow for the confidential submission of any instances of perceived or potential misconducts. We have established different reporting channels, including reporting hotline, email and mailbox, etc. We encourage employees and related parties to report any internal violations of discipline, law, fraud, and behaviours that damage the group's interests and image in an orderly manner. In addition, we conduct anti-corruption and anti-money laundering training for new employees and introduce our internal policy about anti-corruption and anti-money laundering, anti-corruption laws and regulations, etc. to raise their awareness of anti-corruption.

Privacy and Data Security

As our business involves the information of major brands and customers, we attach great importance to data security and customer privacy protection. We strictly comply with relevant laws and regulations. Customer information is collected and used in a responsible and non-discriminatory manner by restricting the use of the customer information to purposes consistent with those identified in our contracts. We also advise employees on issues related to handling of customer information. Employees are only allowed to obtain customer information when necessary. Our computer databases are further secured in order to safeguard the information of the customers.

Supply Chain Management

We take into account the potential environmental and social risk management practices of the suppliers during the supplier selection process. We will evaluate suppliers' product quality, delivery time, processing capacity, compliance, emphasising the selection of suppliers with internationally acknowledged certifications in environmental and social risk management. Suppliers with energy and environmental management certifications, such as ISO 50001 and ISO 14001, are given preference to reinforce our commitment to sustainability. Our purchasing department is responsible for collecting supplier data, evaluating supplier performance and risk, and conducing suppliers surveys by questionnaire and on-site visits, etc., to prioritise the suppliers that actively fulfil their environmental and social responsibilities and comply with relevant laws and regulations regarding anti-bribery, anti-corruption and other unethical business practices.

In order to maintain the quality of the suppliers, we conduct annual supplier evaluation. Specific employees will be assigned to conduct site visits to the suppliers during the evaluation process. Suppliers that do not meet the standards for cooperation will be eliminated from the listed of qualified suppliers. Training will be provided to the employees who are responsible for supply chain evaluation to ensure they have adequate knowledge to accurately audit the suppliers. In 2021, 2022, 2023 and 9M2024, our suppliers amounted to 1,055, 990, 941 and 943 respectively.

Suppliers	2021	2022	2023	9M2024
Eastern China	993	932	894	903
Southern China	30	29	23	19
Southwest China	4	3	2	1
Central China	12	17	12	8
Northwest China	5	1	0	1
Northern China	9	8	6	7
Northeast China	2	0	4	4

Expenditure of ESG Issues

It is vital for us to keep track of its expenditure and projected costs of tackling ESG and climate related issues aroused from our business operations, and of abiding by environmental-related laws and regulations. During the Track Record Period, the cost of managing environmental issues was shown as below:

Expenditure	2021	2022	2023	9M2024
RMB	1,253,000	750,000	1,276,822	359,100

In future, we have estimated approximately RMB1,030,000 and RMB1,130,000 as the annual budget in years of 2025 and 2026 respectively for managing environmental issues. We shall continue to review the environmental expenditure and budget for environmental compliance and develop well-spent environmental strategies, so as to enhance our environmental performance and operate in a sustainable way.

PROPERTIES

Self-used land and property

As at the Latest Practicable Date, our Group owned the following properties:

Location	Owner	Gross floor area (sq.m.) Land	Buildings	Usage	Period of use
Xiezhuang Village, Shaobo Town, Jiangdu District, Yangzhou (揚州市江都區邵伯鎮謝莊村)	Company	34,960.03	11,741.63	Commercial use/storage	Until 20 December 2054
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)*(Note)*	Hongxin Trading	6,246	2,033.2	Wholesale retail/ commercial services	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)*(Note)*	Hongxin Trading	6,246	2,780.63	Accommodation and F&B/ commercial services	Until 16 July 2042
Block 1, No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號1幢)*(Note)*	Hongxin Trading	6,246	2,684.12	Wholesale retail/ commercial services	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)*(Note)*	Hongxin Trading	6,246	976.18	Wholesale retail/ commercial services	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)*(Note)*	Hongxin Trading	6,246	948.99	Wholesale retail/ commercial services	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)*(Note)*	Hongxin Trading	6,246	641.08	Wholesale retail/ commercial services	Until 16 July 2042

Location	Owner	Gross floor area (sq.m.) Land	Buildings	Usage	Period of use
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)(Note)	Hongxin Trading	6,246	1,201.5	Wholesale retail/ commercial services	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)(Note)	Hongxin Trading	6,246	2,144	Wholesale retail/ commercial services	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)(Note)	Hongxin Trading	6,246	3,936.48	Wholesale retail/ commercial services	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)(Note)	Hongxin Trading	6,246	974.03	Wholesale retail/ others	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)(Note)	Hongxin Trading	6,246	3,803.76	Accommodation and F&B/ commercial services	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)(Note)	Hongxin Trading	6,246	2,665.05	Accommodation and F&B/ commercial services	Until 16 July 2042
Building 1, No. 2, Gongnong Road, Hongwei Bridge Neighborhood Committee, Jiangdu District, Yangzhou (揚州市江都區紅衛橋居委會工農路2號1幢)(Note)	Hongxin Trading	6,246	1,788.52	Wholesale retail/ others	Until 16 July 2042

Location	Owner	Gross floor area (sq.m.) Land	Buildings	Usage	Period of use
Building 1, No. 2, Gongnong Road, Hongwei Bridge Neighborhood Committee, Jiangdu District, Yangzhou (揚州市江都區紅衛橋居委會工農路2號1幢)(Note)	Hongxin Trading	6,246	1,072	Wholesale retail/ others	Until 16 July 2042
No. 2, Gongnong Road, Fairy Town, Jiangdu District, Yangzhou (揚州市江都區仙女鎮工農路2號)(Note)	Hongxin Trading	6,246	1,948.05	Wholesale retail/ others	Until 16 July 2042
No. 2, Gongnong Road, Hongwei Bridge Neighborhood Committee, Jiangdu District, Yangzhou (揚州市江都區紅衛橋居委會工農路2號)(Note)	Hongxin Trading	6,246	1,082.56	Wholesale retail/ others	Until 16 July 2042
No. 12 Huaiyang Road, Jiangdu Town, Yangzhou (揚州市江都鎮淮揚路12號)	Hongxin Trading	851.9	N/A	Commercial	Until 24 June 2036
Buildings 3 and 4, No. 19, Jianghuai Road, Huaiyang Neighborhood Committee, Jiangdu District, Yangzhou City (揚州市江都區淮揚居委會江淮路19號3幢、4幢)	Hongxin Trading	N/A	1,640.07	Non-residential	N/A

Note: These properties are located on the same parcel of land.

The foregoing properties are used by us for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As at 30 September 2024, we had no single property interest with a carrying amount of 15% or more of our total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our interests in land or buildings.

Apart from the abovementioned properties, as at the Latest Practicable Date, we had not obtained the land use right certificates for self-owned land with a total site area of approximately 45,300 sq.m. and property ownership certificates for self-owned properties with a gross floor area of approximately 26,000 sq.m.. Furthermore, certain self-owned properties were constructed without completing the requisite administrative procedures and/or obtain the requisite permits at various stages of construction, including land use permit, construction work land permit, construction work planning permits and construction work commencement permits. For further details, please refer to the paragraph headed "Non-compliance" below in this section.

Leased properties

Lessee

As at the Latest Practicable Date, our Group had entered into a total of 173 lease agreements which are mainly used as our Retail Stores, Mall and warehouses, with total gross floor area of approximately 107,500 sq.m. covering 157 Retail Stores in Jiangsu Province. All properties were leased by our Group from Independent Third Parties.

The following table shows the expiry dates of the lease agreements that we have entered into as at the Latest Practicable Date in relation to the Retail Stores operated and leased by us:

Expiry dates	Number of Retail Stores as at the Latest Practicable Date
On or before 31 December 2025	33
1 January 2026 to 31 December 2026	22
1 January 2027 to 31 December 2027	34
On or after 1 January 2028	68

As at the Latest Practicable Date, 172 lease agreements had not been registered with the relevant housing authorities. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisers, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. Therefore, according to our PRC Legal Advisers, we have the right to use the relevant properties in accordance with the lease agreements, but if the lease registration has not been completed upon the requests of relevant government authorities, we may be subject to the risk of penalties. As at the Latest Practicable Date, we have not received any order from the relevant government authorities requiring us to register these lease agreements, and no administrative penalty was imposed on us for non-registration of these lease agreements.

Lessor

As at the Latest Practicable Date, we entered into 77 lease agreements for leasing our properties to our lessees, with a total gross floor area of approximately 55,000 sq.m.. All lessees are Independent Third Parties. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisers, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. Therefore, according to our PRC Legal Advisers, we have the right to use the relevant properties in accordance with the lease agreements, but if the lease registration has not been completed upon the requests of relevant government authorities, we may be subject to the risk of penalties. As at the Latest Practicable Date, we have not received any order from the relevant government authorities requiring us to register these lease agreements, and no administrative penalty was imposed on us for non-registration of these lease agreements.

INSURANCE

Our Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice.

We maintain various types of insurance policies to cover our business operations, including property all risks insurance and public liability insurance. We are obliged to provide and have provided social insurance for our employees as required by the relevant PRC laws and regulations. However, our Group does not maintain insurance to cover all risks associated with our operations for various reasons, such as some risks which are not generally covered by insurers in their standard insurance policy, the impact of which is minimal or not commercially justifiable having considered the amount of insurance premium. We do not maintain any product liability insurance to cover the associated risk, which we believe is in line with retail industry practice.

To mitigate the risks that we are exposed to the product liability claims from the end consumers, we have applied a set of stringent criteria in selection of our suppliers and inspect the products sourced from our suppliers upon delivery to ensure the products supplied to us are of high quality and standard. We also require our suppliers to reimburse us on any loss in relation to any defective products supplied by our suppliers.

EMPLOYEES

As at the Latest Practicable Date, we had 1,507 employees, all of them are based in Jiangsu Province. A breakdown of our employees by function is set forth below:

	No. of employees
Management	13
Administrative	90
Financial and Information Technology	43
Marketing	22
Procurement	25
Logistics	73
Operational	1,241
Total	1,507

We make contributions for our employees towards five categories of social insurance, including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance in accordance with the PRC social insurance system, as well as housing provident fund in compliance with the relevant PRC laws and regulations.

We enter into separate labour contracts with each of our employees, the terms and conditions of which are in full compliance with the relevant PRC labour laws and employment decrees. The remuneration of our employees consists of basic salary and quarterly and annual discretionary bonuses. The bonus amount is based on the employee's performance. In addition, we provide our employees with various insurance policies and housing pensions as required by relevant PRC labour laws. As disclosed in the paragraph headed "Non-compliance" in this section, our PRC operating subsidiaries did not pay social insurance contributions and housing provident fund contributions in full for all of the employees. During the Track Record Period and up to the Latest Practicable Date, no administrative actions, fines or penalties have been imposed by the relevant PRC government authorities with respect to such non-compliance, nor has any order been received by our operating entities to settle the outstanding amount of social insurance contributions and housing provident fund contributions.

Recruitment policies

We generally recruit our employees from the open market through placing recruitment advertisements. We endeavour to attract and retain appropriate and suitable personnel to serve our Group. We assess the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

Training

Our human resources department will introduce our standards and culture to our new staff and prepare a series of compulsory trainings for them focusing on hard skills such as company introduction and working procedures. Our store managers will also train up our newly recruited staff to cater for the needs of our Retail Stores and Malls.

We also offer regular and tailor-made trainings to our management and front-line personnel and identify suitable and promising candidates for future promotion to store managers. We believe our internal training programmes not only increase our staff retention rates as a result of the upward mobility prospect, but also produce the right kind of candidates as our management personnel we need for our business expansion.

We have labour unions. Our Directors confirmed that we have not experienced any labour strikes or material labour disputes during the Track Record Period and have not experienced any significant difficulties in recruiting or retaining qualified staff.

INTELLECTUAL PROPERTY RIGHTS

We believe that trademarks are important to our business as these trademarks enable customers to differentiate our business from our competitors. At the Latest Practicable Date, we had 12 registered trademarks in the PRC and one registered trademark in Hong Kong which are material to the business of our Group.

As at the Latest Practicable Date, we owned one domain name which is material in relation to our business.

For further information on intellectual property rights which are material to our business, please refer to the paragraph headed "Statutory and General Information – 2. Further Information about our Business – B. Our Material Intellectual Property Rights" in Appendix VI to this prospectus.

As at the Latest Practicable Date, we were not involved in any proceedings with regard to infringement of any intellectual property rights, and we have not received notice of any claims of or made any claims of infringement of any intellectual property rights.

MARKET AND COMPETITION

According to the Industry Report, competitions in the PRC markets of supermarket retail, convenience store, department store and prepared food such as ready meals, pre-cooked or semi-cooked foods are fierce despite that the levels and extents of market concentration in the respective markets are different. While the market concentration in the supermarket retail industry is relatively high, there are many brands or companies in the markets of convenience store, department store and prepared food, resulting in a relatively low market concentration. The grains and oil wholesale industry in China has shown a trend of centralization to a certain extent. As of June 2024, there were a total of 317,600 grains and oil wholesale enterprises in China. Among these, Jiangsu Province accounted for approximately 5.1%, totaling 16,100 enterprises. Within Jiangsu Province, central region of Jiangsu Province accounted for the approximately 15.3%. We ranked (i) in the supermarket retail industry, the second in Yangzhou with a market share of approximately 9.1%, the fifth in the central region of Jiangsu Province with a market share of approximately 2.3%, and around the twentieth among supermarket operators in Jiangsu province in terms of sales in 2023 with a market share of approximately 0.4%; (ii) in the convenience store market, the fourth in Yangzhou with a market share of approximately 6.1%; (iii) in the department store market, the fifth in Yangzhou with a market share of approximately 6.2%; (iv) in the prepared food market, the fourth in Yangzhou with a market share of approximately 1.21%, in terms of sales in the respective markets in 2023. Please refer to the section headed "Industry Overview" in this prospectus and the paragraph headed "Business – Market and competition" in this section for further details on the competitive landscape, analysis on market barriers, market opportunities and challenges of the supermarket retail industry, convenience store market, department store market, prepared meals and grains and oil wholesale markets.

LEGAL PROCEEDINGS AND LITIGATION

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operation.

NON-COMPLIANCE

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in this section, our Group did not have any non-compliance which resulted in material impact on our normal operation.

(1) Failure to obtain certain land use right certificates and property ownership certificates

Failure to obtain certain land use right certificates

As at the Latest Practicable Date, we had not obtained the land use right certificates with an aggregate site area of approximately 68 mu (equivalent to approximately 45,300 sq.m.) in the land owned by us (the "**Defective Land**").

The Defective Land formed part of the land acquired by our Group, with an aggregate site area of approximately 120 mu (equivalent to approximately 80,000 sq.m.) (the "**Project Land**"), pursuant to an agreement (the "**Requisition and Transfer Agreement**") with the People's Government of Shaobo Town, Jiangdu* (江都市邵伯鎮人民政府) (the "**Shaobo Town People's Government**"), entered into around July 2010, in accordance with the government's policy of attracting investments. Pursuant to the Requisition and Transfer Agreement, the Shaobo Town People's Government shall be responsible for assisting us in obtaining the land use right certificates for 30 mu (equivalent to approximately 20,000 sq.m.) of the Project Land within one year (the "**Guaranteed Land Portion**"), while actively securing land quotas for the remaining Project Land.

In January 2014, we signed a land use right grant contract with Jiangdu Land and Resources Bureau* (江都區國土資源局), which stipulated the transfer of a land area of 34,976 sq.m. (equivalent to approximately 52 mu). As at the Latest Practicable Date, our Group holds the land use right certificate for the said 34,976 sq.m. (equivalent to approximately 52 mu) of the Project Land (which included the Guaranteed Land Portion), out of which approximately 12,000 sq.m. (equivalent to approximately 18 mu) was in actual use.

Land use right certificates for the remaining portion of the Project Land with a total site area of approximately 68 mu (equivalent to approximately 45,300 sq.m.) stipulated in the Requisition and Transfer Agreement (i.e., the Defective Land) could not be obtained. As advised by our PRC Legal Advisers and according to the Requisition and Transfer Agreement, since we have already obtained the land use right certificate for the Guaranteed Land Portion, the Shaobo Town People's Government's legal obligation as to the Defective Land under the Requisition and Transfer Agreement was to secure land use certificates for the Defective Land on a best-effort basis only. So far as our Directors are aware, this was due to subsequent adjustments in government policies prioritising land use quotas for real estate enterprises in response to the expansion in the real estate sector. Consequently, the allocation of land use quotas for townships was reduced, resulting in the inability to process the land use right certificates for the Defective Land in a timely manner. The

Company had maintained regular discussions with the Shaobo Town People's Government to explore the feasibility of securing land use quotas and obtaining the relevant land use right certificate(s) for the Defective Land, but no substantive progress had been reached as at the Latest Practicable Date.

Situated on the Defective Land are the Xiezhuang Village Defective Properties (as defined below).

Failure to obtain certain property ownership certificates

As at the Latest Practicable Date, we had not obtained the property ownership certificates for properties with an aggregate gross floor area of approximately 26,000 sq.m. (the "**Defective Properties**"). The Defective Properties comprise: (a) certain buildings of our Company located at Xiezhuang Village, Shaobo Town, Jiangdu District, Yangzhou City, covering a gross floor area of approximately 23,500 sq.m., with these buildings occupying a site area of approximately 21,855 sq.m. of land (equivalent to approximately 33 mu) (the "**Xiezhuang Village Defective Properties**"); and (b) certain areas within a building of Hongxin Trading located at No. 2 Gongnong Road, Xiannu Town, Jiangdu District, Yangzhou City (the "**Gongnong Road Building**"), covering a gross floor area of approximately 2,500 sq.m. (the "**Gongnong Road Defective Parts**"). While the Jiangdu Mall is situated within the Gongnong Road Building, the Jiangdu Mall possesses relevant property ownership certificates save for certain area overlapping with the Gongnong Road Defective Parts.

Set out below is a breakdown of the number and respective usage of the buildings comprising the Defective Properties as at the Latest Practicable Date:

Defective Properties	Usage	Number of buildings involved
Xiezhuang Village Defective Properties	Muyuan Central Kitchen	1
	Offices	2
	Not in use	2
Gongnong Road Defective Parts	Storage	1

As at the Latest Practicable Date, the Xiezhuang Village Defective Properties comprised the central kitchen, which serves as the Muyuan Central Kitchen for the processing and distribution centre for meals, operated by Muyuan Supply Chain and offices, which are situated on the Defective Land. The failure to obtain property ownership certificates for the Xiezhuang Village Defective Properties is due to the absence of relevant land use right certificates of the Defective Land, (see "– Non-compliance – (1) Failure to obtain certain land use right certificates and property ownership certificates – Failure to obtain certain land use right certificates" in this section above for reasons for the absence of relevant land use right certificates) making it impossible to obtain the relevant property ownership certificates.

The Gongnong Road Defective Parts which are situated on land for which our Group has obtained land use right certificates. As at the Latest Practicable Date, the Gongnong Road Defective Parts were used as storage, which are expected to be relocated to the part of the Gongnong Road Building possessing property ownership certificates prior to the Listing, upon which, the Gongnong Road Defective Parts will become idle properties upon the Listing. As at the Latest Practicable Date, approximately 77% of the Gongnong Road Defective Parts in terms of floor area had already ceased to be in use. The Gongnong Road Defective Parts involved temporary structures that were added to address insufficient storage space at the time. So far as these temporary structures are concerned, a substantial part in terms of floor area existed prior to the taking over of the building by Hongxin Trading, which was injected into Hongxin Trading and contributed as registered capital by Jiangdu Supply and Marketing Building* (江都供銷大廈), a shareholder of Hongxin Trading at the time of its establishment in 1994. For the remainder, which formed a non-substantial part of these temporary structures, our Group engaged a third-party construction company for their design and construction in or around 2002, where the construction started in or around April 2002. Relying on the expertise of the construction company, our Group assumed that, as an entity routinely entrusted with such projects, the construction company would proactively identify and fulfil all necessary approval requirements for the temporary structures. However, the construction company neither advised our Group of the specific approval requirements nor initiated the requisite procedures to obtain the necessary approvals, which our Group became aware of such deficiency at the completion of the construction in or around May 2002 when relevant construction project final acceptance filing (建築工程竣工驗收) could not be obtained. At the time, the then Directors understood that relevant approvals, such as construction permits which require construction planning, to be approved by the relevant authorities before construction begins. In the absence of these approvals being applied for by the construction company, the only way to achieve compliance was to demolish the construction and reapply for the necessary approvals before rebuilding. Therefore, the then Directors believed that (i) these approvals could not be obtained retrospectively once construction was completed; and (ii) based on the successful completion of the construction project final acceptance filing (建築工程竣工驗收) in 2003 for the addition of Phase III of the Gongnong Road Building in or around 2002 (as further discussed in the section headed "Non-compliance – (3) Failure to complete Fire Safety Approvals" below), if the relevant approvals were obtained prior to commencement of the construction, the related construction permits, planning, and completion acceptance procedures could be obtained. As advised by our PRC Legal Advisers, structure additions, such as the temporary structures comprising the Gongnong Road Defective Parts, may potentially obtain the requisite construction permits, planning approvals, completion acceptance procedures, and property ownership certificates, provided that the appropriate procedures are duly followed at the time of the construction. As a result, the failure to obtain property ownership certificates for the Gongnong Road Defective Parts is due to the lack of related construction permits, planning, and completion acceptance procedures, making it impossible to obtain the relevant property ownership certificates.

Having considered that:

(i) as disclosed below, we have obtained confirmation letters from the Jiangdu Branch of Yangzhou City Natural Resources and Planning Bureau* (揚州市自然資源和規劃局江都分局) and the Housing and Urban-Rural Development Bureau of Jiangdu District, Yangzhou City* (揚州市江都區住房和城鄉建設局), each being a competent authority as advised by our PRC Legal Advisers, confirming, among others, that the bureaus agreed that Hongxin Trading may continue to use the Gongnong Road Defective Parts, as currently situated and in their current condition on a long-term basis, that the bureaus will not take any administrative measures or penalties against Hongxin Trading for the non-compliance incident, which does not constitute material illegal or regulatory violations, and that the bureaus will not confiscate the income generated from the production and operations of Hongxin Trading on the Gongnong Road Defective Parts;

(ii) the Gongnong Road Defective Parts are used as storage without access by our customers or the public, and will become idle properties upon Listing;

(iii) the Gongnong Road Defective Parts were constructed over 20 years ago and have been used or occupied for over 20 years without receiving any penalty, objection, inquiry or investigation from competent authorities with respect to the lack of relevant permits or certificates, nor any notice from competent authorities requiring us to demolish the Gongnong Road Defective Parts, nor any claim of right from third parties, nor being involved in any disputes with third parties; and

(iv) such construction permits, planning, and completion acceptance procedures shall be obtained at the time of construction, which took place in more than 20 years ago, and the relevant competent authorities have not requested for the reapplication of such permits and acceptance procedures,

our Directors are of the view that (i) it is impracticable to pursue the reapplication process for construction permits, planning, and completion acceptance procedures; and (ii) the lack of such permits and acceptance procedures does not pose a material adverse effect on our business operations.

The revenue of our Group attributable to the Muyuan Central Kitchen represents the revenue from supply and sales of meals, accounting for approximately 0.5%, 1.3%, 1.1% and 0.5% of the total revenue of our Group for each of the three financial years ended 31 December 2023 and the nine months ended 30 September 2024, respectively.

Legal consequences and maximum penalty

Article 64 of the "Urban and Rural Planning Law of the People's Republic of China" (《中華人民共和國城鄉規劃法》) stipulates that if construction proceeds without obtaining a construction project planning permit or not in accordance with the stipulations of the planning permit, the urban and rural planning authorities of the local People's Government at the county level or above shall order the construction to halt. If it is possible to take corrective measures to eliminate the impact on the planning implementation, these must be taken within a specified time, and a fine ranging from 5% to 10% of the construction project cost may be imposed. If it is not possible to take corrective measures to eliminate the impact, demolition must be carried out within a specified time. If demolition is not feasible, the physical objects or illegal income shall be confiscated, and a fine of up to 10% of the construction project cost may also be imposed.

According to Article 12 of the "Administrative Measures for the Permit of Construction Works" (《建築工程施工許可管理辦法》), any construction project commenced without obtaining a construction permit, or any project subdivided to evade the permit application, shall be ordered by the competent issuing authority to cease construction and rectify within a specified period. The construction entity shall be fined between 1% and 2% of the contract value of the project.

In accordance with Article 58 of the "Regulations on the Quality Management of Construction Projects" (《建設工程質量管理條例》), any construction project delivered for use without an organised completion acceptance shall be ordered by the relevant authority to rectify and shall be fined between 2% and 4% of the contract value of the project. If any loss is caused, the construction entity shall bear the liability for compensation in accordance with the law.

Based on the stipulations as listed above provided by our PRC Legal Advisers, our Directors estimate that the aggregate maximum penalties that may be imposed on our Group in relation to the Defective Land and Defective Properties are expected to be approximately RMB0.8 million.

Current status and remedies

We have obtained confirmation letters dated 7 January 2025, respectively, both jointly issued by the Jiangdu Branch of Yangzhou City Natural Resources and Planning Bureau* (揚州市自然資源和規劃局江都分局) and the Housing and Urban-Rural Development Bureau of Jiangdu District, Yangzhou City* (揚州市江都區住房和城鄉建設局), each being a competent authority as advised by our PRC Legal Advisers, that:

(i) our Company and Hongxin Trading are subject to the jurisdiction of the aforesaid bureaus;

(ii) the bureaus were aware of and acknowledged the Defective Land and the Defective Properties used by our Company and Hongxin Trading;

(iii) the bureaus agreed that our Company and Hongxin Trading may continue to use the Defective Land and the Defective Properties, and the buildings thereon, as currently situated and in their current condition on a long-term basis;

(iv) the bureaus will not take any administrative measures or penalties against our Company or Hongxin Trading for the non-compliance incident, which does not constitute material illegal or regulatory violations;

(v) the bureaus will not confiscate the income generated from the production and operations of our Company and Hongxin Trading on the Defective Land and the Defective Properties, and the buildings thereon;

(vi) there were no orders for rectification or penalties from bureaus concerning our Company or Hongxin Trading due to issues related to land, real estate, and building construction; and

(vii) there were also no potential, existing, or ongoing disputes or conflicts between the bureaus on the one hand, and our Company or Hongxin Trading on the other hand, regarding these Defective Land and Defective Properties, and the buildings thereon, nor were there any complaints, reports, or other claims made by any third parties against them.

As confirmed by our PRC Legal Advisers, and according to the aforementioned confirmation letters, each of our Company and Hongxin Trading has not received any administrative penalties related to land, real estate, and construction of buildings. As advised by our PRC Legal Advisers, based on the aforesaid reasons and according to the aforementioned confirmation letters, our Group's failure to obtain certain land use right certificates and property ownership certificates did not constitute a material non-compliance, and the relevant authorities may not impose any administrative penalties on us.

As confirmed by the Shaobo Town People's Government, being a competent authority as advised by our PRC Legal Advisers, in an interview conducted on 29 September 2024, (i) the Defective Land involves collectively-owned land; (ii) however, as lease agreements were entered into between the government and the villagers before the Requisition and Transfer Agreement, the relevant villagers do not have the right to request for compensation from our Group in respect of the Defective Land; (iii) in the event that the villagers raise any claims in respect of the Defective Land, the government will assist our Group in resolving such matters; and (iv) the government acknowledged the current status of the Defective Land, and accordingly, no rectifications are needed on the part of our Group concerning the current use of the Defective Land, and our Group could continue its long-term use of the Defective Land (together with the properties and buildings thereon as they currently stand), and no administrative enforcement measures or penalties will be imposed.

Regarding the Muyuan Central Kitchen, which occupies a gross floor area of approximately 3,940 sq.m. at the Xiezhuang Village Defective Properties on the Defective Land, with a view to ensuring that the operations of the Muyuan Central Kitchen will not be materially affected in the unlikely event of a forced relocation or mandated vacation from the relevant land and properties, we have formulated a relocation plan for the Muyuan Central Kitchen (the "**Central Kitchen Relocation Plan**"). Under the Central Kitchen Relocation Plan, Muyuan Supply Chain has entered into a rental agreement with an Independent Third Party to lease a replacement facility for the Muyuan Central Kitchen for a term of five years from the date of handover of the facility (where handover occurs when the relocation is completed). The relocation will be conducted in phases, such as planning and design, interior decoration, construction of sterile workshops, and relocation of machines and equipment, to minimise any potential disruption to the operations of the Muyuan Central Kitchen. The estimated time frame required for the replacement central kitchen to come into full operations is approximately nine to twelve months, subject to obtaining approvals including, where necessary, the Fire Safety Approval, whereas the actual relocation of machines and equipment from the existing central kitchen to the replacement central kitchen that will affect the operation of the Muyuan Central Kitchen is expected to take approximately one month. The expected completion timeline of the Central Kitchen Relocation Plan is set forth below:

Time	**Stage/activities to be completed**
First quarter of 2025	– Finalise the selection of manufacturers and procurement of machinery and equipment and fire safety equipment; – Carry out wall and ceiling finishing which includes painting, tiling and other decorative works; – Install equipment for the replacement central kitchen; – Install all necessary lighting and electrical outlets; – Conduct testing and adjustments on the installed equipment; – Carry out thorough cleaning to ensure that hygiene standards are met before operation; and – Arrange inspections by relevant authorities and address and rectify any issues identified during the inspections promptly (if any).
Second quarter of 2025	– Relocate Muyuan Central Kitchen

As at the Latest Practicable Date, basic renovation and preparatory work, along with the installation of embedded electrical conduits and fundamental electrical wiring had been completed, while the selection of manufacturers and procurement of machinery and equipment were being finalised.

As at the Latest Practicable Date, it is expected that the estimated cost for relocation and loss of revenue as a result of the Central Kitchen Relocation Plan will be in the range of RMB2 million to RMB3 million. Our Directors are of the view that, save for the aforesaid relocation cost and loss of revenue, the Central Kitchen Relocation Plan would not have a material effect on our Group's business operations and financial position.

Our Directors are of the view that the land and properties with defective titles are not crucial to our operation, and that the lack of relevant land use right certificates and property ownership certificates for the Defective Land and the Defective Properties, respectively, would not, individually or in the aggregate, have a material adverse effect on our business operations, because, in addition to the reasons stated above:

(i) during the Track Record Period and up to the Latest Practicable Date, we have not received any material penalty, objection, inquiry or investigation from competent authorities with respect to the lack of relevant certificates on these land and properties;

(ii) we have used or occupied the Xiezhuang Village Defective Properties for over 10 years and the Gongnong Road Defective Parts for over 20 years, and during all the years of our use and occupation of the land and properties and up to the Latest Practicable Date, we have not received any claim of right from third parties or been involved in any disputes with third parties;

(iii) we have not received any notice from competent authorities requiring us to relocate or demolish the relevant properties as a result of the lack of relevant certificates on these land and properties as at the Latest Practicable Date; and

(iv) our Directors are of the view that such Defective Land and Defective Properties are safe for occupation since (i) during the Track Record Period and up to the Latest Practicable Date, we have not received any material penalty, objection, inquiry or investigation from competent authorities over safety conditions in respect of the Defective Land and the Defective Properties; and (ii) according to the Fire Safety Consultant, the overall risk related to fire safety is considered low, and it is unlikely to affect the safety of customers and employees at the Defective Properties.

As a result, no provision has been made in our consolidated financial statements.

Internal control measures

Our Group has established the "Property and Land Acquisition Management Measures" (the "**Acquisition Management Measures**") to standardise the management of land and property acquisitions. This includes procedures for selecting and applying for land acquisitions, obtaining and maintaining relevant permits and certificates. The Acquisition Management Measures clearly emphasises that the State-owned Land Use Certificate (國有土地使用證) is a necessary document in the land acquisition process. Only upon obtaining this certificate can our Group acquire the Building Project Planning Permit (建築工程規劃許可證), the Construction Project Construction Permit (建設工程施工許可證), the Construction Completion Approval (建設完工批准), and the Property Ownership Certificate (房屋所有權證) for buildings erected on the land.

According to the requirements of the Acquisition Management Measures, our Group must assess the actual environment of the land and the qualifications of the land seller before signing the acquisition contract. This ensures that the land's actual environment meets our Group's needs and that the seller can provide the State-owned Land Use Certificate issued by the relevant government departments. If our Board decides to acquire or lease the land after discussing the assessment results, our Group should sign the acquisition contract with the landowner, provided that the State-owned Land Use Certificate issued by the relevant government departments is obtained.

If there are infrastructure projects on the acquired land, our Group must register the construction project with the relevant government agencies as it approaches completion to obtain the Construction Completion Approval and the Property Ownership Certificate. Upon receiving the above-mentioned certificates, the construction team can proceed with the final inspection of the construction project, and our Group can officially use the corresponding buildings.

(2) Title defects and non-registration of our leased properties

As at the Latest Practicable Date, we entered into 173 leased agreements, with a total gross floor area of approximately 107,500 sq.m. according to the lease agreements.

Title defects

As at the Latest Practicable Date, 44 of our leased properties had title defects that may adversely affect our ability to continue to use them in the future, which account for approximately 25.4% of our total number of leased properties. Among the 44 leased properties with title defects, a majority are outlets of supermarkets and convenience stores of our Group. The aggregate leased area of these defective properties is approximately 41,400 sq.m.

The existence of title defects is mainly due to the following reasons: (1) certain lessors failed to provide property ownership certificates or other relevant certificates regarding their legal right to lease such properties, and (2) the intended purposes contained in the property ownership certificates are inconsistent with the actual use of property.

Set out below is a breakdown of the 44 leased properties by reasons for the title defects:

Reason(s) for title defects	**Number of leased properties involved**
(i) Solely due to the lessor's inability to provide property ownership certificates or other relevant certificates regarding their legal right to lease such properties	33
(ii) Solely due to inconsistency between the intended purposes contained in the property ownership certificates and the actual use of such properties	7
(iii) Due to the reasons stated in (i) and (ii) above	4

As at the Latest Practicable Date, we are not aware of any challenge being made by a third party or government authority on the titles of any of these leased properties that might have a material adverse effect on our current leases.

According to relevant laws and regulations and as confirmed by our PRC Legal Advisers, the lessors shall be responsible for the circumstances that the intended purposes stated in the property ownership certificates are inconsistent with the actual use of property, and there are no rules or regulations requiring the lessee to obtain the ownership certificate or imposing regulatory punishment on the lessee for not doing so. Accordingly, our PRC Legal Advisers are of the view that we are not subject to any material administrative penalty for any of the title defects in the leased properties.

Moreover, according to relevant PRC laws and regulations, the lessee has the right to claim compensation if the lease agreement is invalid due to the lessor's fault. If our ability to continue leasing such properties is affected by a third-party objection, we may seek indemnity from the lessor and are entitled to request the lessors to reduce or waive the rents in accordance with relevant PRC laws and regulations.

As at the Latest Practicable Date, we have obtained indemnity undertakings from the lessors of these 44 leased properties. The related lessors have agreed that should our Group be required by any third party or government authorities to cease occupancy and use of the premises due to the aforementioned issues, and/or if it becomes necessary to select a new location, relocate, and/or if any fines or compensations are demanded, the lessors will indemnify all such losses and compensate our Group.

Based on our regularly updated list of comparable properties available for lease in the vicinity of our outlets with title defects (which are similar in terms of size, location, and operational suitability), we believe there are sufficient comparable alternative properties in proximity. Therefore, we do not expect to incur significant time and cost for identifying alternatives and relocating our operations in the less likely event that we were required to do so.

Depending on the size, location, facilities and current usage of the concerned leased property, we expect that it generally takes 25 to 40 days to complete the relocation with expenses (including renovation expenses) ranging from RMB250,000 to RMB700,000 per property or outlet.

Our Directors believe that relocation will not have a material adverse effect on our business, results of operations and financial condition. Based on the foregoing, our Directors are of the view that the aforesaid title defects will not have a material adverse effect on our business, results of operations and financial condition. As a result, no provision has been made in our consolidated financial statements.

Non-registration

As at the Latest Practicable Date, 172 lease agreements of our leased properties had not been registered and filed with relevant land and real estate management departments in the PRC.

Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisers, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. Therefore, according to our PRC Legal Advisers, we have the right to use the relevant properties in accordance with the lease agreements, but if the lease registration has not been completed upon the requests of relevant government authorities, we may be subject to the risk of penalties.

As at the Latest Practicable Date, we have not received any order from the relevant government authorities requiring us to register these lease agreements, and no administrative penalty was imposed on us for non-registration of these lease agreements. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

Based on the foregoing, our Directors are of the view that the aforesaid non-registration will not have a material adverse effect on our business, results of operations and financial condition. As a result, no provision has been made in our consolidated financial statements.

Internal control measures

Our Group has established the "Property Leasing Management Measures" (the "**Leasing Management Measures**") to standardise the management of leased properties. This includes the approval process for leasing properties, leasing standards and requirements, and lease contract management. The system specifies our Group's basic requirements for leasing properties by various units: (1) the lessor must possess the property ownership certificate and the lease permit, or have the sublease permission from the property owner and the building completion certificate. The intended use stated in the ownership certificate should match the actual use of the property; (2) the lessor must cooperate with our Group in completing the lease registration procedures and obtain the property owner's consent to ensure property compliance; (3) the property should meet general infrastructure requirements.

According to the Leasing Management Measures, before signing the lease agreement, the handling unit of our Group must, in principle, obtain the lessor's ownership certificate, original fire safety record, and original drainage permit as qualification review conditions. In special cases, approval must be reported and obtained, and necessary documents should be promptly supplemented.

Additionally, the Leasing Management Measures require our Group's administration department to promptly register the leasing status of each unit and compile the certificate information after the lease contract is signed. Relevant handling personnel of our Group should visit the real estate management departments of provincial, municipal, and county governments to complete the registration procedures. Contract management staff must assign and register the reported lease contracts from each unit.

(3) Failure to complete Fire Safety Approvals

As at the Latest Practicable Date, our Group operated an aggregate of 162 outlets including Retail Stores and Malls, among which (i) 17 Retail Stores (approximately 10.5% in terms of the total number of outlets) (the "**Relevant Retail Stores**") did not obtain the required "Fire Safety Inspection Certificate before the Use or Business Operation of Public Venues" (《公眾聚集場所投入使用、營業前消防安全檢查合格證》) or a "Fire Safety Inspection Opinion before the Use or Business Operation of Public Venues" (《公眾聚集場所投入使用、營業前消防安全檢查意見書》) (collectively, the "**Fire Safety Inspection Certificate(s)**") pursuant to relevant PRC laws and regulations; and (ii) Jiangdu Mall, one of our Malls, did not obtain the Fire Safety Inspection Certificate, despite the atrium of Jiangdu Mall has completed Fire Safety Review (as defined below) (collectively, the "**Relevant Outlets**").

Among the Relevant Outlets, two outlets are owned properties of our Group (the "**Relevant Owned Outlets**"), whereas 16 outlets are leased properties of our Group (the "**Relevant Leased Outlets**"). The failure to obtain the Fire Safety Inspection Certificates for the two Relevant Owned Outlets, comprising the Jiangdu Mall and a Retail Store situated therein, was, as confirmed by Yangzhou Jiangdu Fire Rescue Brigade* (揚州市江都區消防救援大隊), being a competent authority as advised by our PRC Legal Advisers, due to the absence of the necessary property ownership certificates for the part of the Jiangdu Mall that overlaps with the Gongnong Road Defective Parts and the fact that such properties, save for the atrium of Jiangdu Mall, did not complete the Fire Safety Review (as defined below). The failure to obtain the Fire Safety Inspection Certificates for the Relevant Leased Outlets was because the lessors have failed to provide the requisite documentation for the filing application.

During the Track Record Period and up to the Latest Practicable Date, a portion of the Xiezhuang Village Defective Properties and the Gongnong Road Building (save for the atrium of the Jiangdu Mall), which includes the two Relevant Owned Outlets (together, the "**Relevant Properties**"), had not undergone fire safety design reviews and/or had not completed construction project final fire safety acceptance or filing procedures (the "**Fire Safety Review(s)**", together with the Fire Safety Inspection Certificate(s), the "**Fire Safety Approval(s)**"). The failure to undergo these requisite procedures was because (i) for such portion of the Xiezhuang Village Defective Properties, no relevant property ownership certificates were available; and (ii) for the Gongnong Road Building (save for the atrium of the Jiangdu Mall), such properties were built before the establishment of relevant fire safety regulations, whereas retrospective fire safety certifications could not be obtained despite subsequent modifications to comply with these regulations. In particular, phase I of the Gongnong Road Building was initially constructed in or around 1989, with phase II added in or around 1993 by Jiangdu Supply and Marketing Building* (江都供銷大廈), prior to the taking over of the building by Hongxin Trading in 1994. So far as our Directors are aware, phases I and II of the Gongnong Road Building, when constructed and prior to Hongxin Trading's taking over of ownership in 1994, was in compliance with the then-applicable building standards. In or around 2002, Hongxin Trading undertook the construction of phase III of the Gongnong Road Building, through engagements of a design institute and a construction company. Despite the successful completion of the construction project final acceptance filing (建築工程竣工驗收) in 2003, phase III was unable to complete the Fire Safety Review notwithstanding our Group's efforts to enhance the fire safety measures of the Gongnong Road Building as a whole.

Based on a confirmation letter issued by the Housing and Urban-Rural Development Bureau of Jiangdu District, Yangzhou City* (揚州市江都區住房和城鄉建設局), being a competent authority as advised by our PRC Legal Advisers, it was confirmed that (i) phases I and II of the Gongnong Road Building were constructed and put into use before the promulgation of the relevant fire safety laws in 1998 and are therefore not required to complete the Fire Safety Review; and (ii) the inability of phase III of the Gongnong Road Building to complete the Fire Safety Review was due to the absence of Fire Safety Review for phases I and II.

The revenue contribution by the Relevant Retail Stores represents approximately 13.9%, 12.6%, 12.4% and 10.9% of our total revenue for each of FY2021, FY2022, FY2023 and 9M2024, respectively.

Regarding Jiangdu Mall, although its atrium area has successfully completed the Fire Safety Review, the peripheral and remaining portions have not yet obtained the necessary Fire Safety Approvals. The revenue generated from these non-compliant areas is not readily quantifiable, as it is integrated with the overall revenue of Jiangdu Mall. Overall, the entire Jiangdu Mall contributed an aggregate of approximately 13.4%, 7.9%, 9.9%, and 9.9% to our total revenue for each of FY2021, FY2022, FY2023 and 9M2024, respectively.

Apart from the Relevant Outlets, during the Track Record Period, there were two outlets (the "**Two Deregistered Outlets**") of our Group which also did not obtain the Fire Safety Inspection Certificates. As we did not successfully obtain the regulatory confirmation from the relevant authority for the fire safety conditions of the premises, to demonstrate our commitment to adhere to high degree of compliance, we ceased the operations by May 2024 and completed the deregistration procedures by August 2024 for the Two Deregistered Outlets. One of the Two Deregistered Outlets was the sole business operated by Tianchang Hongxinlong, and hence, Tianchang Hongxinlong was also deregistered. For further details, please refer to the paragraph headed "History and Development – Disposal and Deregistration during and subsequent to the Track Record Period" in this prospectus. The revenue contribution by the Two Deregistered Outlets represents approximately 0.1%, 0.1%, 0.1% and 0.1% of our total revenue for each of FY2021, FY2022, FY2023 and 9M2024, respectively. No gains or losses were recorded upon the deregistration of the Two Deregistered Outlets.

Legal consequences and maximum penalty

In accordance with "Fire Prevention Law of the People's Republic of China" (《中華人民共和國消防法》) (the "**Fire Prevention Law**"), it is mandated that public venues must not commence operations or open to the public without passing a fire safety inspection, or if found non-compliant with fire safety standards upon inspection. Should such regulations be disregarded, the competent housing and urban-rural development authorities, along with fire rescue departments, are authorised to enforce a cessation of construction activities, discontinue usage, or suspend operations. A fine in the range of RMB30,000 to RMB300,000 will also be imposed.

As detailed in the "Guidance on the Discretionary Administration of Penalties for Certain Fire Safety Violations (Yingjixiao [2019] No. 172)" (《關於對部分消防安全違法行為實施行政處罰的裁量指導意見》(應急消[2019]172號)) (the "**Fire Safety Violations Guidance**") issued by the Fire Rescue Bureau of the Ministry of Emergency Management (應急管理部消防救援局辦公室) on 10 July 2019, fire safety infractions are classified into three levels: severe, general, and minor, based on the nature and extent of the violation, potential hazards, and the specific use of the premises involved. Specifically, violations that pose significant fire risks are considered severe; unauthorised use or operations post-inspection failures, or continuation of unauthorised activities once identified, are classified as general; and other non-compliant operations initiated without inspection are deemed minor. Violations that are minor and rectified swiftly, with no resultant harm, will not incur penalties.

Pursuant to Article 58 of the Fire Prevention Law, construction projects that are statutorily required to undergo fire safety design review or fire safety checks, and which proceed without compliance or fail these reviews or checks, are subject to enforcement actions by the competent housing and urban-rural development authorities or fire rescue institutions, within their respective jurisdictions. These include orders to halt construction and operations, or to close down entirely. Furthermore, a fine ranging from RMB30,000 to RMB300,000 will be imposed. If the construction entity fails to file with the competent housing and urban-rural development authorities after acceptance inspection as required by the Fire Prevention Law, the authorities shall order corrections and impose a fine of up to RMB5,000.

Based on the stipulations as listed above provided by our PRC Legal Advisers, our Directors estimate that the aggregate maximum penalties that may be imposed on our Group in relation to the Relevant Outlets, the Two Deregistered Outlets and the Relevant Properties that did not obtain the required Fire Safety Approvals are expected to be approximately RMB6.6 million.

Current status and remedies

As at the Latest Practicable Date, for the Relevant Outlets and the Relevant Properties, we obtained confirmation letters from the Yangzhou Jiangdu Fire Rescue Brigade* (揚州市江都區消防救援大隊), the Yangzhou Ecological Science and Technology Xincheng Fire Rescue Brigade* (揚州市生態科技新城消防救援大隊), the Gaoyou Fire Rescue Brigade* (高郵市消防救援大隊) and the Taizhou Hailing Fire Rescue Brigade* (泰州市海陵區消防救援大隊), each being the competent authority as advised by our PRC Legal Advisers, confirming, in respect of the Relevant Outlets and the Relevant Properties located within their respective jurisdictions, that:

(a) the Relevant Outlets and the Relevant Properties (i) were not found to be in violation of any relevant fire safety laws, administrative regulations, departmental rules, or normative documents; (ii) were not subjected to any actions by the respective authorities for violating any relevant fire safety laws, administrative regulations, departmental rules, or normative documents; and (iii) had not been penalised by the respective authorities nor had received any reports or complaints against them;

(b) considering our Group has conducted fire safety assessments for the Relevant Outlets that have not passed the fire safety inspections (i.e., the fire safety assessments conducted by the Fire Safety Consultant as further particularised below), all assessments concluded with a "Good" fire safety rating, and moreover, there have been no fire safety incidents within our Group;

(c) considering both our Company and Hongxin Trading, which are the only entities within our Group that own or lease outlets and/or self-owned properties, have undergone fire safety assessments with a "Good" fire safety rating and no fire safety incidents have occurred, despite the Relevant Properties have not undergone the relevant Fire Safety Reviews;

(d) in accordance with the Fire Safety Violations Guidance, the situations described above are classified as general or minor, and do not constitute major illegal or non-compliant actions;

(e) the income generated from the operations of the Relevant Outlets and the Relevant Properties will not be confiscated, and our Group may continue to the Relevant Outlets and the Relevant Properties as is and in their current condition; and

(f) the relevant competent authorities will not impose any compulsory measures or impose penalties on our Group concerning the aforementioned situations.

Our Company and Hongxin Trading also obtained confirmation letters from the Jiangdu Branch of Yangzhou City Natural Resources and Planning Bureau* (揚州市自然資源和規劃局江都分局) and Housing and Urban-Rural Development Bureau of Jiangdu District, Yangzhou City* (揚州市江都區住房和城鄉建設局), each being a competent authority as advised by our PRC Legal Advisers, confirming that: (i) our Company and Hongxin Trading are enterprises under the jurisdiction of the bureaus; (ii) the bureaus are aware of and agree to the continued long-term use by our Company and Hongxin Trading of the Relevant Properties, as they currently stand; (iii) the bureaus will not impose any administrative enforcement measures or penalties on our Company and Hongxin Trading concerning the above-mentioned matters, as these do not constitute major violations or irregularities, and the bureaus will not confiscate any income generated by our Company and Hongxin Trading from their production and operations on the Relevant Properties; (iv) our Company and Hongxin Trading have not been ordered to make corrections or been penalised by the bureaus concerning matters related to land, property, and building construction of the Relevant Properties; and (v) there are no potential, existing, or ongoing disputes or conflicts between the bureaus on the one hand, and our Company and Hongxin Trading on the other hand, regarding the said land, properties, and buildings of the Relevant Properties, nor have the bureaus received any reports or complaints from third parties against them.

To ensure that the Relevant Outlets and the Relevant Properties are free from material fire safety hazards for our customers and employees, our Group engaged Jiangsu Yilun Construction and Installation Engineering Co., Ltd.* (江蘇易侖建設安裝工程有限公司) (the "**Fire Safety Consultant**") to conduct fire safety assessments for the Relevant Outlets and the Relevant Properties (together, the "**Reviewed Premises**"). The Fire Safety Consultant specialises in fire safety inspection, maintenance, and evaluation. The inspection team of the Fire Safety Consultant consists of engineers, including certified fire safety engineers, fire safety facility operation engineers and building firefighters, who have extensive experience in fire safety evaluation works.

According to reports issued by the Fire Safety Consultant in June 2024 and September 2024, respectively, no fire hazards or fire safety issues were identified at these Reviewed Premises. As confirmed by the Fire Safety Consultant in its report:

(i) the fire safety ratings for these Reviewed Premises were uniformly assessed as "Good";

(ii) the Reviewed Premises comply with fire safety laws and regulations, have no substantial fire safety issues, and meet the requirements for the Fire Safety Approvals needed prior to the commencement of use for public venues, business operations, and other related business activities such as supermarkets, convenience stores and commercial services;

(iii) following the submission of required documents, these Reviewed Premises would not have substantial obstacles for obtaining the Fire Safety Approvals;

(iv) each of these Reviewed Premises is equipped with necessary fire safety facilities and has implemented relevant fire safety protocols; and

(v) the overall risk related to fire safety is considered low, and it is unlikely to affect the safety of customers and employees at these Reviewed Premises.

Our Group has further engaged Shanghai Biaogu Construction Engineering Testing Technology Co., Ltd.* (上海標崮建設工程檢測技術有限公司) (the "**Construction Expert**"), which is a company specialising in testing and certification and an Independent Third Party, in August 2024 to assess the construction safety of the Relevant Outlets which lack the requisite Fire Safety Inspection Certificates through on-site inspections and testing.

According to the report issued by the Construction Expert, the Construction Expert confirmed that:

(i) out of the Relevant Outlets, only eight of the Relevant Retail Stores and part of Jiangdu Mall (the "**Outlets with Structural Steel Structure**"), were identified with structural steel structures, while the others were built with concrete or bricks; and

(ii) as structural steel structures are more prone to safety hazards, the Construction Expert conducted detailed assessment on the Outlets with Structural Steel Structure and concluded that: (a) the steel structure of the Outlets with Structural Steel Structure comprises a non-lightweight steel framework with fire-resistant roofing and wall materials, and no sandwich panels with foam cores (夾泡沫芯彩鋼板) were found in the construction materials; (b) the structural configuration and building materials, including their strength specifications and fire-resistance ratings, comply with the relevant regulatory requirements for operating as supermarkets and shopping centres; and (c) the Outlets with Structural Steel Structure do not have any structural issues nor do they have any material structural safety risks.

In addition, the Company has engaged a second fire safety consultant, namely, Shanghai Yuanning Fire Technology Co., Ltd.* (上海遠寧消防技術有限公司) (the "**Second Fire Safety Consultant**"), which is a firm specialising in fire safety system design and installation, fire safety consulting, and maintenance and inspection of fire safety equipment, in September 2024 to conduct a separate review over the Outlets with Structural Steel Structure through on-site inspections, testing and evaluation of key fire safety aspects. The Second Fire Safety Consultant did not identify any material fire safety hazards with Outlets with Structural Steel Structure.

No deficiencies were identified by the Fire Safety Consultant or the Second Fire Safety Consultant in relation to the fire safety of the relevant premises, nor by the Construction Expert in relation to the structural safety of the relevant premises, that requires rectification measures be implemented by our Group.

Our Company and Hongxin Trading also obtained confirmation letters from the Housing and Urban-Rural Development Bureau of Jiangdu District, Yangzhou City* (揚州市江都區住房和城鄉建設局) and Housing and Urban-Rural Development Bureau of Hailing District, Taizhou City* (泰州市海陵區住房和城鄉建設局), each being a competent authority as advised by our PRC Legal Advisers, where the aforesaid bureaus acknowledged and agreed with the conclusions of the report issued by the Construction Expert in relation to the Outlets with Structural Steel Structure, confirmed that the continued use of such outlets is permitted, and confirmed that no administrative enforcement actions or penalties will be imposed on our Company and Hongxin Trading in this regard.

As advised by our PRC Legal Advisers, up to the Latest Practicable Date, there were no administrative penalties imposed on our Group's operational stores for failing to obtain a Fire Safety Inspection Certificate. Additionally, there were no instances of administrative penalties being imposed on our Company and Hongxin Trade due to issues related to Fire Safety Reviews.

As advised by our PRC Legal Advisers, according to the above confirmation letters issued by relevant authorities and the report issued by the Fire Safety Consultant, the failure to complete the requisite Fire Safety Approvals for the Relevant Outlets and the Relevant Properties did not constitute a material non-compliance for our Group, and the relevant authorities may not impose any administrative penalties on us.

Our Directors are of the view that the failure to complete the requisite Fire Safety Approvals for the Relevant Outlets and the Relevant Properties would not, individually or in the aggregate, have a material adverse effect on our business, results of operations or financial condition, because, in addition to the reasons stated above:

(i) in respect of the Relevant Properties, we had been implementing the Central Kitchen Relocation Plan as at the Latest Practicable Date;

(ii) we had taken various measures to ensure the fire safety of these Relevant Outlets and Relevant Properties, including the equipment of the necessary fire safety facilities and the implementation of relevant fire safety protocols, which our Directors are of the view that these measures are adequate and effective to mitigate risks associated with fire safety; and

(iii) we have enhanced our internal control measures and procedures as recommended by our Internal Control Consultant.

As a result, no provision has been made in our consolidated financial statements.

Internal control measures

Our Group has established the "Licence Management Measures" (the "**Licence Management Measures**") to standardise the management of various licences and qualification documents. This includes the processes for handling, safekeeping, borrowing, supervising, and cancelling licences, as well as the related approval procedures. The system clearly requires that all stores of our Group can only officially open after completing the fire safety inspection or filing.

According to the Licence Management Measures, our Group's construction department must obtain various permits and related licences before a store opens, including the business licence, environmental impact assessment record, public health licence, fire safety record, lease record, drainage permit, and other necessary permits as specified in the business scope. These permits and licences must be completed before the store officially opens. Post-opening, stores are responsible for handling subsequent permits, with assistance from our Group's administration department when necessary. Additionally, our Group will regularly train employees on drainage and fire safety procedures, clarifying the processes for obtaining drainage permits and completing fire safety inspections or filings to enhance safety management awareness.

For leased stores, the Leasing Management Measures specifies that properties must meet general infrastructure requirements, including complete water and sewage systems, electricity, heating, fire safety, ventilation, as well as furnished public restrooms and elevator areas. Before signing the lease agreement, the handling unit of our Group must, in principle, obtain the lessor's ownership certificate, original fire safety record, and original drainage permit as qualification review conditions. In special cases, approval must be reported and obtained, and necessary documents should be promptly supplemented.

(4) Non-compliance with social insurance and housing provident fund contributions

Pursuant to the relevant PRC laws and regulations, employers are obligated to contribute to the social insurance and housing provident funds for their employees. During the Track Record Period, we did not make adequate social insurances and housing provident fund contributions for certain employees, where (i) the outstanding social insurance contributions was approximately RMB0.5 million, RMB0.7 million, RMB0.5 million and RMB0.8 million for each of FY2021, FY2022, FY2023 and 9M2024, respectively, and (ii) the outstanding housing provident fund contributions was approximately RMB0.8 million, RMB1.0 million, RMB0.7 million and RMB0.2 million for each of FY2021, FY2022, FY2023 and 9M2024, respectively.

Our non-compliance was primarily due to (1) some employees were rehired retirees, for whom contribute for their social insurance and housing provident funds was not required; (2) some employees were new hires then undergoing enrolment processes for social insurance and/or housing provident fund contributions; (3) some employees were having their social insurance or housing provident funds paid by previous employers, making it impossible for our Group to make contributions for them; (4) some employees had requested for the calculation of their social insurance and/or housing provident fund contributions on a non-full amount basis for personal reasons; (5) some employees had independently paid for basic urban medical insurance, flexible employment medical insurance, new rural cooperative medical insurance, or had voluntarily opted out of contributions for other reasons. Our Group provided subsidies for pension and medical insurance based on the actual circumstances of the employees.

Legal consequences and maximum penalty

As advised by our PRC Legal Advisers, orders to make full contributions within a prescribed time period may be imposed on an employer for not making full social insurance contributions for employees in a timely manner. If any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance. In addition, if we fail to register and establish an account for social insurance contributions for our employees, the relevant social insurance authority may order us to do so within a prescribed time limit. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance.

If our Group fails to make such payment within the prescribed time limit, the relevant authority may impose a maximum fine of three times of the abovementioned outstanding social insurance balance.

As advised by our PRC Legal Advisers, if any of the relevant housing provident fund authorities is of the view that our contributions to the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, the relevant housing provident fund authority may apply to a PRC court for an order of mandatory payment. In addition, if we fail to register and establish an account for housing provident fund contributions for our employees, the relevant housing provident fund authority may order us to do so within a prescribed time limit. If we fail to do so within the prescribed period as requested by the relevant house reserve fund authorities, we may be subject to a fine ranging from RMB10,000 to RMB50,000.

Current status and remedies

During the Track Record Period and up to the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance or housing provident fund contributions, nor had we received any order to settle the outstanding amount of such contributions. In addition, we did not receive any notice from judicial or administrative authorities on any claim from our current and former employees regarding any inadequate contributions.

As advised by our PRC Legal Advisers, in the absence of any employee claims and significant changes in regulatory requirements regarding social insurance and housing provident fund contributions, the likelihood that we would be required by relevant authorities to pay the shortfalls and late charge for social insurance and housing provident fund contributions and/or be subject to material administrative penalties due to failure to make full contributions is remote, based on (1) the written confirmations obtained from the competent authorities *(Note)* from the regions covering substantially all of our subsidiaries, (2) the interviews with Yangzhou Jiangdu Human Resources and Social Security Bureau* (揚州市江都區人力資源和社會保障局) on 20 September 2024 and Yangzhou Medical Insurance Bureau Jiangdu Branch* (揚州市醫療保障局江都分局) on 21 September 2024, and the written confirmations from Yangzhou Housing Provident Fund Management Centre Jiangdu Branch* (揚州市住房公積金管理中心江都分中心) on 20 September 2024, where these competent authorities have jurisdiction over approximately 77.5% of the shortfall in social insurance and housing provident fund contributions, with the remainder of the shortfall falls under the jurisdiction of authorities in six other areas, which confirmed that they were fully aware of the aforesaid non-compliances and that no penalties will be imposed on our Group, and (3) their understanding of the "Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilisation the Levy of

Social Insurance Payment" (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued by Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部), which seeks to promote the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises and prohibits local authorities from requiring enterprises to make up for historically underpaid or unpaid social insurance contributions in a lump sum. As advised by our PRC Legal Advisers, the relevant local governmental authorities are competent to provide such confirmations.

Note: Set out below are the dates of and the identities of the competent authority issuing the latest written confirmations obtained:

Date of written confirmation	Identity of the relevant authority
19 June 2024	Yangzhou Guangling Social Insurance Comprehensive Service Centre* (揚州市廣陵區社會保險綜合服務中心)
25 June 2024	Baoying Social Insurance Fund Management Service Centre* (寶應縣社會保險基金管理服務中心)
26 August 2024	Yancheng Social Labor Insurance Centre* (鹽城市社會勞動保險中心)
30 December 2024	Yangzhou Social Insurance Fund Management Centre* (揚州市社會保險基金管理中心)
2 January 2025	Baoying Medical Insurance Fund Management Centre* (寶應縣醫療保險基金管理中心), Yangzhou Housing Provident Fund Management Centre Jiangdu Branch* (揚州市住房公積金管理中心江都分中心), Yangzhou Housing Provident Fund Management Centre Baoying Branch* (揚州市住房公積金管理中心寶應分中心) and Yangzhou Social Insurance Fund Management Centre* (揚州市社會保險基金管理中心)
3 January 2025	Yangzhou Medical Insurance Fund Management Centre Guangling Branch* (揚州市醫療保險基金管理中心廣陵分中心), Yizheng Medical Security Bureau* (儀徵市醫療保障局), Gaoyou Human Resources and Social Security Bureau* (高郵市人力資源和社會保障局), Gaoyou Medical Security Bureau* (高郵市醫療保障局), Yangzhou Housing Provident Fund Management Centre* (揚州市住房公積金管理中心), Yangzhou Housing Provident Fund Centre Gaoyou Branch* (揚州市住房公積金中心高郵分中心), Yangzhou Social Insurance Fund Management Centre* (揚州市社會保險基金管理中心) and Yangzhou Housing Provident Fund Management Centre Yizheng Branch* (揚州市住房公積金管理中心儀徵分中心)
6 January 2025	Yizheng Human Resources and Social Security Bureau* (儀徵市人力資源和社會保障局), Taizhou Medical Insurance Management Centre, Hailing Branch Centre* (泰州市醫療保險管理中心海陵分中心) and Taizhou Housing Provident Fund Management Centre* (泰州市住房公積金管理中心)
7 January 2025	Taizhou Hailing Human Resources and Social Security Bureau* (泰州市海陵區人力資源和社會保障局)

Date of written confirmation	Identity of the relevant authority
9 January 2025	State Administration of Taxation Yancheng City Tax Bureau Third Taxation Branch* (國家稅務總局鹽城市稅務局第三稅務分局), Yancheng City Medical Insurance Fund Management Centre Tinghu Branch* (鹽城市醫療保險基金管理中心亭湖分中心) and Yancheng Housing Provident Fund Tinghu Management Office* (鹽城市住房公積金亭湖管理部)
16 January 2025	Yangzhou Jiangdu Human Resources and Social Security Bureau* (揚州市江都區人力資源和社會保障局)
20 January 2025	Yangzhou Medical Bureau Jiangdu Branch* (揚州市醫療保障局江都分局)

We undertake that in the event that the competent regulatory authorities require us to make up for any shortfall in our contributions and/or pay any late charge, we would seek timely compliance. Moreover, we have been liaising with relevant regulatory authorities in different localities to adjust the payment base for our social insurance and housing provident fund contributions, the procedure and timing of which may vary based on local rules and policies, such that we can make full contribution in compliance with the applicable laws and regulations as soon as practicable.

Our Directors believe that the above non-compliance incidents would not have a material adverse effect on our business, results of operations or financial condition, considering that:

(i) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date;

(ii) we had not received any notifications from the relevant PRC authorities requiring us to pay the shortfalls or the penalties with respect to social insurance and/or housing provident funds as at the Latest Practicable Date;

(iii) we were neither aware of any material employee complaints nor were involved in any material labour disputes with our employees with respect to social insurance and/or housing provident funds;

(iv) we undertake to pay any shortfall within a prescribed time period upon request by the relevant government authorities or upon the complaint by any affected employee;

(v) starting from April 2024, we have duly made social insurance contributions and housing provident funds in full for all our eligible employees in accordance with applicable PRC laws and regulations, except for those employees who are not willing to make payments for social insurance contributions and housing provident funds for (1) having already participated and made contribution to the

New Rural Social Insurance Scheme (新型農村社會養老保險) or New Rural Cooperative Medical System (新型農村合作醫療); or (2) being registered elsewhere with other enterprises;

(vi) we have adopted robust internal control measures as discussed below; and

(vii) the advice from our PRC Legal Advisers discussed above.

As a result, no provision has been made in our consolidated financial statements.

Internal control measures

Our Group has established the "Human Resources Management Policy", the "Social Insurance and Housing Provident Fund Management Measures", and the "Employee Welfare Measures" to standardise the accounting, payment, and other related processes for social insurance and housing provident funds. The management of social insurance and housing provident funds is handled by our human resources department of each unit, with department staff responsible for calculating and paying our Group's contributions to the "five insurances and one fund" and for withholding and remitting the employees' contributions.

According to the "Human Resources Management Policy", the preparation, approval, statistics, and summary of payroll detail sheets and total payroll sheets are the responsibilities of the payroll staff. The payroll detail sheet will list the employees' basic salaries, attendance, social insurance and housing provident fund amounts, and the total amount paid by our Group. These are to be submitted to the human resources manager and the Chairman for approval at the beginning of the following month, and then forwarded to the finance department for the subsequent monthly payroll disbursement. When disbursing salaries, the cashier will attach a detailed explanation of the salary components and deduction items. If employees believe there is an error in their salary calculation, they can consult the finance department.

Additionally, our Group will provide targeted training for employees at all levels to enhance their business capabilities and professional skills. The human resources department will also regularly conduct compliance training on national and local government insurance regulations and policy updates. If any personnel-related policy documents are issued, the human resources department will calculate the contribution bases for existing measures and policies according to the new regulations and policies. If updates or adjustments are needed, the designated personnel of human resources department should submit an adjustment request, which will be reviewed by the human resources manager and approved by the Chairman before implementing the unified adjustment of social insurance and housing provident fund contribution bases for all employees.

Indemnity given by our Controlling Shareholders

In the event that the relevant competent authorities impose any fines or penalties on us in relation to (i) our Group's failure to obtain the relevant land use right certificates and property ownership certificates, (ii) the title defects and non-registration of our leased properties, (iii) our Group's failure to complete the Fire Safety Approvals and (iv) our non-compliance with social insurance and housing provident fund contributions, each as particularised above, our Controlling Shareholders agree, pursuant to the Deed of Indemnity, to indemnify us for all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to such non-compliance.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. For more information, please refer to the section headed "Risk Factors" in this prospectus. We have established risk management systems consisting of relevant policies and procedures that we believe are appropriate for our business operations, including the sale of our products, administration of daily operations, financial reporting and recording, fund management, procurement, and compliance with applicable laws and regulations on environment protection, production safety and anti-bribery.

Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review our financial reporting policies and internal control system. The audit committee consists of five members, namely Mr. Lam Ka Tak, Mr. Zheng Manjun, Mr. Zheng Yu, Ms. Wei Yan, and Mr. Zhu Bo. For the qualifications and experience of these committee members, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

In order to improve our corporate governance and to prevent the recurrence of non-compliance incidents in the future, we have adopted, or expect to adopt before Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- Our Directors, supervisors and senior management attended a training session on 6 June 2024 in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

- We have adopted various policies to ensure compliance with the Listing Rules, including those in relation to continuing connected transactions and information disclosure.

- We have implemented internal control policies in relation to financial management.

- We have implemented a series of internal rules and regulations in relation to our business operations, including those in relation to the management of our quality control, occupational health and safety and procurement.

We have also established the following internal control measures to ensure compliance with all applicable laws and regulations after Listing:

- Our management and employees will consult with an external legal counsel concerning legal risks and compliance matters.

- Our administrative and human resources department established a regular consultation mechanism to identify, prevent and rectify any potential non-compliance matter in the future, including but not limited to, food and product.

- Our Board will ensure that relevant land use right certificates and property ownership certificates are obtained, which will be supervised by the audit committee.

We have engaged our Internal Control Consultant to review our internal control policies including entity-level controls, compliance monitoring controls, financial and accounting procedures, sales procedures and recovery of trade receivables, cash management procedures, procurement procedures, inventory management procedures, information system control management, human resources management procedures, fixed asset management procedures, tax management procedures and other general control measures. Our Internal Control Consultant performed the work and put forward recommendations based on the review of our internal control policies.

We have implemented rectification and improvement measures, as the case may be, in response to the findings and recommendations by our Internal Control Consultant; our Internal Control Consultant has also completed procedures to follow up on the actions we took in relation to our internal control system.

Our Internal Control Consultant conducted a follow-up review in June 2024 of the remedial actions taken by us to address the findings of the internal control review process, and noted that we had considered their recommendations and also taken the necessary remedial actions to address our internal control deficiencies and weaknesses. After the follow-up review, our Internal Control Consultant was satisfied that there is no material deficiencies in the adequacy and effectiveness of our Group's risk management and internal control systems. In addition, our Directors confirm that our Company will periodically evaluate the effectiveness of, and ensure the compliance with the risk management and internal control policies and procedures, in particular, to make sure our employees will adhere to such policies and procedures. Our Directors are not aware of any significant deficiencies in the internal control design or material impediment for our employees to comply with the enhanced risk management and internal control policies and procedures. We did not receive any additional recommendations from our Internal Control Consultant as at the Latest Practicable Date. Based on above, our Directors are of the view that our Group's risk management and internal control policies and procedures are effective.

OVERVIEW

Upon Listing, our Board will consist of 12 members, including seven executive Directors, one non-executive Director and four independent non-executive Directors. All Directors are elected at the Shareholders' meetings and shall be subject to re-election upon retirement.

Our Supervisory Committee consists of three Supervisors, including two shareholder Supervisors and one employee Supervisor. The shareholder Supervisors are elected at the Shareholders' meetings, while the employee Supervisor is elected by our employees.

Our senior management consists of four members who are responsible for our day-to-day management and operation.

DIRECTORS

The following table sets out certain information regarding our current Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Responsibilities
Mr. Gao Feng (高峰先生)	65	Chairman and executive Director	26 June 1994	19 October 2005	Presiding over our Board and being responsible for the overall management of business operation, strategy and corporate development of our Group
Mr. Yuan Yuan (袁原先生)	62	Vice chairman of our Board and executive Director	26 June 1994	12 May 2010	Being responsible for fundraising and financing activities, participating in major business matters of our Group, and assisting the Chairman in his duties
Mr. Zhang Jiaan (張佳安先生) (with a former name as Zhang Jiaan (張家安))	54	Executive Director and general manager	26 June 1994	3 September 2007	Overseeing the overall business operation and participating in key business and operational decision-making of our Group

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Responsibilities
Mr. Yao Jun (姚駿先生)	46	Executive Director and deputy general manager	1 October 2005	30 June 2018	Overseeing the overall operation of our Group's supermarket stores
Ms. Shen Zhigen (沈志艮女士) (with a former name as Qian Wen (錢雯))	53	Executive Director, deputy general manager and financial controller	1 January 1997	30 June 2018	Participating in key business and operational decision-making of our Group and overseeing our Group's financial and information technology operations
Ms. Nai Jingjing (佴晶晶女士)	37	Executive Director	10 May 2024	10 May 2024	Participating in decision-making in respect of major matters such as corporate and business strategies
Mr. Wang Fei (王飛先生)	36	Executive Director	2 December 2022	2 December 2022	Participating in decision-making in respect of major matters such as corporate and business strategies
Ms. Wei Yan (韋燕女士)	31	Non-executive Director	10 May 2024	10 May 2024	Providing strategic advice and recommendations on business development and planning of our Group
Mr. Lam Ka Tak (林嘉德先生)	43	Independent non-executive Director	Listing Date	10 May 2024 (effective from the Listing Date)	Supervising and providing independent judgment to our Board
Mr. Zheng Manjun (鄭滿軍先生)	61	Independent non-executive Director	Listing Date	10 May 2024 (effective from the Listing Date)	Supervising and providing independent judgment to our Board

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Responsibilities
Mr. Zheng Yu (鄭宇先生)	46	Independent non-executive Director	Listing Date	10 May 2024 (effective from the Listing Date)	Supervising and providing independent judgment to our Board
Mr. Zhu Bo (朱波先生)	62	Independent non-executive Director	Listing Date	10 May 2024 (effective from the Listing Date)	Supervising and providing independent judgment to our Board

Executive Directors

Mr. Gao Feng (高峰先生), aged 65, is the Chairman and an executive Director, and is mainly responsible for presiding over our Board and being responsible for the overall management of business operation, strategy and corporate development of our Group. Mr. Gao jointed our Group in June 1994 and was appointed as an executive Director in October 2005, and was further appointed as the Chairman in September 2007. Mr. Gao is also a director of Hongxinlong Agricultural Products.

Mr. Gao has over 40 years of experience in the supermarket and supply chain businesses. Prior to joining our Group, Mr. Gao worked at Jiangdu City Supply and Marketing Cooperative* (江都市供銷合作總社) (currently known as Yangzhou City Jiangdu Supply and Marketing Cooperative* (揚州市江都區供銷合作總社)), which was principally engaged in rural commodity distribution, from March 1979 to March 1992, with his last position as a deputy director (副主任). From March 1992 to June 1994, Mr. Gao joined Jiangdu Supply and Marketing Building* (江都供銷大廈) (the predecessor of Hongxin Trading) as a deputy general manager, and later promoted to the role of general manager, where he was responsible for overseeing the management and operations of the enterprise.

In June 1994, Mr. Gao joined our Group and served as the general manager of Hongxin Trading until June 2011, and was further appointed as the chairman of the board of directors of Hongxin Trading from November 2001 to June 2011, where he was responsible for the decision-making, management and operations of Hongxin Trading. Mr. Gao later joined our Company as an executive Director since October 2005, and was later appointed as the general manager during September 2007 to December 2010, and was further appointed as the Chairman since September 2007.

Mr. Gao completed the business enterprise management major at Jiangsu Radio and Television University (currently known as Jiangsu Open University) in July 1986. In June 2001, Mr. Gao completed a graduate student training programme in economics and management at Nanjing Normal University. In August 2005, Mr. Gao completed an advanced training programme in business administration for the retail industry organised by the School of Continuing Education, Tsinghua University. Mr. Gao pursued a master's degree programme offered by Tsinghua University in collaboration with The Australian National University, and was awarded a master's degree in management by The Australian National University in July 2011.

Mr. Gao was recognised as Model Working Class of the National Supply and Marketing Cooperative System (全國供銷合作社系統勞動模範) by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社) in May 1997. Mr. Gao was awarded the qualification of senior economist (高級經濟師) by Jiangsu Provincial Department of Human Resources* (江蘇省人事廳) in November 2000.

Mr. Yuan Yuan (袁原先生), aged 62, is the vice chairman of our Board and an executive Director, and is mainly responsible for fundraising and financing activities, and participating in major business matters of our Group, assisting the Chairman in his duties. Mr. Yuan joined our Group in June 1994 and was appointed as a Director in May 2010, and was further appointed as the vice chairman of our Board and an executive Director in March 2014 and May 2024, respectively.

Mr. Yuan has over 40 years of experience in the supermarket and supply chain businesses. Prior to joining our Group, Mr. Yuan worked at Jiangdu Zhanggang Supply and Marketing Cooperative* (江都縣張綱供銷合作社) (currently known as Yangzhou Jiangdu Zhanggang Supply and Marketing Cooperative* (揚州市江都區張綱供銷合作社)) from January 1983 to September 1989, with his last position as audit officer. From October 1989 to June 1994, Mr. Yuan served at the finance and audit department of Jiangdu Supply and Marketing Building* (江都供銷大廈) (the predecessor of Hongxin Trading), with his last position as the manager of the department, where he was responsible for financial management and accounting matters.

In June 1994, Mr. Yuan joined our Group and served as the manager of the finance and audit department of Hongxin Trading until March 1998. Mr. Yuan was appointed as the assistant general manager and the manager of the finance department of Hongxin Trading from March 1998 to August 2001, where he was primarily responsible for assisting the general manager in his duties and handling financial accounting work and securities financing. In August 2001, Mr. Yuan was promoted to a deputy general manager and the manager of the finance department of Hongxin Trading. Until November 2004, Mr. Yuan oversaw financial operations, formulated financial strategy, and prepared financial forecasts and budgets of Hongxin Trading. From November 2004 to September 2007, Mr. Yuan served as the vice chairman of the board of directors, deputy general manager, and the head of finance department of Hongxin Trading, where he was primarily responsible for managing the finances of Hongxin Trading and assisting the chairman of the board of directors and the general manager.

During September 2007 to May 2010, Mr. Yuan served as the chairman of the Supervisory Committee of our Company, overseeing the daily operations of our Supervisory Committee. In May 2010, Mr. Yuan was appointed as a Director, and was further appointed as the vice chairman of our Board of our Company in March 2014.

Mr. Yuan completed the adult higher education programme in accounting at the Jiangsu Provincial Cadre Management Academy for Government Agencies* (江蘇省省級機關管理幹部學院) in January 2007. In June 2008, Mr. Yuan passed the undergraduate self-taught examination in financial management organised by Yangzhou University Higher Education Institution and Jiangsu Provincial Higher Education Self-Taught Examinations Committee. Mr. Yuan further completed the master's degree in business administration at the University of Wales in May 2014.

Mr. Yuan was awarded the qualification of senior economist (高級經濟師) by Jiangsu Provincial Department of Human Resources* (江蘇省人事廳) in November 2006.

Mr. Zhang Jiaan (張佳安先生) (with a former name as Zhang Jiaan (張家安)), aged 54, is an executive Director and the general manager of our Company, and is mainly responsible for overseeing the overall business operation and participating in key business and operational decision-making of our Group. Mr. Zhang joined our Group in June 1994 and was appointed as a Director in September 2007, and was further appointed as the general manager of our Company and an executive Director in March 2008 and May 2024, respectively. Mr. Zhang is also a director of Muyuan Supply Chain, Hongxin Pharmacy, Tianchang Hongxinlong and Xintongyuan Trading.

Mr. Zhang has over 30 years of experience in the supermarket and supply chain businesses. Prior to joining our Group, Mr. Zhang was an accountant clerk and an assistant manager of the first-floor department store of Jiangdu Supply and Marketing Building* (江都供銷大廈) (the predecessor of Hongxin Trading) from September 1990 to June 1994.

In June 1994, Mr. Zhang joined our Group and continued his role as an assistant manager of the first-floor department store of Hongxin Trading until March 1997, where he was responsible for the operation management. From March 1997 to February 1998, Mr. Zhang assumed the role of deputy manager in the finance department at Hongxin Trading, where he was primarily responsible for managing accounts. From February 1998 to March 1999, Mr. Zhang became the deputy manager of supermarket store of Hongxin Trading, focusing on the operation management of the supermarket stores. Mr. Zhang later served as the deputy manager of the footwear and headwear department store at Hongxin Trading from March 1999 to December 2001, where he was mainly responsible for the operation management of the footwear and headwear department. From December 2001 to December 2002, Mr. Zhang served as the manager of the non-staple food market at Hongxin Trading, overseeing its operations and management. Mr. Zhang then served as the supermarket manager at Hongxin Trading from January 2003 to October 2005.

From October 2005 to March 2006, Mr. Zhang became the manager of our Company, and later served as the assistant general manager and the purchasing director from March 2006 to March 2007, overseeing management and procurement of supermarket stores. From March 2007 to March 2008, Mr. Zhang was promoted to deputy general manager of our Company, where he was in charge of the operations and management of our Company. Since September 2007 and March 2008, Mr. Zhang was appointed as the Director and the general manager of our Company respectively.

Mr. Zhang studied management (technology and innovation management) at Tsinghua University in a programme jointly held with The Australian National University, and obtained a master's degree in management in December 2014.

Mr. Yao Jun (姚駿先生), aged 46, is an executive Director and a deputy general manager of our Company, and is mainly responsible for overseeing the overall operation of our Group's supermarket stores. Mr. Yao joined our Group in October 2005 and was appointed as a Director in June 2018, and was further appointed as a deputy general manager of our Company and an executive Director in June 2018 and May 2024, respectively.

Mr. Yao has over 15 years of experience in the supermarket chain management.

In October 2005, Mr. Yao joined our Group as the store manager at our Shaobo store of our Company until March 2007, where he was primarily responsible for the initial setup and preparation of the opening of the Shaobo store, as well as the management and operation of the store. From March 2007 to March 2008, Mr. Yao served as the sales department manager of our Company, where he was responsible for overseeing the operations of supermarket stores. From March 2008 to March 2009, Mr. Yao assumed the position of manager of the department of convenience stores' operations of our Company, where he was responsible for the operations of convenience stores of our Group. In March 2009, Mr. Yao became the manager of the store expansion department at our Company, and until March 2012, Mr. Yao was primarily responsible for managing the expansion of new stores of our Group. From March 2012 to March 2017, Mr. Yao served as the assistant general manager and fresh food department manager of our Company. During the said period, Mr. Yao was primarily responsible for the management and operation of the store's fresh food operations.

From March 2017 to June 2018, Mr. Yao served as the assistant general manager and the manager of the supermarket operation management department of our Company, where he was primarily responsible for managing the day-to-day operations of supermarket stores of our Group. Since June 2018, Mr. Yao has been serving as the deputy general manager and a Director of our Company.

Mr. Yao completed an associate degree programme in administration management at China Central Radio and TV University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in July 2010.

Ms. Shen Zhigen (沈志艮女士) (with a former name as Qian Wen (錢雯)), aged 53, is an executive Director, a deputy general manager and financial controller of our Company, and is mainly responsible for participating in key business and operational decision-making of our Group and overseeing our Group's financial and information technology operations. Ms. Shen joined our Group in January 1997 and was appointed as a Director in June 2018, and was further appointed as a deputy general manager of our Company and an executive Director in March 2022 and May 2024, respectively.

Ms. Shen has over 25 years of experience in finance and accounting management related to supermarket operations. Ms. Shen worked in Hongxin Trading as a clerk in the human resources department from January 1997 to June 1997, a computer operator in the finance audit department from June 1997 to June 1999, an accountant in the finance department from June 1999 to June 2004, and an assistant manager in the finance department from June 2004 to October 2005.

Since October 2005, Ms. Shen worked in our Company as an assistant manager in the finance department until March 2006, a deputy manager of the finance department from March 2006 to March 2008, the manager of the finance department from March 2008 to March 2018, a deputy finance director from March 2012 to March 2018, and the finance director from March 2018 to March 2022, where Ms. Shen was responsible for overseeing the finance department.

Since June 2018 and March 2022, Ms. Shen has been serving as a Director and a deputy general manager of our Company, respectively.

Ms. Shen completed a part-time study in the financial accounting programme at the Water Conservancy College of Yangzhou University (揚州大學) in July 1996.

Ms. Nai Jingjing (佴晶晶女士), aged 37, is an executive Director, and is mainly responsible for participating in decision-making in respect of major matters such as corporate and business strategies. Ms. Nai was appointed as a Director in April 2024, and was further appointed as an executive Director in May 2024.

Ms. Nai has approximately seven years of experience in financial investment management. Prior to joining our Group, Ms. Nai served at Yangzhou Longchuan Holding Group Co., Ltd.* (揚州龍川控股集團有限責任公司), which was principally engaged in financial services and financing, from October 2016 to September 2021, with her last position as the director of the funds settlement centre. Since October 2021, Ms. Nai has been serving at Yangzhou Longchuan Holding Financial Investment Co., Ltd.* (揚州龍川控股金融投資有限公司), a company principally engaged in financial investment, with her current position as the general manager.

Ms. Nai graduated from Jiangsu Institute of Technology* (江蘇工業學院) (currently known as Changzhou University (常州大學)) with a bachelor's degree in management in June 2009.

Mr. Wang Fei (王飛先生), aged 36, is an executive Director, and is mainly responsible for participating in decision-making in respect of major matters such as corporate and business strategies. Mr. Wang was appointed as a Director in December 2022, and was further appointed as an executive Director in May 2024.

Mr. Wang has over 10 years of experience in investment management. Prior to joining our Group, Mr. Wang served as a client manager of Qilu Securities Co., Ltd.* (齊魯證券有限公司) from July 2010 to August 2011, where he was primarily responsible for securities brokerage and investment-related business. From August 2011 to May 2016, Mr. Wang served as a channel manager at the Wuhu Limin West Road branch of China Galaxy Securities Co., Ltd.* (中國銀河證券股份有限公司), where he was primarily responsible for securities investment-related and financial advisory business. From May 2016 to October 2016, Mr. Wang served as an investment manager at Jiangsu Suning Loan Financial Information Service Co., Ltd.* (江蘇蘇寧易貸金融信息服務有限公司) (currently known as Jiangsu Suning Financial Information Service Co., Ltd.* (江蘇蘇寧金融信息服務有限公司)), a company principally engaged in the provision of financial information and corporate management consultation services, where he was mainly responsible for asset management and investment management. From November 2016 to June 2018, Mr. Wang served as the director of capital operations and the secretary of the board of directors at Anhui Huida Communication Network Technology Co., Ltd.* (安徽慧達通信網絡科技股份有限公司), a company principally engaged in research and development of communication network technology, where he was mainly responsible for day-to-day works of the company's board of directors and project investment activities. Since September 2018, Mr. Wang has been serving at Jiangsu New Supply and Marketing Fund Management Co., Ltd.* (江蘇新供銷基金管理有限公司), a company principally engaged in investment management and related consulting services, with his current position as the chief investment officer, where he was mainly responsible for investment management.

Mr. Wang graduated from Anhui Normal University (安徽師範大學) with a bachelor's degree in sociology in July 2010.

Non-executive Director

Ms. Wei Yan (韋燕女士), aged 31, is a non-executive Director, and is mainly responsible for providing strategic advice and recommendations business development and planning of our Group. Ms. Wei was appointed as a non-executive Director in May 2024.

Ms. Wei has over five years of experience in investment management. Ms. Wei has been the executive president of Jiangsu Dongding Investment Fund Management Co., Ltd.* (江蘇東鼎投資基金管理有限公司), which is primarily engaged in fund and investment management, since August 2017, where she has been mainly responsible for the company's operational strategy. Since April 2020, Ms. Wei has also been serving as the legal representative and general manager of Jiangsu Jinyan Private Fund Management Co., Ltd.* (江蘇金鹽私募基金管理有限公司), which is primarily engaged in the provision of private equity investment and venture capital fund management services, where Ms. Wei has been responsible for the asset allocation and investment strategy. Since January 2023, Ms. Wei has been an executive director of Dongtai

Capital Limited (東泰資本有限公司), which is primarily engaged in investment management and corporate management consulting in Hong Kong, where she has been responsible for overseeing the company's operations and management.

Since January 2024, Ms. Wei has been serving as the director of administration and business development at King International Investment Limited (帝王國際投資有限公司) (formerly known as Life Healthcare Group Limited (蓮和醫療健康集團有限公司), Tack Fiori International Group Limited (野馬國際集團有限公司) and Tack Fat Group International Limited (德發集團國際有限公司)), a company listed on the Main Board of the Stock Exchange (stock code: 928), where she is primarily responsible for the management and the investment operations of funds established in the PRC.

Ms. Wei graduated from Nanjing University (南京大學) with a bachelor's degree in business administration in June 2022.

Independent Non-executive Directors

Mr. Lam Ka Tak (林嘉德先生), aged 43, is an independent non-executive Director, and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Lam was appointed as an independent non-executive Director in May 2024, with his appointment taking effect from the Listing Date.

Mr. Lam has over 20 years of experience in accounting and financial management. From May 2003 to March 2006, Mr. Lam was employed by RSM Nelson Wheeler (currently known as RSM Hong Kong), an accounting and consulting firm in Hong Kong, with his last position as senior accountant. From April 2006 to September 2010, Mr. Lam worked at KPMG, an accounting and consulting firm in Hong Kong, with his last position as manager. Mr. Lam has served different roles in various listed companies as follows:

Period	Company name, stock code and venue of listing	Position
Since September 2010 Since March 2015	Beijing Health (Holdings) Limited (北京健康(控股)有限公司) (formerly known as Beijing Enterprises Medical and Health Industry Group Limited (北控醫療健康產業集團有限公司), Genvon Group Limited (正峰集團有限公司) and Wang Sing International Holdings Group Limited (旺城國際控股集團有限公司)) (stock code: 2389), a company listed on the Main Board of the Stock Exchange	Company secretary and authorised representative Chief financial officer

Period	Company name, stock code and venue of listing	Position
Since December 2015	Beijing Sports and Entertainment Industry Group Limited (北京體育文化產業集團有限公司) (formerly known as ASR Logistics Holdings Limited (瀚洋物流控股有限公司) and ASR Holdings Limited (瀚洋控股有限公司)) (stock code: 1803), a company listed on the Main Board of the Stock Exchange	Executive director
Since October 2016	Net-a-Go Technology Company Limited (網譽科技有限公司) (formerly known as U Banquet Group Holding Limited (譽宴集團控股有限公司)) (stock code: 1483), a company listed on the Main Board of the Stock Exchange	Independent non-executive director and the chairperson of the audit committee

Mr. Lam graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy in November 2003. Mr. Lam also obtained a master's degree in business administration from The University of Hong Kong in November 2013.

Mr. Lam has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010 and became a fellow since September 2024.

Mr. Zheng Manjun (鄭滿軍先生), aged 61, is an independent non-executive Director, and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Zheng was appointed as an independent non-executive Director in May 2024, with his appointment taking effect from the Listing Date.

Mr. Zheng has over 20 years of experience in engineering. Mr. Zheng served at Gezhouba Hydroelectric Power Plant* (葛洲壩水力發電廠) ("**Gezhouba Hydroelectric Power Plant**") from July 1986 to September 2002, where Mr. Zheng was awarded the qualification of senior engineer* (高級工程師) by the review committee of Gezhouba Hydroelectric Power Plant in January 1998. Mr. Zheng served at the Yangtze Three Gorges Technology & Economic Development Co., Ltd.* (長江三峽技術經濟發展有限公司) of China Yangtze Three Gorges Corporation Limited* (中國長江三峽集團公司) ("**Three Gorges Corporation**") from September 2002 to June 2019, where Mr. Zheng was awarded the qualification of senior engineer at the professor level* (教授級高級工程師) by the human resources department of Three Gorges Corporation in December 2014. From July 2019 to October 2021, Mr. Zheng served as both the manager and an executive director at the Yangtze Ecological Environmental Protection Group Co., Ltd.* (長江生態環保集團有限公司) of Three Gorges Corporation. From December 2019 to June 2022, Mr. Zheng served as a director of Taizhou Three Gorges Ecological Environmental

Protection Co., Ltd* (泰州三峽生態環保有限公司) (currently known as Taizhou Chengtou Ecological Environmental Protection Co., Ltd.* (泰州城投生態環保有限公司)).

Mr. Zheng graduated from Shaanxi Mechanical Institute* (陝西機械學院) (currently known as Xi'an University of Technology (西安理工大學)) with a bachelor's degree in hydraulic and hydropower engineering* (水利水電動力工程專業) in July 1986.

Mr. Zheng Yu (鄭宇先生), aged 46, is an independent non-executive Director, and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Zheng was appointed as an independent non-executive Director in May 2024, with his appointment taking effect from the Listing Date.

Mr. Zheng has over 20 years of experience in the legal profession. Mr. Zheng has been a practising lawyer in the PRC since October 2003 and is currently holding the position of senior partner at Lantai Partners (北京市蘭台(南京)律師事務所). Mr. Zheng was appointed as an independent non-executive director of Diwang Industrial Holdings Limited (帝王實業控股有限公司) (formerly known as Sunlight Technology Holdings Limited (深藍科技控股有限公司)), a company listed on the Main Board of the Stock Exchange (stock code: 1950), from January 2022 to January 2024. From March 2024 to September 2024, Mr. Zheng served as an independent non-executive director of King International Investment Limited (帝王國際投資有限公司) (previously known as Life Healthcare Group Limited (蓮和醫療健康集團有限公司), Tack Fiori International Group Limited (野馬國際集團有限公司) and Tack Fat Group International Limited (德發集團國際有限公司)) (stock code: 928), a company listed on the Main Board of the Stock Exchange.

Mr. Zheng graduated from Nanjing University with a bachelor's degree in law in June 2004, and further completed a distance-learning programme in finance at the Nanjing University in July 2021.

Mr. Zheng obtained the Legal Professional Qualification Certificate of the People's Republic of China in September 2002. Mr. Zheng was accredited as an intermediate-level lawyer* (三級律師) by Nanjing Professional Title (Professional Qualification) Leading Group Office* (南京市職稱(職業資格)工作領導小組辦公室) in December 2016. Mr. Zheng has also become an arbitrator of the Taizhou Arbitration Commission, Nanjing Arbitration Commission/JiangSu (Nanjing) International Commercial Arbitration Centre and Suining Arbitration Commission since September 2022, March 2023 and July 2023, respectively.

Mr. Zhu Bo (朱波先生), aged 62, is an independent non-executive Director, and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Zhu was appointed as an independent non-executive Director in May 2024, with his appointment taking effect from the Listing Date.

Mr. Zhu has over 25 years of experience in the law enforcement services, and over 15 years of experience in business administration and management. During the period from November 1980 to December 2007, Mr. Zhu served several positions in the Chinese People's Armed Police Force, with his last position as detachment commander (支隊長) of the Huai'an Detachment in the Jiangsu Corps* (江蘇總隊淮安市支隊). In 2003, Mr. Zhu was conferred the rank of senior colonel (上校警銜).

Mr. Zhu served as the deputy general manager at Jiangsu Huiyuan Real Estate Development Industrial Company* (江蘇匯遠房地產發展實業公司) (currently known as Jiangsu Huiyuan Real Estate Development Co., Ltd.* (江蘇匯遠房地產發展有限責任公司)), which was principally engaged in real estate development and management, from February 2008 to February 2009. Mr. Zhu served as the general manager of Jiangsu Film Distribution and Exhibition Company* (江蘇省電影發行放映公司) (currently known as Jiangsu Film Distribution and Exhibition Co., Ltd.* (江蘇省電影發行放映有限公司)), which was principally engaged in film distribution, from April 2009 to March 2016. Since February 2016, Mr. Zhu has been serving as the vice chairman at Jiangsu Qianbao Investment Group Co., Ltd.* (江蘇乾寶投資集團有限公司) (currently known as Jiangsu Qianbao Technology Development Group Co., Ltd.* (江蘇乾寶科技發展集團有限公司)), which is principally engaged in architectural engineering, landscape engineering, greening project design and construction, where Mr. Zhu is primarily responsible for managing the design and construction of the company's architectural projects, landscaping projects, and greening projects. Since February 2016, Mr. Zhu has been serving at the Suzhou Taihu Lake Academy* (蘇州太湖書院), with his current position as the vice president since March 2018, where Mr. Zhu is primarily responsible for the research and promotion of the company's Taihu culture and tea culture.

Mr. Zhu graduated from the People's Liberation Army (PLA) Academy of Military Economics* (中國人民解放軍軍事經濟學院) with a bachelor's degree in military logistics management in June 1998. Mr. Zhu obtained a bachelor's degree in laws in June 2005 at the People's Liberation Army (PLA) Nanjing Political College* (中國人民解放軍南京政治學院), and further obtained a postgraduate research degree in Marxist theory and ideological and political education at the same institution in July 2005.

SUPERVISORS

The following table sets out certain information regarding our current Supervisors:

Name	Age	Position	Date of joining our Group	Date of appointment as Supervisor	Responsibilities
Ms. Zhan Mingyu (詹明玉女士) (with a former name as Zhan Mingyu (占明玉))	62	Chairman of our Supervisory Committee, shareholder Supervisor	26 June 1994	30 June 2018	Supervising our Board and management; and responsible for overseeing our Company's labour union, and supervising matters relating to administration, distribution centre, and central kitchen of our Group
Mr. Xia Zhonglin (夏忠林先生)	61	Shareholder Supervisor and group purchase department manager	26 June 1994	20 November 2012	Supervising our Board and management; and responsible for managing matters related to group purchase
Ms. Zhu Aizhen (朱愛珍女士)	50	Employee Supervisor and store manager of Jianying store	6 June 1997	21 December 2010	Supervising our Board and management; and responsible for overseeing the operation and management of Jianying store

Ms. Zhan Mingyu (詹明玉女士) (with a former name as Zhan Mingyu (占明玉)), aged 62, is the chairman of our Supervisory Committee and a shareholder Supervisor, and is mainly responsible for supervising our Board and management; and responsible for overseeing our Company's labour union, and supervising matters relating to administration, distribution centre, and central kitchen of our Group. Ms. Zhan joined our Group in June 1994, and was appointed as a Supervisor and the chairman of our Supervisory Committee in June 2018.

Ms. Zhan has over 40 years of experience in accounting and finance management related to supermarket operations. Prior to joining our Group, Ms. Zhan was a cashier at an entity currently known as Yangzhou City Jiangdu Agricultural Production Materials Co., Ltd.* (揚州市江都區農業生產資料有限公司) from October 1979 to July 1983. From July 1983 to September 1989, Ms. Zhan was an account clerk at Jiangdu City Supply and Marketing Cooperative* (江都市供銷合作總社) (currently known as Yangzhou Jiangdu Supply and Marketing Cooperative* (揚

州市江都區供銷合作總社)). From September 1989 to June 1994, Ms. Zhan was an accountant at Jiangdu Supply and Marketing Building* (江都供銷大廈) (the predecessor of Hongxin Trading).

In June 1994, Ms. Zhan joined our Group and worked in Hongxin Trading as an accountant from June 1994 to February 1995, and an assistant manager in the finance department from February 1995 to March 1997. Ms. Zhan was mainly responsible for physical inventory accounting and managing account receivables and payables during the respective periods.

From March 1997 to February 1998, Ms. Zhan served as the deputy manager of the needlework and yarn department store at Hongxin Trading, later served as the deputy manager of the footwear and headwear department store at Hongxin Trading from February 1998 to March 1999, and further served as the deputy manager of the children's department store at Hongxin Trading from March 1999 to August 2002, during such periods she was mainly responsible for store management.

From August 2002 to October 2005, Ms. Zhan was the manager of the finance department at Yangzhou Hongcheng Electrical Appliances Co., Ltd.* (揚州宏誠電器有限公司), a company principally engaged in the wholesale and retail of household electrical appliances, where she was mainly responsible for overseeing the finance-related affairs.

In October 2005, Ms. Zhan returned to our Group and worked at our Company as the manager of the finance department from October 2005 to March 2007, as the purchasing director from March 2007 to March 2011, where she was primarily responsible for overseeing purchasing and distribution operations of our Group, and further as a Director from September 2007 to May 2010, participating in key business and operational decision-making of our Group. Since March 2011, Mr. Zhan had been serving as the purchasing director of our Company until March 2015 and a deputy general manager of our Company until March 2018, where she was mainly responsible for the purchasing and distribution operations of our Group.

Since March 2018 and June 2018, Ms. Zhan has been serving as the chairman of the trade union of our Company and the chairman of our Supervisory Committee, respectively.

Ms. Zhan completed a higher education programme in administrative management at The Chinese Communist Party Yangzhou Party School* (中共揚州市委黨校) in July 2001. Ms. Zhan was awarded the qualification of intermediate-level accountant* (中級會計師) by Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in May 2006.

Mr. Xia Zhonglin (夏忠林先生), aged 61, is a shareholder Supervisor and group purchase department manager of our Group, and is mainly responsible for supervising our Board and management; and responsible for managing matters related to group purchase. Mr. Xia joined our Group in June 1994, and was appointed as a Supervisor in November 2012.

Mr. Xia has over 40 years of experience in procurement management. Prior to joining our Group, from March 1984 to December 1989, Mr. Xia was a counter manager at Jiangdu City Supply and Marketing Cooperative* (江都市供銷合作總社) (currently known as Yangzhou

Jiangdu Supply and Marketing Cooperative* (揚州市江都區供銷合作總社)). In December 1989, Mr. Xia joined Jiangdu Supply and Marketing Building* (江都供銷大廈) (the predecessor of Hongxin Trading) and worked as a sales clerk until February 1993, as the manager of the wholesale department from February 1993 to February 1994, and further as a deputy manager of the furniture city from February 1994 to June 1994, where he was mainly responsible for furniture sales.

In June 1994, Mr. Xia joined our Group and worked at Hongxin Trading continuing his role as a deputy manager of the furniture city until July 1997, as the manager of the Zhenwu store from July 1997 to March 1999, as deputy manager of the third-floor department store from March 1999 to December 2002, as a deputy manager of the small home appliances department store from January 2003 to March 2006, during which he was mainly responsible for store management and operations.

In March 2006, Mr. Xia worked at our Company as the store manager of the Longchuan store until March 2007, as the store manager of the Jiangdu Shopping Mall store from March 2007 to March 2009, as the manager of the Yangzhou branch, where he was responsible for branch management and operations from March 2009 to March 2015. From March 2015 to March 2017, he was the manager of the logistics management department of our Company, where he was mainly responsible for the maintenance of equipment and safety management.

Since November 2012 and March 2017, Mr. Xia has been serving as a Supervisor and the group purchase department manager of our Group, respectively.

Ms. Zhu Aizhen (朱愛珍女士), aged 50, is an employee Supervisor and store manager of Jianying store, and is mainly responsible for supervising our Board and management; and responsible for overseeing the operation and management of Jianying store. Ms. Zhu joined our Group in June 1997, and was appointed as a Supervisor in December 2010.

Ms. Zhu has over 25 years of experience in the supermarket chain management. Ms. Zhu joined our Group in June 1997 and worked at Hongxin Trading as a computer operator in the finance audit department until June 2004, and later as a deputy manager of the information department from June 2004 to March 2008, where she was primarily responsible for information technology-related tasks.

In March 2008, Ms. Zhu worked at our Company and served as a deputy manager of the human resources department until March 2010, and later as the manager of the human resources department from March 2010 to March 2021, during both periods she was primarily responsible for our Group's human resources management and employee training.

Since December 2010 and March 2021, Ms. Zhu has been serving as a Supervisor and the store manager of the Jianying store of our Company, respectively.

Ms. Zhu completed a higher education programme in pharmacy from China Central Radio and TV University (currently known as The Open University of China) in July 2014.

SENIOR MANAGEMENT

The following table sets out certain information regarding our current senior management:

Name	Age	Position	Date of joining our Group	Responsibilities
Mr. Zhang Jiaan (張佳安先生) (with a former name as Zhang Jiaan (張家安))	54	Executive Director and general manager	26 June 1994	Overseeing the overall business operation and participating in key business and operational decision-making of our Group
Mr. Yao Jun (姚駿先生)	46	Executive Director and deputy general manager	1 October 2005	Overseeing the overall operation of our Group's supermarket stores
Ms. Shen Zhigen (沈志艮女士) (with a former name as Qian Wen (錢雯))	53	Executive Director, deputy general manager and financial controller	1 January 1997	Participating in key business and operational decision-making of our Group and overseeing our Group's financial and information technology operations
Mr. Xiao Zhiping (肖志平先生)	49	Deputy general manager and head of fresh food operations	1 January 2020	Overseeing the procurement of fresh food products of our Group and supervising its operation

Mr. Zhang Jiaan (張佳安先生) (with a former name as Zhang Jiaan (張家安)), aged 54, is an executive Director and the general manager of our Company. For the biography of Mr. Zhang, see "Directors – Executive Directors" in this section above.

Mr. Yao Jun (姚駿先生), aged 46, is an executive Director and a deputy general manager of our Company. For the biography of Mr. Yao, see "Directors – Executive Directors" in this section above.

Ms. Shen Zhigen (沈志艮女士) (with a former name as Qian Wen (錢雯)), aged 53, is an executive Director, a deputy general manager and financial controller of our Company. For the biography of Ms. Shen, see "Directors – Executive Directors" in this section above.

Mr. Xiao Zhiping (肖志平先生), aged 49, is a deputy general manager and head of fresh food operations of our Company, and is mainly responsible for overseeing the procurement of fresh food products of our Group and supervising its operation. Mr. Xiao joined our Group and was appointed as a deputy general manager and head of fresh food operations in January 2020.

Mr. Xiao has over 10 years of experience in fresh food operation management. Prior to joining our Group, Mr. Xiao was the manager at Chongqing Yonghui Superstores Co., Ltd.* 重慶永輝超市有限公司, a company operating a supermarket chain, from August 2008 to April 2012, where he was primarily responsible for the fresh food operations. From April 2013 to April 2018, Mr. Xiao was the project manager at Beijing Zhongxian Network Technology Co., Ltd.* 北京中鮮網絡科技有限公司, where he was primarily responsible for training in fresh food operations and procurement. From April 2018 to December 2019, Mr. Xiao was the fresh food director of Inner Mongolia Weilehui Supermarket Co., Ltd.* (內蒙古維樂惠超市有限公司), a company operating a supermarket chain, where he was primarily responsible for fresh food operations and procurement. Since January 2020, Mr. Xiao joined our Group and has been serving as the deputy general manager and the head of fresh food operations of our Group.

DISCLOSURE REQUIRED UNDER RULE 13.51(2) OF THE LISTING RULES

Mr. Gao Feng was a director of the following companies prior to their dissolutions. Mr. Gao confirmed that each of the following companies was solvent and inactive, and had no outstanding claims or liabilities at the time of their dissolutions, that there was no wrongful act on his part leading to the dissolutions and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the companies. Mr. Gao also confirmed that the companies had no material non-compliance prior to their dissolutions. The following are the details of the aforementioned dissolved companies:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Hongxinlong (Beijing) Technology Co., Ltd.* (宏信龍(北京)科技有限公司)	PRC	Research and development of computer hardware and software, system integration, providing technical consulting services, technical services, technology transfer, and software technology training	3 February 2015	Cessation of business	Deregistration
Yangzhou Hongxinlong Logistics Co., Ltd.* (揚州宏信龍物流有限公司)	PRC	Cargo transportation, warehousing services, and sales of fresh agricultural products	22 November 2019	Cessation of business	Deregistration
Hongxinlong (Jiangsu) Software Technology Co., Ltd.* (宏信龍(江蘇)軟件科技有限公司)	PRC	Software technology development, technology transfer, technical consulting, and technical services	7 December 2012	Cessation of business	Deregistration

Mr. Yuan Yuan was a director of the following companies prior to their dissolutions. Mr. Yuan confirmed that each of the following companies was solvent and inactive, and had no outstanding claims or liabilities at the time of their dissolutions, that there was no wrongful act on his part leading to the dissolutions and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the companies. Mr. Yuan also confirmed that the companies had no material non-compliance prior to their dissolutions. The following are the details of the aforementioned dissolved companies:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Hongxinlong (Jiangsu) Software Technology Co., Ltd.* (宏信龍(江蘇)軟件科技有限公司)	PRC	Software technology development, technology transfer, technical consulting, and technical services	7 December 2012	Cessation of business	Deregistration
Hongxinlong (Beijing) Technology Co., Ltd.* (宏信龍(北京)科技有限公司)	PRC	Research and development of computer hardware and software, system integration, providing technical consulting services, technical services, technology transfer, and software technology training	3 February 2015	Cessation of business	Deregistration

Mr. Zhang Jiaan (with a former name as Zhang Jiaan (張家安)) was a director of the following companies prior to their dissolutions. Mr. Zhang confirmed that each of the following companies was solvent and inactive, and had no outstanding claims or liabilities at the time of their dissolutions, that there was no wrongful act on his part leading to the dissolutions and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the companies. Mr. Zhang also confirmed that the companies had no material non-compliance prior to their dissolutions. The following are the details of the aforementioned dissolved companies:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Jiangsu Hongxin E-Commerce Co., Ltd.* (江蘇宏信電子商務有限公司)	PRC	Online sales of general merchandise, clothing, daily necessities, office supplies, household appliances, vegetables, fruits, aquatic products, fresh agricultural products, fresh meat, and e-commerce operation and maintenance outsourcing	2 February 2016	Cessation of business	Deregistration
Yangzhou Hongxinlong Logistics Co., Ltd.* (揚州宏信龍物流有限公司)	PRC	Cargo transportation, warehousing services, and sales of fresh agricultural products	22 November 2019	Cessation of business	Deregistration
Hongxinlong (Jiangsu) Software Technology Co., Ltd.* (宏信龍(江蘇)軟件科技有限公司)	PRC	Software technology development, technology transfer, technical consulting, and technical services	7 December 2012	Cessation of business	Deregistration

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Hongxinlong (Beijing) Technology Co., Ltd.* (宏信龍(北京)科技有限公司)	PRC	Research and development of computer hardware and software, system integration, providing technical consulting, technical services, technology transfer, and software technology training	3 February 2015	Cessation of business	Deregistration

Mr. Lam Ka Tak was a director of the following company prior to its dissolution. Mr. Lam confirmed that the following company was solvent and inactive, and had no outstanding claims or liabilities at the time of its dissolution, that there was no wrongful act on his part leading to the dissolution and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the company. Mr. Lam also confirmed that the company had no material non-compliance prior to its dissolution. The following are the details of the aforementioned dissolved company:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
BE Fortune Capital Limited (formerly known as BE Fortune (Cayman) Investment Management Limited)	Cayman Islands	Investment management	30 April 2024	Cessation of operation	Strike off

Mr. Zheng Manjun was a director of the following company prior to its dissolution. Mr. Zheng Manjun confirmed that the following company was solvent and inactive, and had no outstanding claims or liabilities at the time of its dissolution, that there was no wrongful act on his part leading to the dissolution and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the company. Mr. Zheng Manjun also confirmed that the company had no material non-compliance prior to its dissolution. The following are the details of the aforementioned dissolved company:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Changjiang Eco-Environmental Protection Group Jiangsu Region Co., Ltd.* (長江生態環保集團江蘇區域有限公司)	PRC	Planning, design, investment, construction and operation related to ecology, environmental protection, energy saving, and clean energy	23 June 2022	Cessation of business	Deregistration

Mr. Zhu Bo was a director of the following companies prior to their dissolutions. Mr. Zhu confirmed that each of the following companies was solvent and inactive, and had no outstanding claims or liabilities at the time of their dissolutions, that there was no wrongful act on his part leading to the dissolutions and that he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of the companies. Mr. Zhu also confirmed that the companies had no material non-compliance prior to their dissolutions. The following are the details of the aforementioned dissolved companies:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Jiangsu Xingrui Investment Development Co., Ltd.* (江蘇星瑞投資發展有限公司)	PRC	Investment and investment management, digital electronic product rental, home audio-visual equipment rental, property leasing, conference services, translation services, prop modelling, computer graphics and design, computer software and hardware design, photography services, organisation of cultural exchanges, corporate image planning, and economic information consulting	17 October 2016	Cessation of business	Deregistration

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Huai'an Guoxin Digital Cinema Co., Ltd.* (淮安國信數字影院有限公司)	PRC	Rental of cinema equipment, cinema design, and decoration, venue rental, building construction and engineering, etc.	25 September 2014	Cessation of business	Deregistration
Jiangsu Huade Sports and Education Development Co., Ltd.* (江蘇華德體教體育發展有限公司)	PRC	Operation of sports facility venues (excluding high-risk sports), poultry farming, food business operations, advertising (broadcasting stations, TV stations, newspaper publishing units), catering services, real estate development and operation, organisation of sports competitions, project planning and public relations services, sports intermediary agency services, sports agent services, etc.	25 February 2022	Cessation of business	Deregistration

Ms. Zhan Mingyu (with a former name as Zhan Mingyu (占明玉)) was a director of the following company prior to its dissolution. Ms. Zhan confirmed that the following company was solvent and inactive, and had no outstanding claims or liabilities at the time of its dissolution, that there was no wrongful act on her part leading to the dissolution and that she is not aware of any actual or potential claim which has been or will be made against her as a result of the dissolution of the company. Ms. Zhan also confirmed that the company had no material non-compliance prior to its dissolution. The following are the details of the aforementioned dissolved company:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Yangzhou Hongxinlong Logistics Co., Ltd.* (揚州宏信龍物流有限公司)	PRC	Cargo transportation, warehousing services, and sales of fresh agricultural products	22 November 2019	Cessation of business	Deregistration

Ms. Zhu Aizhen was a director of the following companies prior to their dissolutions. Ms. Zhu confirmed that each of the following companies was solvent and inactive, and had no outstanding claims or liabilities at the time of their dissolutions, that there was no wrongful act on her part leading to the dissolutions and that she is not aware of any actual or potential claim which has been or will be made against her as a result of the dissolutions of the companies. Ms. Zhu also confirmed that the companies had no material non-compliance prior to their dissolutions. The following are the details of the aforementioned dissolved companies:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Reason for dissolution	Means of dissolution
Yangzhou Qiangqin Trading Co., Ltd.* (揚州強欽商貿有限公司)	PRC	Sales of pre-packaged food and daily necessities, retail sale of cigarettes and cigars	18 March 2020	Cessation of business	Deregistration
Jiangdu Guochang Liquor Company* (江都市國昌酒業商行)	PRC	Retail of pre-packaged food, primarily engaged in the manufacturing of alcohol, beverages, and refined tea	26 November 2014	Cessation of business	Deregistration

GENERAL

Save as disclosed above and in "Substantial Shareholders" and "Statutory and General Information – 4. Disclosure of Interests" in Appendix VI, each of our Directors and Supervisors confirms with respect to him/her that:

(i) does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date;

(iii) had no other relationship with any Directors, Supervisors, senior management or substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;

(iv) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas;

(v) does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is disclosable under the Listing Rules;

(vi) to the best knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters concerning our Director's and Supervisors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date; and

(vii) to the best of the knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of our Shareholders.

Each of our Directors confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 5 June 2024; and (ii) understood his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors confirmed (i) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he had no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as at the Latest Practicable Date; and (iii) that there are no other factors that may affect his independence at the time of his appointment.

JOINT COMPANY SECRETARIES

Ms. Xu Chunling (徐春玲女士), aged 45, has been appointed as one of our joint company secretaries.

Ms. Xu has more than 20 years of experience in administration management related to supermarket operations. Ms. Xu joined our Group in December 2002 and is currently the secretary to the Board, a position she held since May 2024. Ms. Xu served as a clerk of Hongxin Trading from December 2002 until March 2014, and has been serving as the manager of our Company since March 2014, during both periods she was mainly responsible for managing the corporate affairs of our Group, managing the archives and qualification certificates, drafting and preparing legal and other documents and managing their receipt and dispatch.

Ms. Xu completed the undergraduate programme majoring in administration management at China Central Radio and TV University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in January 2015. Ms. Xu was awarded the Certificate of Secretary for the Board of Directors (董事會秘書資格證明) from the Shanghai Stock Exchange (上海證券交易所) in May 2019.

Mr. Hui Hung Kwan (許鴻群先生), aged 53, has been appointed as one of our joint company secretaries.

Mr. Hui has more than 25 years of experience in accounting and financial management. After graduating with a bachelor's degree in business administration from the Chinese University of Hong Kong in Hong Kong in December 1994, Mr. Hui has held various positions, including audit manager at Li, Tang, Chen & Co. (李湯陳會計師事務所) from June 1994 to June 2004. Mr. Hui was the chief financial officer of Premiere Eastern Energy Pte. Limited (東潤能源有限公司) from November 2010 to December 2012.

Mr. Hui has served different roles in various listed companies as follows:

Period	Company name, stock code and venue of listing	Position
June 2004 to October 2010	C&G Environmental Protection Holdings Limited (創冠環保股份有限公司) (stock code: D79), a company previously listed on the main board of the Singapore Exchange Limited until 20 December 2019	Chief financial officer
July 2009 to June 2015	Titan Invo Technology Limited (formerly known as TUS International Limited (泰坦智華科技有限公司) and Jinheng Automotive Safety Technology Holdings Limited (錦恒汽車安全技術控股有限公司)) (stock code: 872), a company previously listed on the Main Board of the Stock Exchange until 17 May 2024	Independent non-executive director
June 2013 to July 2020	China Creative Global Holdings Limited (中創環球控股有限公司) (formerly known as China Creative Home Group Limited (中國創意家居集團有限公司) and China Allen Holdings Limited (中國亞倫控股有限公司)) (stock code: 1678), a company previously listed on the Main Board of the Stock Exchange until 25 July 2022	Chief financial officer
Since December 2018	Shanghai Kindly Medical Instruments Co., Ltd.* (上海康德萊醫療器械股份有限公司) (currently known as Shanghai INT Medical Instruments Co., Ltd.* (上海瑛泰醫療器械股份有限公司)) (stock code: 1501), a company listed on the Main Board of the Stock Exchange	Independent non-executive director

Period	Company name, stock code and venue of listing	Position
May 2023 to August 2024	Wuxi Life International Holdings Group Limited (悟喜生活國際控股集團有限公司) (formerly known as Aurum Pacific (China) Group Limited (奧栢中國集團有限公司), S&D International Development Group Limited (基仕達國際發展集團有限公司) and SJTU Sunway Software Industry Limited (交大銘泰軟件實業有限公司)) (stock code: 8148), a company listed on GEM of the Stock Exchange	Company secretary
Since August 2023	Life Concepts Holdings Limited (生活概念控股有限公司) (formerly known as Dining Concepts Holdings Limited (飲食概念控股有限公司)) (stock code: 8056), a company listed on GEM of the Stock Exchange	Independent non-executive director
August 2023 to March 2024	King International Investment Limited (帝王國際投資有限公司) (previously known as Life Healthcare Group Limited (蓮和醫療健康集團有限公司), Tack Fiori International Group Limited (野馬國際集團有限公司) and Tack Fat Group International Limited (德發集團國際有限公司)) (stock code: 928), a company listed on the Main Board of the Stock Exchange	Company secretary

Mr. Hui has been an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and a fellow of the Association of Chartered Certified Accountants since September 1997 and October 2002, respectively.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various dedicated committees in accordance with relevant PRC laws, regulations, the Articles and the Listing Rules, namely, the Audit Committee, the Nomination Committee, and the Remuneration Committee.

The Audit Committee

Upon Listing, the Audit Committee will consist of five Directors, namely, Mr. Lam Ka Tak, Mr. Zheng Manjun, Mr. Zheng Yu, Mr. Zhu Bo and Ms. Wei Yan. Mr. Lam Ka Tak will serve as the chairperson of the committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of our Group.

The Nomination Committee

Upon Listing, the Nomination Committee will consist of five Directors, namely, Mr. Lam Ka Tak, Mr. Zheng Manjun, Mr. Zheng Yu, Mr. Zhu Bo and Ms. Wei Yan. Mr. Zheng Manjun will serve as the chairperson of the committee. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and senior management.

The Remuneration Committee

The Remuneration Committee consists of five Directors, namely, Mr. Lam Ka Tak, Mr. Zheng Manjun, Mr. Zheng Yu, Mr. Zhu Bo and Ms. Wei Yan. Mr. Zheng Yu will serve as the chairperson of the committee. The primary duties of the Remuneration Committee are to review and make recommendations to our Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the Corporate Governance Code set out in Appendix C1 (formerly Appendix 14) to the Listing Rules (the "**CG Code**") and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly Appendix 10) to the Listing Rules after the Listing.

Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

BOARD DIVERSITY

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain a high level of diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience, and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, a number of factors will be taken into account in determining the board composition to achieve board diversity, including but not limited to professional experience, skills, knowledge, age, gender, education, cultural background and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the CG Code.

Our Board has a balanced mix of knowledge, skills and experience. They completed studies in various majors including but without limitation to business management, accountancy, finance, engineering and legal studies. We have four independent non-executive Directors who have different industry backgrounds. Furthermore, our Directors are of a wide range of age, from 31 to 64 years old. Pursuant to the Board Diversity Policy, we aim to maintain at least 10% female representation in the Board. Taking into account our business model and specific needs as well as the presence of three female Directors out of a total of 12 Board members, we consider that the composition of our Board satisfies our Board Diversity Policy.

We recognise the particular importance of gender diversity on our Board. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our Board Diversity Policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time after Listing. In particular, taking into account the business needs of our Group and changing circumstances that may affect our business plans, we will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be periodically reviewed by our Nomination Committee in order to develop a pipeline of potential successors to our Board and promote gender diversity. We will also ensure that there is gender diversity when recruiting staff at the mid- to senior-levels so that we have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectations and international and local recommended best practices.

The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness by assessing annually on the board's diversity profile including gender balance and making recommendation on suitable candidates for Board appointments and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

COMPLIANCE ADVISER

Our Company has appointed Red Solar Capital Limited, in accordance with Rule 3A.19 of the Listing Rules, as our compliance adviser for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will provide advice to us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notification or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or if our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes any inquiry to us regarding unusual movements in the price or trading volume of our Shares.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonuses, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of our Company. Our Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Company or executing their functions in relation to the operation of our Company.

For FY2021, FY2022, FY2023 and 9M2024, the total emoluments of our Directors, including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions, were amounted to approximately RMB2.1 million, RMB2.0 million, RMB2.0 million and RMB0.5 million, respectively.

For FY2021, FY2022, FY2023 and 9M2024, the total emoluments of our Supervisors, including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions, were amounted to approximately RMB0.4 million, RMB0.3 million, RMB0.3 million and RMB0.2 million, respectively.

Under the arrangements currently in force, our Directors and Supervisors are estimated to receive total fixed remuneration (before tax), for the year ending 31 December 2025, of approximately RMB0.9 million.

The remuneration of Directors and Supervisors consists of fees, salaries, allowances, discretionary bonuses, pension-defined contribution plans and other benefits in kind, which are determined based on the evaluation of each of our Directors' and Supervisors' individual performance and the internal remuneration management of our Group in 2024. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

For FY2021, FY2022, FY2023 and 9M2024, there was three, three, three and three Directors among the five highest paid individuals, respectively. The total emoluments, including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions, of the top five highest paid individuals (excluding Directors and Supervisors) for FY2021, FY2022, FY2023 and 9M2024 were RMB0.9 million, RMB0.9 million, RMB0.8 million and RMB0.2 million, respectively.

For FY2021, FY2022, FY2023 and 9M2024, no payment was made by us to any of our Directors, past director, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of our Directors or Supervisors waived their remuneration during the relevant periods.

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management, employment conditions of other positions in our Company and the desirability of performance-based remuneration.

OUR CONTROLLING SHAREHOLDERS

Pursuant to the Acting-in-concert Confirmation, Mr. Gao, Ruichuanda Investment (which is in turn wholly-owned by Mr. Gao), Mr. Yuan and Mr. Zhang confirm that they have been acting in concert in the management and operation of our Group since January 2019, and they have agreed to continue to act in concert and reach consensus on any proposal related to the daily management and operation of our Group presented to the general meeting of the Shareholders of our Company for voting. For details, please refer to the paragraph headed "History and Development – Acting-in-concert Confirmation" in this prospectus.

As at the Latest Practicable Date, Mr. Gao is able to exercise approximately 29.68% of the voting rights in our Company through (i) his personal capacity as to approximately 16.36%; and (ii) Ruichuanda Investment as to approximately 13.32%. Mr. Yuan is able to exercise approximately 6.95% voting rights in our Company through his personal capacity. Mr. Zhang is able to exercise approximately 4.85% voting rights in our Company through his personal capacity. As such, as at the Latest Practicable Date, the Concert Parties are able to exercise voting rights of approximately 41.48% of the total issued shares of our Company.

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the Concert Parties will be entitled to exercise voting rights of approximately 31.11% of the total issued shares of our Company, and are considered as our Controlling Shareholders upon Listing.

COMPETING INTEREST OF OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

As at the Latest Practicable Date, apart from our Group's business, none of our Controlling Shareholders, Directors and their respective close associates was engaged or had interest in any business which, directly or indirectly, competes or may compete with our Group's principal business, which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (the "**Covenantors**") has entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of our Company (for itself and as trustee for our subsidiaries) on 12 March 2025. Subject to the terms and conditions of the Deed of Non-competition, the Covenantors irrevocably and unconditionally undertake to and covenant with our Company (for itself and as trustee for our subsidiaries) that, during the period in which the Covenantors are subject to the provisions of the Deed of Non-competition:

(i) it will not, and will procure its close associates and/or the companies controlled by it (other than members of our Group) not to, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be engaged in, invest in, acquire, hold or provide any form of assistance to any person, firm or company (except members of our Group) to conduct (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time, including but not limited to supermarket and convenience store chain-related business and wholesale business of grains and oil, food products, garment, household appliances and wooden products (the "**Restricted Business**");

(ii) if it and/or any of its close associates has received, is offered or has identified any business investment or other business opportunity that competes or may compete, directly or indirectly, with the Restricted Business (the "**New Business Opportunity**"), it and/or any of its close associates shall (a) immediately give a notice in writing to our Company in respect of such New Business Opportunity, setting out all reasonably necessary information for our Group to make an informed assessment; and (b) use its best efforts to assist our Company in acquiring such New Business Opportunity at terms and conditions no less favourable than those available to it and/or its close associates;

(iii) neither it nor any of its close associates, directly or indirectly, carries out, participates or is engaged in, invests in, acquires or holds (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or is otherwise involved (other than through our Group) in the Restricted Business;

(iv) it will provide all necessary information for our Directors (including our independent non-executive Directors) to review its compliance with and implementation of the Deed of Non-competition on an annual basis and, if necessary, make annual statements in respect of its compliance with and implementation of the Deed of Non-competition in the annual reports of our Company;

(v) it will allow our Directors, their respective representatives and auditors to have full access to its records and/or will procure its close associates to use their best efforts to allow our Directors, their respective representatives and auditors to have full access to their records, in order for him/her/it to meet the terms and conditions of the Deed of Non-competition; and

(vi) for so long as it or any of its close associates, either alone or as a whole, remains the Controlling Shareholders of our Company (within the meaning of the Listing Rules) or a Director:

(1) it will not participate in, carry on or invest in any project or business opportunity that competes or may compete, directly or indirectly, with the business conducted by our Group from time to time;

(2) it will, in accordance with the Articles of Association and the Listing Rules, declare its interests and, where required, abstain from voting at any board meeting and/or general meeting of our Company and not be counted as quorum where required, if there is any actual or potential conflict of interests;

(3) it and its close associates (other than our Group) will not solicit any existing or then existing employee of our Group;

(4) without the consent of our Company, it will not use any information pertaining to the business of our Group which may have come to its knowledge in its capacity as the Controlling Shareholders of our Company and/or a Director for any purposes; and

(5) it will procure its close associates (other than our Group) not to participate in, carry on or invest in any project or New Business Opportunity mentioned above (except pursuant to paragraph (a) below).

The non-competition undertakings made by each of the Covenantors do not apply in the following circumstances:

(a) if the information on the principal terms of the Restricted Business, project or New Business Opportunity has been made available to our Group and our Directors, the principal terms in accordance with which the relevant Covenantor(s) or its/their close associates participate in carry on or invest in such Restricted Business, project or New Business Opportunity are approximately the same or are no more favourable than these offered to our Company, and our Company has confirmed that it, after review by our Directors (including our independent non-executive Directors, provided that the resolution shall be approved by the majority of our independent non-executive Directors at a meeting in the absence of Directors who have beneficial interest in the project or business relating to such project or business), will refuse to operate, participate in or carry on such Restricted Business relating to such New Business

Opportunity, then any close associate of the Covenantors (other than our Group) has the right to participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity that has previously been offered to our Group, irrespective of the value of such business. Subject to the foregoing, if the Covenantors or any of its close associates has decided to directly or indirectly participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity, it/they shall be subject to any conditions imposed by our independent non-executive Directors and shall disclose to our Company the terms under which it/they operate, participate or carry on such Restricted Business as soon as practicable; and

(b) without prejudice to the principle of (a) above, the undertakings made by the Covenantors do not apply to any of the following:

(i) holding of shares or other securities issued by our Company or our subsidiaries; and

(ii) where a company is a company listed on any stock exchange recognised by national laws and holds the shares or securities in any company participating in any Restricted Business, the total interest (within the meaning of Part XV of the SFO) held by each of the Covenantors and its close associates is less than 5% of the share capital of such company.

The non-competition undertakings given by each of our Controlling Shareholders of our Company will take effect from the date on which dealings in our H Shares first commence on the Stock Exchange and will cease to have any effect upon the earlier of the date on which:

(a) any of our Controlling Shareholders and its/their close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholders of our Company; or

(b) our H Shares cease to be listed on the Stock Exchange (except for temporary suspension of our H Shares due to any reason).

The decision-making process in relation to the Deed of Non-competition will be governed and monitored as follows:

- Our independent non-executive Directors will be responsible for deciding whether or not to take up a New Business Opportunity referred to us under the terms of the Deed of Non-competition and may invite senior management of our Company to assist them or provide any relevant information.

- Our independent non-executive Directors may employ an independent financial adviser and/or competent person as they consider necessary to advise them on the terms of any such New Business Opportunity.

- Our Controlling Shareholders will undertake to keep us informed of New Business Opportunity and to provide all information reasonably required by the independent non-executive Directors to assist them in their consideration of any New Business Opportunity.

- Our independent non-executive Directors will also review, on an annual basis, any decisions in relation to New Business Opportunity referred to us, and state their views with basis and reasons in our annual report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates (other than our Group) after Listing:

Management Independence

Upon Listing, our Board will comprise seven executive Directors, one non-executive Director and four independent non-executive Directors. Mr. Gao is our Chairman and an executive Director, Mr. Yuan is the vice chairman of our Board and an executive Director, and Mr. Zhang is an executive Director and the general manager of our Company, whereas each of them is one of our Controlling Shareholders. The day-to-day management of our business rests with our Board and senior management team in a collective manner. The balance of power and authority is ensured by the operation of our senior management team and our Board. For details of the background of Mr. Gao, Mr. Yuan and Mr. Zhang, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the management role in our Group independently.

Operational Independence

We have established our own organisational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently from our Controlling Shareholders and their respective close associates (other than our Group). We have independent access to suppliers and customers. We are also in possession of all relevant assets, licences, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and their respective close associates (other than our Group) and our Group is able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) after Listing.

Financial Independence

We have our own independent financial system, internal control and accounting systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders and their respective close associates (other than our Group). We have made tax filings and paid tax independently of our Controlling Shareholders and their respective close associates (other than our Group) pursuant to applicable laws and regulations. We have established an independent finance department and implemented sound and independent audit, accounting and financial management systems. We have adequate financial resources and credit facilities to support our daily operation. We expect that we will not rely on our Controlling Shareholders or any of their respective close associates (other than our Group) for financing after the Listing, taking into consideration of our financial condition and financial resources, including cash and bank balances, anticipated cash flows from operations, facilities and borrowings from banks and financial institutions and estimated net proceeds from the Global Offering.

During the Track Record Period, certain of our Group's bank loans and other borrowings were guaranteed by our Controlling Shareholders and/or their respective close associates. As at 30 September 2024, the amount of bank loans and other borrowings guaranteed by our Controlling Shareholders and/or their respective close associates were approximately RMB262.5 million, which will be released or replaced by our Company's corporate guarantee upon the Listing.

Save as disclosed above, as at the Latest Practicable Date, no financial assistance including amounts due to, and loans, guarantees or securities were provided by our Controlling Shareholders and/or their respective close associates (other than our Group) to our Group.

Based on the above, our Directors consider that our operations are financially independent from our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairperson and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognise the importance of good corporate governance in protecting the interests of our Shareholders. We have adopted the following corporate governance measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(i) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with our Controlling Shareholders and/or their respective close associates (other than our Group), our Company will comply with the applicable Listing Rules;

(ii) where a Shareholders meeting is to be held for considering proposed transactions in which our Controlling Shareholders and/or their respective close associates (other than our Group) have any material interest, our Controlling Shareholders and/or their respective close associates (as applicable) will not vote on the resolutions and shall not be counted in the quorum for the voting;

(iii) our Board consists of a balanced composition of executive, non-executive and independent non-executive Directors, with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in "Directors, Supervisors and Senior Management", individually and collectively possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interest of our minority Shareholders;

(iv) where the advice from an independent professional, such as that from a financial or legal adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company's expenses; and

(v) we have appointed Red Solar Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable Hong Kong laws.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' rights after Listing.

SHARE CAPITAL OF OUR COMPANY

As at the Latest Practicable Date, the registered share capital of our Company was RMB160,684,910, comprising 160,684,910 Shares (all being Domestic Unlisted Shares) with a nominal value of RMB1.00 each.

Immediately after the Global Offering (assuming that the Over-allotment Option is not exercised) and the Conversion of Domestic Unlisted Shares into H Shares, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the Enlarged Issued Share Capital after the Global Offering
Domestic Unlisted Shares in issue	–	–%
H Shares converted from Domestic Unlisted Shares	160,684,910	75.00%
H Shares to be issued pursuant to the Global Offering	53,562,000	25.00%
Total	214,246,910	100.00%

Immediately after the Global Offering (assuming that the Over-allotment Option is fully exercised) and the Conversion of Domestic Unlisted Shares into H Shares, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the Enlarged Issued Share Capital after the Global Offering
Domestic Unlisted Shares in issue	–	–%
H Shares converted from Domestic Unlisted Shares	160,684,910	72.29%
H Shares to be issued pursuant to the Global Offering	61,596,000	27.71%
Total	222,280,910	100.00%

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital.

Upon completion of the Global Offering, the Shares held by certain Shareholders who are our core connected persons will not be counted towards the public float for the purpose of the Listing Rules. Details of these Shareholders are set out below:

Shareholders who are our core connected persons	Number of Shares held	Shareholding percentage of the issued share capital of the Company immediately upon the completion of the Global Offering(1)
The Concert Parties	**66,674,976**	**31.11%**
– Mr. Gao	26,292,302	12.27%
– Ruichuanda Investment	21,410,776	9.99%
– Mr. Yuan	11,171,898	5.21%
– Mr. Zhang	7,800,000	3.64%
Jiequan Fund	21,558,441	10.07%
Xu Shihe (許世和)(2)	10,870,051	5.07%
Yin Qin (印勤)(2)	9,060,000	4.23%
12 individuals(3)	20,980,000	9.79%

Notes:

(1) Assuming that the Over-allotment Option is not exercised.

(2) Xu Shihe (許世和) is a supervisor of Hongxin Trading, and Yin Qin (印勤) is a director of Hongxin Trading.

(3) Each of such individuals will be interested in less than 5% equity interest in our Company.

Save as provided above, (1) no other Shareholders will be a core connected person of the Company upon Listing and therefore the Shares held by all the other existing Shareholders will count towards the public float; and (2) upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), all the other Shareholders will collectively hold 85,103,442 Shares (representing approximately 39.72% of the issued share capital of the Company) which will be counted towards the public float for the purpose of the Listing Rules.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the Listing.

OUR SHARES

The H Shares in issue following the completion of the Global Offering and the Domestic Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism ("**Shanghai-Hong Kong Stock Connect**") and the Shenzhen-Hong Kong stock exchanges connectivity mechanism ("**Shenzhen-Hong Kong Stock Connect**") and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval or filing with any competent authorities, including our existing Shareholders who may convert their Domestic Unlisted Shares into H shares upon completion of filing with the CSRC, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC.

RANKING

Domestic Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF DOMESTIC UNLISTED SHARES INTO H SHARES

On 28 June 2024, our Company has filed for a "full circulation" of all the existing 160,684,910 Domestic Unlisted Shares into H Shares on a one-for-one basis, and submitted the application reports, authorisation documents of the shareholders of Domestic Unlisted Shares for which an H-share "full circulation" are applied, explanation about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The relevant filings of the conversion of the existing 160,684,910 Domestic Unlisted Shares held by the existing Shareholders into H Shares on a one-for-one basis have been completed on 20 February 2025.

Upon completion of the Global Offering, if any of our Shares are not listed or traded on any stock exchange, the holders of our Domestic Unlisted Shares may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have completed the required filing with the securities regulatory authorities of the State Council, including the CSRC. The listing of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange.

Based on the procedures for the conversion of our Domestic Unlisted Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Domestic Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

No class Shareholder voting is required for the listing and trading of the converted Shares on the Stock Exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange will comply with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Programme for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC and latest amended on 10 August 2024, the shareholders of Domestic Unlisted Shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) (the "**CSDCC**"). Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the CSDCC of the shares involved in the application is completed.

SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on 10 May 2024. For more details on circumstances under which our Shareholders' general meeting is required, please refer to "Appendix V – Summary of the Articles of Association" to this prospectus.

LOCK-UP PERIODS

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the Listing Date. Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, Supervisors, members of senior management of our Company and other Shareholders. For more details, please refer to "Appendix V – Summary of the Articles of Association" to this prospectus.

CONVENING OF GENERAL MEETINGS

Please refer to "Appendix V – Summary of the Articles of Association" to this prospectus for details of the circumstances under which general meetings of our Company are required.

So far as our Directors are aware, immediately following the completion of the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

		As at the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)[(2)]	
Name of Shareholder	**Nature of Interest**	**Number of Shares[(1)]**	**Approximate percentage of interest in our Company** *(%)*	**Number of Shares[(1),(3)]**	**Approximate percentage of interest in our Company** *(%)*
Mr. Gao[(4)]	Beneficial owner, interest in controlled corporation, interest of concert parties	66,674,976	41.48	66,674,976	31.11
Ruichuanda Investment[(4)]	Beneficial owner, interest of concert parties	66,674,976	41.48	66,674,976	31.11
Ms. Leng Yuemei (冷月梅女士) ("**Ms. Leng**")[(5)]	Interest of spouse	66,674,976	41.48	66,674,976	31.11
Mr. Yuan[(6)]	Beneficial owner, interest of concert parties	66,674,976	41.48	66,674,976	31.11
Ms. Gu Xia (古霞女士) ("**Ms. Gu**")[(7)]	Interest of spouse	66,674,976	41.48	66,674,976	31.11
Mr. Zhang[(8)]	Beneficial owner, interest of concert parties	66,674,976	41.48	66,674,976	31.11

Name of Shareholder	Nature of Interest	As at the Latest Practicable Date: Number of Shares[1]	As at the Latest Practicable Date: Approximate percentage of interest in our Company (%)	Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)[2]: Number of Shares[1],[3]	Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)[2]: Approximate percentage of interest in our Company (%)
Ms. Wang Xia (王霞女士) ("**Ms. Wang**")[9]	Interest of spouse	66,674,976	41.48	66,674,976	31.11
Jiequan Fund[10]	Beneficial owner	21,558,441	13.42	21,558,441	10.07
NSM Fund[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
NSM Industry Development[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
China S&M[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
Suhe Digital[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
Houji PE[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
Houji Investment[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
Wang Xiaoming[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
Jiangsu Equity Investment[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
NSM Enterprise Management[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07

		As at the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)[2]	
Name of Shareholder	**Nature of Interest**	**Number of Shares[1]**	**Approximate percentage of interest in our Company** *(%)*	**Number of Shares[1],[3]**	**Approximate percentage of interest in our Company** *(%)*
Suhe Investment[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
Beijing Zhonghe[10]	Interest in controlled corporation	21,558,441	13.42	21,558,441	10.07
Jiangdu Fund[11]	Beneficial owner	16,393,442	10.20	16,393,442	7.65
Cinda Capital[11]	Interest in controlled corporation	16,393,442	10.20	16,393,442	7.65
Mr. Xu Shihe (許世和先生) (“**Mr. Xu**”)	Beneficial owner	10,870,051	6.77	10,870,051	5.07
Ms. Yu Qin (禹琴女士) (“**Ms. Yu**”)[12]	Interest of spouse	10,870,051	6.76	10,870,051	5.07

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 214,246,910 Shares in issue immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

3. For the avoidance of doubt, both Domestic Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

4. As at the Latest Practicable Date, Mr. Gao directly holds 26,292,302 Shares in our Company. Ruichuanda Investment, a company directly wholly-owned by Mr. Gao, directly holds 21,410,776 Shares in our Company. Under the SFO, the deemed interest of Mr. Gao consists of (i) 47,703,078 Shares in our Company held directly and beneficially, and through Ruichuanda Investment, and (ii) Shares held by other Concert Parties as they are parties acting in concert.

5. Ms. Leng is the spouse of Mr. Gao. By virtue of the SFO, Ms. Leng is deemed to be interested in the equity interests held by Mr. Gao.

6. As at the Latest Practicable Date, Mr. Yuan directly holds 11,171,898 Shares in our Company. Under the SFO, the deemed interest of Mr. Yuan consists of (i) 11,171,898 Shares in our Company held directly and beneficially, and (ii) Shares held by other Concert Parties as they are parties acting in concert.

7. Ms. Gu is the spouse of Mr. Yuan. By virtue of the SFO, Ms. Gu is deemed to be interested in the equity interests held by Mr. Yuan.

8. As at the Latest Practicable Date, Mr. Zhang directly holds 7,800,000 Shares in our Company. Under the SFO, the deemed interest of Mr. Zhang consists of (i) 7,800,000 Shares in our Company held directly and beneficially, and (ii) Shares held by other Concert Parties as they are parties acting in concert.

9. Ms. Wang is the spouse of Mr. Zhang. By virtue of the SFO, Ms. Wang is deemed to be interested in the equity interests held by Mr. Zhang.

10. Jiequan Fund is a limited partnership established in the PRC. The general partners of Jiequan Fund are Jiangsu New Supply and Marketing Fund Management Co., Ltd.* (江蘇新供銷基金管理有限公司) ("**NSM Fund**"), which held 0.74% partnership interest in Jiequan Fund, and Jiangsu Houji Private Equity Fund Management Co., Ltd.* (江蘇厚積私募基金管理有限公司) ("**Houji PE**"), which held 0.26% partnership interest in Jiequan Fund and is also the fund manager of Jiequan Fund. The limited partner of Jiequan Fund who contributed more than one third of the capital to the limited partnership is Nanjing New Supply and Marketing Enterprise Management Co., Ltd.* (南京新供銷企業管理有限公司) ("**NSM Enterprise Management**"), holding approximately 49.60% of the partnership interest in Jiequan Fund.

    NSM Fund is owned as to 51% by New Supply and Marketing Industry Development Fund Management Co., Ltd.* (新供銷產業發展基金管理有限責任公司) ("**NSM Industry Development**"), 34% by Jiangsu Suhe Digital Economy Integrated Management Co., Ltd.* (江蘇蘇合數字經濟綜合管理有限公司) ("**Suhe Digital**") and another shareholder holding less than one-third of shareholding in NSM Fund. NSM Industry Development is owned as to approximately 80.2% by China Supply and Marketing Group Co., Ltd.* (中國供銷集團有限公司) ("**China S&M**"), and other 13 shareholders each holding less than one-third of shareholding in NSM Industry Development. China S&M is wholly-owned by All China Federation of Supply and Marketing Cooperatives* (中華全國供銷合作總社). Suhe Digital is indirectly wholly-owned by Jiangsu Federation of Supply and Marketing Cooperatives* (江蘇省供銷合作總社) ("**Jiangsu S&M**").

    Houji PE is owned as to 65% by Jiangsu Houji Investment Management Co., Ltd.* (江蘇厚積投資管理有限公司) ("**Houji Investment**") and 35% by Jiangsu Province Equity Investment Centre Co., Ltd. (江蘇省股權投資中心有限公司) ("**Jiangsu Equity Investment**"). Houji Investment is in turn owned by Wang Xiaoming (王曉明) as to 40% and two other shareholders each holding less than one-third of its equity interest. Jiangsu Equity Investment is ultimately wholly-owned by the Department of Finance of Jiangsu Province (江蘇省財政廳).

    NSM Enterprise Management is owned as to approximately 40.2% by Jiangsu Suhe Investment and Operation Group Co., Ltd.* (江蘇省蘇合投資運營集團有限公司) ("**Suhe Investment**"), 39.8% by Beijing Zhonghe Guoneng Investment Management Partnership (Limited Partnership)* (北京中合國能投資管理合伙企業(有限合伙)) ("**Beijing Zhonghe**"), and two other shareholders holding less than one-third of shareholding in NSM Enterprise Management. Suhe Investment is directly wholly-owned by Jiangsu S&M. Beijing Zhonghe is a limited partnership established in the PRC, with NSM Industry Development as its general partner, holding approximately 99.3% of partnership interest in Beijing Zhonghe.

    As such, under the SFO, NSM Fund, NSM Industry Development, China S&M, Suhe Digital, Houji PE, Houji Investment, Wang Xiaoming, Jiangsu Equity Investment, NSM Enterprise Management, Suhe Investment and Beijing Zhonghe are deemed to be interested in the equity interests held by Jiequan Fund.

11. Jiangdu Fund is owned as to approximately 99.9% by Wuhu Xinning Investment Partnership Enterprise (Limited Partnership)* (蕪湖信寧投資合夥企業(有限合夥)) ("**Wuhu Xinning**") and another shareholding holding less than one-third of shareholding in Jiangdu Fund. Wuhu Xinning is a limited partnership established in the PRC, whose general partner is Cinda Capital Management Co., Ltd.* (信達資本管理有限公司) ("**Cinda Capital**"), holding approximately 0.17% of the partnership interest in Wuhu Xinning. The limited partner of Wuhu Xinning who contributed more than one third of the capital to the limited partnership is China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (whose shares are listed on the Stock Exchange (stock code: 1359)) ("**China Cinda**"), holding approximately 69.75% of the partnership interest in Wuhu Xinning. Cinda Capital is indirectly wholly-owned by China Cinda.

    As such, under the SFO, Cinda Capital is deemed to be interested in the equity interests held by Jiangdu Fund.

12. Ms. Yu is the spouse of Mr. Xu. By virtue of the SFO, Ms. Yu is deemed to be interested in the equity interests held by Mr. Xu.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

You should read this section in conjunction with our audited consolidated financial statements as at and for the years ended 31 December 2021, 31 December 2022 and 31 December 2023 and the nine months ended 30 September 2024 as set out in the Accountants' Report, together with the accompanying notes. The Accountants' Report has been prepared in accordance with IFRS. You should read the Accountants' Report in its entirety and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please also refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We are a wholesaler of grains and oil headquartered in Yangzhou, with retail operations of supermarket and convenience stores focusing on the central region of Jiangsu Province under our brand "宏信龍" (Hongxinlong*). Apart from supermarkets and convenience stores, we also operate two Malls located in Yangzhou, namely Jiangdu Mall* (江都商城) and Hongxinlong Mall* (宏信龍購物中心).

For our wholesale operations, we sell grains and oil, food products and other products to resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators. As at the Latest Practicable Date, we have secured our district distribution rights with 15 suppliers in respect of products of 29 brands or series of brands, including renowned brands of dairy products, oil and liquors, out of which six for distribution in Jiangdu District, Yangzhou, six for distribution in Yancheng City, one for Tinghu Town of Yancheng City, one for Yangzhou City and one for distribution of liquor of a renowned brand in designated store in Jiangdu District, Yangzhou. As at the Latest Practicable Date, we had successfully renewed the district distribution agreements with ten suppliers and we were attending to the renewal of the district distribution agreements with five suppliers, which continued to supply products of the authorised brands to us. Our Directors confirm that there is no impediments to the renewal of the district distribution agreements of these five suppliers. We also sell garment and wooden products to overseas customers and household appliances to distributors and retailers.

For our retail operations, we receive sales proceeds from (i) general sales to consumers at our Retail Stores and Malls; and (ii) bulk sales to customers including corporate and government entities. We also receive sales amounts for concessionaire sales at our Retail Stores and Malls and charge the concessionaires certain percentage of gross sale amounts or the agreed sales target, whichever is the higher, as commissions. Ancillary to our retail operations, we lease some shop floor area or shop premises in our Retail Stores and Malls to other retail operators like restaurants, hotels and pharmacies, etc and receive rental income.

Leveraging our ability to source and supply quality and fresh food ingredients, we also operate a central kitchen to produce meals and deliver to local corporates, schools or government entities.

For details of our business model, please refer to the section headed "Business" in this prospectus.

For FY2021, FY2022, FY2023 and 9M2024, the revenue generated from our wholesale operations amounted to approximately RMB525.3 million, RMB512.3 million, RMB686.5 million and RMB572.4 million, representing approximately 36.7%, 38.6%, 49.0% and 56.9%, respectively. For the same years/period, the revenue generated from our retail operations amounted to approximately RMB888.5 million, RMB787.9 million, RMB688.6 million and RMB417.8 million, representing approximately 62.0%, 59.3%, 49.1% and 41.5% of our total revenue, respectively.

In terms of revenue contribution, our retail operations was our major revenue contributor for FY2021 and FY2022, but our wholesale operations caught up to level with our retail operations for FY2023 and overtook our retail operations for 9M2024. Such change in revenue mix was mainly attributable to the impact of COVID-19 pandemic and cessation of sales of tobacco products on our retail operations and the change in food consumption behaviour of consumer and that we gradually focused more on our wholesale operations.

Our revenue decreased from approximately RMB1,432.2 million for FY2021 to approximately RMB1,328.7 million for FY2022 and then increased to approximately RMB1,402.0 million for FY2023. For 9M2024, our revenue amounted to approximately RMB1,005.8 million, representing an increase of approximately RMB18.0 million from approximately RMB987.8 million for 9M2023. Our profit for the year increased significantly from approximately RMB35.1 million for FY2021 to approximately RMB51.1 million for FY2022, and further increased to approximately RMB51.6 million for FY2023. For 9M2024, our profit for the period amounted to approximately RMB24.1 million, representing a decrease of approximately RMB6.4 million from approximately RMB30.5 million for 9M2023, which was mainly due to the impact of Listing expenses. For detailed analysis of our financial performance during the Track Record Period, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss" in this section.

BASIS OF PRESENTATION

Our Company was established in the PRC on 19 October 2005 as a limited liability company.

The historical financial information has been prepared in accordance with IFRSs. These principles have been consistently applied throughout the Track Record Period except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2024. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 31 to the Accountants' Report.

The historical financial information has been prepared under the historical cost conversion, except for financial assets at fair value through other comprehensive income, which have been measured at fair value.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF CONTINUING OPERATIONS

Our results of operations, financial condition and future prospects have been, and will continue to be, affected by a number of factors, which primarily include the following:

We derive significant amount of revenue from Jiangsu Province

We are a supermarket and convenience store chain store operator headquartered in Yangzhou, with retail operations focusing on the central region of Jiangsu Province under our brand "宏信龍" (Hongxinlong*) and wholesale operations. As at the Latest Practicable Date, we operated 51 supermarkets and 109 convenience stores in Jiangsu Province, out of which 49 supermarkets and 108 convenience stores are located in Yangzhou in Jiangsu Province, and two supermarkets and one convenience store are located in Taizhou. During the Track Record Period, a significant amount of our revenue was generated from Jiangsu Province, particularly Yangzhou. Our profitability thus is dependent on the sustainability of the economic vigorousness and growth of Jiangsu Province. Since our main income source is derived from Jiangsu Province, our operation results will highly depend on the social and economic conditions and whether the region can continue to sustain the historical growth rate. Our revenue and profitability might be adversely affected by any unfavourable change in the business environment of Jiangsu province, such as change in government policies, natural disasters, occurrence of epidemics, and imposition of new legal restrictions, which may lead to a decline in our sales or increase in our operating costs.

Product mix and pricing

Through our wholesale and retail operations, we offer a full range of merchandise products to our customers. We strive to provide the best value for money for our customers and respond to the needs and demands of our customers by optimising the range of products we offer. Changes in the mix of products we sell could impact our sales and operating profit as the gross profit margins may vary across different categories of products. Our Directors are of the view that such margins may vary for a number of reasons, including supply and demand factors, inflation, competition and purchase cost. Our gross profit margin is affected by the adjustments to product mix that we make to meet the changing needs of our customers. For our pricing policy, please refer to the paragraph headed "Business – Pricing policy" in this prospectus. Based on the above factors, any adjustment to prices of our products will directly impact our revenue, profitability and results of operations.

Seasonality

The performance of our wholesale and retail operations are typically affected by seasonality such as strong sales usually recorded during long public holidays such as Chinese New Year. We have experienced and expect to continue to be affected by seasonality and the associated holiday shopping habits and patterns commonly seen in the PRC. In view of the seasonality factors, we usually review and adjust our inventory level in advance in order to accommodate the anticipated increase in demand and needs of our products to avoid supply shortage and our loss of profits.

Operational expenses and costs

Our operating costs of Retail Stores and Malls generally include, among others, staff costs, rental expenses, utilities, maintenance and advertising expenses. These costs and expenses fluctuate and differ from shop to shop depending on a variety of factors and are affected by inflation. Inflation increases our operating costs, which in turn may adversely affect our results of operations. In addition, the increase in fixed operating costs arising from the opening of new Retail Stores could have a material adverse effect on our operating margin. In addition, we may carry out redecorations and renovations of our Retail Stores and Malls from time to time, which we believe are important in maintaining and enhancing the image of our brand and in attracting customers. In our experience, Retail Stores and Malls after redecorations and renovations generally experience increases in turnover. However, during redecorations and renovations, we may incur significant expenses and may also experience disruptions to our normal operations which may affect our turnover.

MATERIAL ACCOUNTING POLICIES

We have identified certain accounting policies which are material to the preparation of the financial information in accordance with IFRS. The determination of these accounting policies is fundamental to our financial positions and results of operations, and requires us to make significant judgments and estimation, further information on which is set forth in the paragraphs headed "Accounting judgments and estimates" in this section. The following sets forth certain material accounting policies extracted from the Accountants' Report, please refer to Note 2 to the Accountants' Report set out in Appendix I to this prospectus for full set of our material accounting policies.

Revenue

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

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

Further details of our revenue recognition policies are as follows:

(i) Sale of goods from general sales, bulk sales and wholesales

For the sale of goods from general sales, revenue is recognised when control passes to the retail customers, being the point the retail customers purchase the goods at the Retail Stores and Malls. Payment of transaction price is due immediately at the point the retail customers purchase the goods. The payment is usually settled in cash or by means of electronic payment.

Revenue from bulk sales of goods to retail customers is recognised when control of products has transferred, being when the products are delivered and there is no unfulfilled obligation that could affect them to accept the products. The retail customers make payments in advance of products delivery or according to the agreed credit terms normally for a period of 0–90 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

Our Retail Stores and Malls operate customer loyalty programs where points can be earned by customers, which can be used to reduce the cost of future purchases. Our Group allocates a portion of the consideration received to loyalty points based on the estimated relative stand-alone selling prices. The amount allocated to the loyalty program is deferred, and is recognised as revenue when loyalty points are redeemed or expired. The deferred revenue is included in contract liabilities.

Revenue from sales of goods to wholesale customers is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes. The wholesale customers make payments upon products delivery or according to the agreed credit terms normally for a period of 0–90 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

Our Group is the principal for the sales of goods to retail customers and wholesale customers in respect of grains and oil, food products and other miscellaneous products and recognises revenue on a gross basis. In determining whether our Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to our ability to direct the use of and obtain substantially all of the remaining benefits from the products.

(ii) Commission income from concessionaire sales

Our Group grants concessionaires the right to operate business within our Retail Stores and Malls under concession. Our Group recognises commission income from concessionaire sales upon sales of goods by concessionaires. The concessionaires will pay to our Group commission income at the higher of the minimum guaranteed commission and certain percentage of their sales in accordance with the terms of contracts. Our Group receives the entire sales proceeds from customers on behalf of the concessionaires and reimburses the sales proceeds to the concessionaires after deducting our share of the commission income.

(iii) Commission income from supply of goods

Our Group charges commission fees to customers from supply of goods, where our Group generally is acting as an agent and does not control the specified products provided before they are transferred to the customers. Our Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified products to be provided. The commission income from supply of goods is recognised on a net basis at the point of acceptance of products.

(iv) Supply and sales of meals

Our Group operates a central kitchen to produce meals and deliver to customers like local corporates or schools. Revenue is recognised when control passes to the customers, being the point when the meals have been delivered. The customers make payments upon the meal delivery or according to the agreed credit terms normally for a period of 0–90 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

(v) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses:

– right-of-use assets arising from leases over freehold or leasehold properties where our Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

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

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

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

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

	Estimated useful life
Plant and buildings	20 – 30 years
Machinery and equipment	5 – 10 years
Office and other equipment	3 – 10 years
Motor vehicles	5 years
Leasehold improvements	The shorter of the unexpired term of lease and the estimated useful lives
Right-of-use assets	Over the unexpired term of lease

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

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost less impairment losses. Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

Leased assets

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

(i) As a lessee

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

At the lease commencement date, our Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When our Group enters into a lease in respect of a low-value item, our Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

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

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, our Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

(ii) As a lessor

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

When a contract contains lease and non-lease components, our Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

Investments in securities

Investments in securities are recognised/derecognised on the date our Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

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

(ii) Equity investments

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

Inventories

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

Cost is calculated using the first-in first-out method formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

Credit losses and impairment of assets

(i) Credit losses from financial instruments

Our Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

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

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

Significant increases in credit risk

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

Our Group assumes that the credit risk on a financial asset has increased significantly if it is more than 3 months past due.

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

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

– the financial asset is 12 months past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Our Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 12 months past due;

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

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

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

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when our Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGUs**").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before our Group recognises the related revenue. A contract liability is also recognised if our Group has an unconditional right to receive non-refundable consideration before our Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised.

Trade and other payables (other than refund liabilities)

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

ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of our financial information requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. For details of our accounting judgements and estimates, please refer to Note 3 to the Accountants' Report set out in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The consolidated statements of profit or loss during the Track Record Period are summarised below, which are extracted from the Accountants' Report:

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	1,432,193	1,328,685	1,401,972	987,833	1,005,810
Cost of sales	(1,149,508)	(1,026,547)	(1,100,596)	(777,952)	(797,376)
Gross profit	**282,685**	**302,138**	**301,376**	**209,881**	**208,434**
Other revenue	3,875	5,982	5,355	4,576	4,884
Other net gain	18	225	1,244	2,919	1,116
Selling and distribution costs	(158,759)	(165,357)	(162,119)	(115,482)	(115,961)
Administrative and other operating expenses	(50,544)	(51,983)	(52,614)	(38,019)	(41,064)
Impairment loss on trade and other receivables	(10,148)	(1,387)	(3,214)	(7,031)	(6,133)
Profit from operations	**67,127**	**89,618**	**90,028**	**56,844**	**51,276**
Finance income	228	480	1,573	944	1,396
Finance costs	(18,954)	(21,611)	(21,543)	(15,992)	(17,570)
Net finance costs	(18,726)	(21,131)	(19,970)	(15,048)	(16,174)
Share of losses of an associate	(705)	–	–	–	–
Profit before taxation	**47,696**	**68,487**	**70,058**	**41,796**	**35,102**
Income tax	(12,616)	(17,422)	(18,456)	(11,268)	(11,024)
Profit for the year/period	**35,080**	**51,065**	**51,602**	**30,528**	**24,078**

Non-IFRS financial measure

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also presented the adjusted net profit (Non-IFRS measure) and adjusted net profit margin (Non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRSs. We believe that the presentation of non-IFRS financial measures when shown in conjunction with the corresponding IFRS financial measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period. Such non-IFRS financial measures allow investors to consider matrices used by our management in evaluating our performance.

The use of non-IFRS financial measures has limitations as an analytical tool, and investors should not consider these in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial conditions as reported in accordance with IFRSs. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

We adjusted for certain items as our non-IFRS financial measures, in order to provide potential investors with an overall and fair understanding of our operating results and financial performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance. Listing expenses are mainly expenses related to the Listing and are added back because they were incurred only for the purposes of the Listing.

Adjusted net profit (Non-IFRS measure)

We defined adjusted net profit (Non-IFRS measure) as net profit for the year adjusted by adding back Listing expenses. The table below sets forth the adjusted net profit (Non-IFRS measure) and the adjusted net profit margin (Non-IFRS measure) for each respective year/period during the Track Record Period:

	FY2021	**FY2022**	**FY2023**	**9M2023**	**9M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	35,080	51,065	51,602	30,528	24,078
Adjusted:					
Listing expenses	–	1,747	3,449	3,125	7,276
Adjusted net profit (Non-IFRS measure) for the year/period	**35,080**	**52,812**	**55,051**	**33,653**	**31,354**
Adjusted net profit margin (Non-IFRS measure)	**2.4%**	**4.0%**	**3.9%**	**3.4%**	**3.1%**

PRINCIPAL COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue from our wholesale operations, retail operations, supply and sales of meals and rental income from operating lease. In respect of our wholesale operations, our revenue include wholesales (which is recognised on gross basis) and commission income from sales of goods (which is recognised on net basis). In respect of our retail operations, our revenue include general sales and bulk sales (which are recognised on gross basis) and commission income from concessionaire sales (which is recognised on net basis).

The following table sets forth the breakdown of our total revenue by operations for the years/periods indicated:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Wholesale operations:										
– Sale of goods										
• Wholesales *(Note 1)*	515,654	36.0	495,056	37.3	679,641	48.5	434,820	44.0	568,338	56.5
– Commission income from sales and supply of goods	9,639	0.7	17,283	1.3	6,860	0.5	6,405	0.6	4,073	0.4
Sub-total	525,293	36.7	512,339	38.6	686,501	49.0	441,225	44.6	572,411	56.9
Retail operations:										
– Sale of goods *(Note 2)*										
• General sales	751,615	52.5	613,209	46.2	616,813	44.0	472,480	47.8	362,049	36.0
• Bulk sales	104,176	7.2	143,930	10.8	38,883	2.8	30,145	3.1	34,963	3.5
– Commission income from concessionaire sales	32,718	2.3	30,748	2.3	32,894	2.3	21,795	2.2	20,752	2.1
Sub-total	888,509	62.0	787,887	59.3	688,590	49.1	524,420	53.1	417,764	41.6
Rental income from operating lease	10,668	0.8	10,573	0.8	11,566	0.8	9,585	1.0	10,910	1.1
Supply and sales of meals	7,723	0.5	17,886	1.3	15,315	1.1	12,603	1.3	4,725	0.4
Total revenue	**1,432,193**	**100**	**1,328,685**	**100**	**1,401,972**	**100**	**987,833**	**100**	**1,005,810**	**100**

Notes:

1. Wholesales include the sale of grains and oil, food products and other products.

2. The revenue generated from our mini programmes and e-commerce platforms for Retail Stores and Malls amounted to approximately RMB14.6 million, RMB6.6 million, RMB22.7 million and RMB22.8 million for FY2021, FY2022, FY2023 and 9M2024, respectively.

3. Included in our total revenue was the insignificant amount of approximately RMB7.1 million, RMB1.3 million, RMB0.3 million and nil for FY2021, FY2022, FY2023 and 9M2024, respectively, attributable to our sales to our franchisees and franchise fee. We have terminated the franchise scheme in 2023.

In terms of revenue by operations, during the Track Record Period our total revenue was substantially generated from our wholesale operations and retail operations.

The following table sets forth the breakdown of our revenue from sales of goods which was recognised on gross basis for the years/periods indicated:

	FY2021	**FY2022**	**FY2023**	**9M2023**	**9M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wholesale Operations					
Wholesales:					
Non-food products	48,257	71,379	56,377	29,029	39,064
Food	467,397	423,677	623,264	405,791	529,274
Oil	*348,887*	*310,971*	*436,086*	*293,345*	*387,592*
Grains	*15,282*	*24,697*	*33,425*	*15,662*	*39,202*
Alcoholic beverages	*56,550*	*50,237*	*97,661*	*51,976*	*60,063*
Milk	*42,976*	*33,111*	*34,314*	*26,374*	*26,900*
Others	*3,702*	*4,661*	*21,778*	*18,434*	*15,517*
Sub-total	515,654	495,056	679,641	434,820	568,338
Retail Operations					
Retail Stores and bulk sales:					
Food *(Note 1)*	525,228	491,901	384,236	297,524	253,733
Non-food products	75,735	64,945	81,813	58,177	46,874
Tobacco products	67,708	99,158	54,788	54,788	–
Discount and coupon deduction	(4,455)	(4,316)	(4,514)	(3,566)	(3,406)
	664,216	651,688	516,323	406,923	297,201

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Malls:					
Electronic appliances	49,463	35,422	72,928	45,516	49,579
Fashion, apparel and children's wear	57,602	16,904	16,104	11,146	11,430
Gold, jewellery and accessories	61,619	43,751	43,732	34,226	35,357
Others *(Note 2)*	25,501	10,874	9,652	6,535	5,331
Discount and coupon deduction	(2,610)	(1,500)	(3,043)	(1,721)	(1,886)
	191,575	105,451	139,373	95,702	99,811
Sub-total	855,791	757,139	655,696	502,625	397,012
Aggregate revenue from wholesales, general sales and bulk sales	**1,371,445**	**1,252,195**	**1,335,337**	**937,445**	**965,350**

Notes:

1. Food under our retail operations mainly include raw and fresh food, grains, oil and non-staple food.

2 Others include cosmetics, beauty products, stationeries and other groceries.

During the Track Record Period, all of our revenue was generated in the PRC.

Revenue from wholesale operations

Our revenue from wholesale operations mainly comprise revenue from sales to resellers and other retail operators. Our commission income from supply of goods to our wholesale customers only constituted approximately 0.7%, 1.3%, 0.5%, 0.6% and 0.4% of our total revenue for FY2021, FY2022, FY2023, 9M2023 and 9M2024, respectively.

Our revenue from wholesales decreased slightly from approximately RMB515.7 million for FY2021 to approximately RMB495.1 million FY2022, which was mainly due to (i) the decrease in revenue contributed by Suzhou Qingsui Food Co. Ltd.* (蘇州慶穗食品有限公司), being our largest customer for FY2021 but ceased to be our customer for FY2022 as Suzhou Qingsui Food Co., Ltd. has decided to collaborate with other suppliers that it believed could offer a more competitive price advantage; offset by (ii) the increase in revenue attributable to Jiangsu Fukangyuan Grain and Oil Co., Ltd.* (江蘇福康源糧油有限公司), being our largest customer for

FY2022; and (iii) the revenue contributed by Wuxi Kaifu Supply Chain Management Co., Ltd.* (無錫開富供應鏈管理有限公司), being our second largest customer for FY2022.

Our revenue from wholesales increased significantly from approximately RMB495.1 million for FY2022 to approximately RMB679.6 million for FY2023, and further increased from approximately RMB434.8 million for 9M2023 to approximately RMB568.3 million for 9M2024. Such increases were mainly contributed by the increase in revenue from sales of food.

Our revenue from sales of food under our wholesale operations increased significantly from approximately RMB423.7 million for FY2022 to approximately RMB623.3 million for FY2023 and also increased significantly from approximately RMB405.8 million for 9M2023 to approximately RMB529.3 million for 9M2024. As advised by the Industry Consultant, the increase in wholesale of food in the PRC in 2023 and 2024, particularly as a result of recovery from COVID-19 pandemic, was driven by a combination of economic recovery and pent-up demand. In particular, as COVID-19 restrictions were lifted, businesses resumed normal operations, including resellers, retail operators such as operators of supermarkets and convenience stores as well as catering business operators. This resurgence in economic activity led to increased demand for wholesale food supplies as food service establishments sought to replenish stock. In addition, during the lockdowns, businesses in the PRC tended to postpone many purchases particularly in the food sector. As restrictions eased, there was a tendency to purchase food supplies to meet the needs of retail operators and catering business operators, thereby driving up wholesale sales. Furthermore, our increase in revenue from sales of food under our wholesale operations for 9M2024 as a result a change in food consumption behaviour which in turn led to an increase in the demand for food ingredients (such as grains and oil) at the wholesale level. As advised by the Industry Consultant, in 2024, there has been a notable increase in the number of individuals dining out at restaurants, which was mainly driven by several key factors including, (1) the gradual recovery of the general economy in Yangzhou and the PRC has resulted in increased disposable income for consumers, enabling greater spending on dining out; (2) restaurants are proactively seeking to attract customers in order to recover from business losses incurred during the lockdowns; and (3) many people appreciate the social aspect of dining out, which fosters gatherings with friends and family in a lively atmosphere. As a result of the increasing number of individuals dining out at restaurants, consumers have reduced their spending on food purchased from supermarkets at the retail level, while at the same time the demand for food ingredients (such as grains and oil) at the wholesale level increased.

Revenue from retail operations

Our revenue from retail operations decreased from approximately RMB888.5 million for FY2021 to approximately RMB787.9 million for FY2022. Such decrease was mainly driven by the decrease in revenue from general sales from approximately RMB751.6 million for FY2021 to approximately RMB613.2 million for FY2022, and was offset by the increase in revenue from bulk sales from approximately RMB104.2 million for FY2021 to approximately RMB143.9 million for FY2022.

Our revenue from retail operations decreased from approximately RMB787.9 million for FY2022 to approximately RMB688.6 million for FY2023. Such decrease was mainly driven by the decrease in revenue from bulk sales from approximately RMB143.9 million for FY2022 to approximately RMB38.9 million for FY2023, while our revenue from general sales remained stable at approximately RMB613.2 million and RMB616.8 million for FY2022 and FY2023, respectively.

Our revenue from retail operations decreased from approximately RMB524.4 million for 9M2023 to approximately RMB417.8 million for 9M2024. Such decrease was mainly driven by the decrease in revenue from general sales from approximately RMB472.5 million for 9M2023 to approximately RMB362.0 million for 9M2024, while our revenue from bulk sales increased from approximately RMB30.1 million for 9M2023 to approximately RMB35.0 million for 9M2024.

In respect of our retail operations, food was the most significant type of goods in terms of revenue contribution during the Track Record Period. For FY2021, FY2022, FY2023 and 9M2024, the percentage of revenue from sales of food to revenue from Retail Stores and bulk sales was approximately 79.1%, 75.5%, 74.4% and 85.4%, respectively. The increase in such percentage for 9M2024 was mainly driven by the nil revenue contribution from sales of tobacco products for 9M2024 as a result of our cessation of sales of tobacco products. On 31 December 2023, our Group ceased the sales of tobacco products. For details of such cessation, please refer to the paragraphs headed "History and Development – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" and "Business – Our product portfolio – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" in this prospectus.

Our revenue from sales of food under our retail operations decreased from approximately RMB525.2 million for FY2021 to approximately RMB491.9 million for FY2022, which was mainly driven by the negative impact brought by the epidemic measures/lockdown for COVID-19 in Yangzhou during 2022 in which our Retail Stores were required to shorten our operating hours. Our revenue from sales of food under our retail operations further decreased to approximately RMB384.2 million for FY2023, which was mainly driven by the negative impact of change in shopping habits on our bulk sales following the restrictions were lifted with COVID-19 pandemic largely behind in the PRC. For 9M2024, our revenue from sales of food under our retail operations decreased to approximately RMB253.7 million from approximately RMB297.5 million for 9M2023. Such decrease was mainly driven by the abovementioned change in food consumption behaviour of consumer.

Driven by the decrease in revenue from sales of food and our cessation of sales of tobacco products as disclosed above, our revenue from sales of goods (which was recognised on gross basis) under our retail operations decreased from approximately RMB502.6 million for 9M2023 to approximately RMB397.0 million for 9M2024.

(i) General sales

The following table sets forth the breakdown of our revenue from general sales by Retail Stores and Malls for the years/periods indicated:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Retail Stores:	560,040	74.5	507,758	82.8	477,440	77.4	376,778	79.8	262,238	72.4
– Supermarkets	*446,875*	*59.5*	*390,094*	*63.6*	*383,592*	*62.2*	*306,482*	*64.9*	*222,588*	*61.5*
– Convenience stores	*113,165*	*15.0*	*117,664*	*19.2*	*93,848*	*15.2*	*70,296*	*14.9*	*39,650*	*10.9*
Malls	191,575	25.5	105,451	17.2	139,373	22.6	95,702	20.2	99,811	27.6
Revenue from general sales	**751,615**	**100**	**613,209**	**100**	**616,813**	**100**	**472,480**	**100**	**362,049**	**100**

During 2022, due to the epidemic measures/lockdown for COVID-19 in Yangzhou, our Retail Stores were required to shorten our operating hours and our Malls were required to close from time to time. In particular, the sales of our Retail Stores and Malls during our high-season period such as Chinese New Year period and the period around National Day were generally affected. As a result, our revenue generated from general sales in Retail Stores and Malls decreased from approximately RMB751.6 million for FY2021 to approximately RMB613.2 million for FY2022.

In particular, the significant decrease in our revenue from general sales in Malls from approximately RMB191.6 million for FY2021 to approximately RMB105.5 million for FY2022 was mainly driven by the decrease in revenue from sales of fashion, apparel and children's wear and gold, jewellery and accessories. Our revenue from sales of fashion, apparel and children's wear and gold, jewellery and accessories decreased significantly from approximately RMB57.6 million and RMB61.6 million for FY2021, respectively, to approximately RMB16.9 million and RMB43.8 million for FY2022, respectively. As advised by the Industry Consultant, the impact of lock-downs in the PRC had led to a decline in the sales of fashion, apparel and children's wear and gold, jewellery and accessories in the PRC, primarily due to the priority of consumers in the PRC to focus their spending on essentials as well as the closing down of physical retail and department stores. In particular, (i) the need to stay at home and the unavailability of fitting rooms had hindered the sales of fashion, apparel and children's wear; and (ii) consumers tended to purchase luxury goods such as gold and jewellery physically in store, and were more cautious in buying luxury items in view of the uncertainty on the economic recovery after COVID-19 pandemic.

Benefited from the lifting of the epidemic measures in the PRC in 2023, our revenue generated from general sales in Malls recovered during FY2023 and 9M2024, which increased from approximately RMB105.5 million for FY2022 to approximately RMB139.4 million for FY2023 and increased from approximately RMB95.7 million for 9M2023 to approximately

RMB99.8 million for 9M2024. For the same reason, the contraction in revenue generated from general sales in Retail Stores decelerated for FY2023, however, owing to our cessation of sales of tobacco products (the details of which are set out in the paragraph headed "History and Development – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" in this prospectus), our revenue generated from general sales in Retail Stores deceased slightly by approximately 6.0% from approximately RMB507.8 million for FY2022 to approximately RMB477.4 million for FY2023. For 9M2024, our revenue generated from general sales in Retail Stores decreased to approximately RMB262.2 million from approximately RMB376.8 million for 9M2023. Such decrease was mainly due to (i) our cessation of sales of tobacco products; (ii) the decrease in revenue from sales of food as disclosed above; and (iii) the bad weather in Yangzhou in late June 2024 which hindered the performance of our 2024 half-year promotional sales as compared to our 2023 half-year promotional sales.

For FY2023 and 9M2024, our revenue from general sales in Malls picked up, which increased from approximately RMB105.5 million for FY2022 to approximately RMB139.4 million for FY2023, and increased from approximately RMB95.7 million for 9M2023 to approximately RMB99.8 million for 9M2024. Such increases were mainly contributed by the revenue from sales of electronic appliances. In particular, our revenue from sales of electronic appliances increased significantly from approximately RMB35.4 million for FY2022 to approximately RMB72.9 million for FY2023, and increased from approximately RMB45.5 million for 9M2023 to approximately RMB49.6 million for 9M2024. As advised by the Industry Consultant, as the restrictions were lifted with COVID-19 pandemic largely behind in the PRC, consumers in the PRC were eager to spend on electronic appliances, leading to a surge in sales as people sought to upgrade or replace older devices, and in particular, with more time spent at home during lockdowns, many consumers in the PRC tended to take on home improvement projects.

(ii) Bulk sales

Our revenue from bulk sales increased from approximately RMB104.2 million for FY2021 to approximately RMB143.9 million for FY2022. As advised by the Industry Consultant, during the lock-downs in the PRC, driven by uncertainty about future availability and the desire to minimise shopping trips, consumers in the PRC exhibited a stock piling behaviour as they tended to rush to stockpile essentials such as rice, oil, canned foods and hygiene products, which contributed to the increase in bulk sales in the PRC market.

Our revenue from bulk sales decreased significantly from approximately RMB143.9 million for FY2022 to approximately RMB38.9 million for FY2023. As advised by the Industry Consultant, as the restrictions were lifted with COVID-19 pandemic largely behind in the PRC, consumers in the PRC returned to more regular shopping habits, which led to the decrease in bulk sales in the PRC. For 9M2024, our revenue from bulk sales amounted to approximately RMB35.0 million, which did not recover to the same level during the COVID-19 pandemic era.

For FY2022, approximately RMB41.7 million of our revenue from bulk sales was contributed by Customer G, which is a local government authority. Sales to Customer G did not recur for FY2023 and 9M2024, which was mainly because Customer G bulk primarily made bulk purchases from us during COVID-19 pandemic for emergency measures.

(iii) Commission income from concessionaire sales

Our commission income from concessionaire sales remained relatively stable at approximate RMB32.7 million, RMB30.7 million and RMB32.9 million for FY2021, FY2022 and FY2023, respectively. Our commission income from concessionaire sales continued to remain stable at approximately RMB21.8 million and RMB20.8 million for 9M2023 and 9M2024, respectively.

The following table illustrates the gross sales amount (exclusive of value added tax) and our commission from concessionaire sales for the years/periods indicated:

	FY2021	**FY2022**	**FY2023**	**9M2023** (unaudited)	**9M2024**
Gross sale amount (exclusive of value added tax) from concessionaire sales *(RMB'000)*	219,669	187,609	183,106	129,639	113,890
Commission income from concessionaire sales *(RMB'000)*	32,718	30,748	32,894	21,795	20,752
Commissions as a percentage of concessionaire sales	14.9%	16.4%	18.0%	16.8%	18.2%

During the Track Record Period, our commissions as a percentage of concessionaire sales increased from approximately 14.9% for FY2021 to approximately 16.4% for FY2022, and further increased to approximately 18.0% and 18.2% for FY2023 and 9M2024, respectively. The increasing commissions as a percentage of concessionaire sales was due to the combined effect of (i) the decreasing gross sale amounts from concessionaire sales, in particular from FY2021 to FY2022 mainly due to COVID-19 pandemic; and (ii) the stable trend of our commission income mainly due to the profit guarantee by the concessionaires.

Supply and sales of meals

Our revenue from supply and sales of meals increased from approximately RMB7.7 million for FY2021 to approximately RMB17.9 million, which was mainly due to the timing of our commencement of this operation. Our revenue from supply and sales of meals remained relatively stable at approximately RMB17.9 million and RMB15.3 million for FY2022 and FY2023, respectively.

Our revenue from supply and sales of meals decreased from approximately RMB12.6 million for 9M2023 to approximately RMB4.7 million for 9M2024. Such decrease was mainly due to the decrease in the number of contracts.

Rental income

Our rental income from operating lease remained stable at approximately RMB10.7 million, RMB10.6 million and RMB11.6 million for FY2021, FY2022 and FY2023, respectively. Our rental income from operating lease increased from approximately RMB9.6 million for 9M2023 to approximately RMB10.9 million for 9M2024, which was mainly because we leased out our counters to earn additional rental income during 9M2024 following our cessation of sales of tobacco products.

Cost of sales

For FY2021, FY2022, FY2023, 9M2023 and 9M2024, our cost of sales amounted to approximately RMB1,149.5 million, RMB1,026.5 million, RMB1,100.6 million, RMB778.0 million and RMB797.4 million, respectively. The following table sets forth the breakdown of our cost of sales for the years/periods indicated:

	FY2021	**FY2022**	**FY2023**	**9M2023**	**9M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories sold *(Note 1)*	1,135,837	1,015,532	1,087,759	767,418	788,847
Taxes and VAT	5,911	3,877	4,373	3,628	3,591
Transportation	2,351	2,641	2,234	1,667	1,708
Provision for/(reversal of) write-down of inventories	1,432	(308)	1,545	2,926	880
Others *(Note 2)*	3,977	4,805	4,685	2,313	2,350
Total cost of sales	**1,149,508**	**1,026,547**	**1,100,596**	**777,952**	**797,376**

Notes:

1. Included in the carrying amount of inventories sold was inventories loss on fresh food, which amounted to approximately RMB10.8 million, RMB10.9 million, RMB9.2 million, RMB7.0 million and RMB6.4 million for FY2021, FY2022, FY2023, 9M2023 and 9M2024, respectively.

2. Others mainly include staff cost and depreciation and amortisation of Muyuan Central Kitchen.

	FY2021	FY2022	FY2023	9M2023 (unaudited)	9M2024
Aggregated revenue from wholesales, general sales and bulk sales (recognised on gross basis) *(RMB'000)*	1,371,445	1,252,195	1,335,337	937,445	965,350
Percentage of cost of sales to aggregated revenue from wholesales, general sales and bulk sales*(Note)*	83.8%	82.0%	82.4%	83.0%	82.6%

Note: Calculated by dividing cost of sales by the aggregated revenue from wholesales, general sales and bulk sales.

Gross profit and gross profit margin

Our overall gross profit increased from approximately RMB282.7 million for FY2021 to approximately RMB302.1 million for FY2022, and remained stable at approximately RMB301.4 million for FY2023. Our overall gross profit remained relatively stable at approximately RMB209.9 million and RMB208.4 million for 9M2023 and 9M2024, respectively.

Our overall gross profit margin increased from approximately 19.7% for FY2021 to approximately 22.7% for FY2022, and remained relatively stable at approximately 21.5% for FY2023. Our overall gross profit margin remained relatively stable at approximately 21.3% and 20.7% for 9M2023 and 9M2024, respectively.

The following table sets for the gross profit and gross profit margin for sales of goods in respect of our revenue from sales of goods which was recognised on gross basis for the years/periods indicated:

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from sales of goods:					
– Wholesales	515,654	495,056	679,641	434,820	568,338
– General sales	751,615	613,209	616,813	472,480	362,049
– Bulk sales	104,176	143,930	38,883	30,145	34,963
	1,371,445	1,252,195	1,335,337	937,445	965,350
Less: cost of sales *(Note)*	(1,140,541)	(1,013,390)	(1,089,370)	(768,212)	(793,209)
Gross profit from sales of goods	**230,904**	**238,805**	**245,967**	**169,233**	**172,141**
Gross profit margin from sales of goods	**16.8%**	**19.1%**	**18.4%**	**18.1%**	**17.8%**

Note: This excludes the cost of sales in respect of supply and sales of meals.

In respect of our sales of goods the revenue from which was recognised on gross basis, for FY2021, FY2022 and FY2023, our gross profit from sales of goods remained relatively stable at approximately RMB230.9 million, RMB238.8 million and RMB246.0 million, respectively, and the gross profit margin from sales of goods also remained relatively stable at approximately 16.8%, 19.1% and 18.4%, respectively.

In respect of our sales of goods the revenue from which was recognised on gross basis, for 9M2023 and 9M2024, our gross profit from sales of goods remained relatively stable at approximately RMB169.2 million and RMB172.1 million, respectively, and the gross profit margin from sales of goods also remained relatively stable at approximately 18.1% and 17.8%, respectively.

The following table sets forth the gross profit and gross profit margin of our general sales, bulk sales and wholesales business segments (for which revenue is recognised on gross basis) for the years/periods indicated:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Wholesales	64,407	12.5	61,774	12.5	99,752	14.7	49,401	11.4	80,403	14.1
General sales:	145,048	19.3	130,255	21.2	138,102	22.4	113,630	24.0	83,578	23.1
– Supermarkets	*106,278*	*23.8*	*96,539*	*24.7*	*99,012*	*25.8*	*84,946*	*27.7*	*58,298*	*26.2*
– Convenience stores	*15,862*	*14.0*	*16,556*	*14.1*	*15,145*	*16.1*	*11,730*	*16.7*	*8,603*	*21.7*
– Malls	*22,908*	*12.0*	*17,160*	*16.3*	*23,945*	*17.2*	*16,954*	*17.7*	*16,677*	*16.7*
Bulk sales	21,449	20.6	46,776	32.5	8,113	20.9	6,202	20.6	8,160	23.3
Total	**230,904**	**16.8**	**238,805**	**19.1**	**245,967**	**18.4**	**169,233**	**18.1**	**172,141**	**17.8**

Our gross profit margin for wholesales was approximately 12.5%, 12.5%, 14.7% for FY2021, FY2022 and FY2023, respectively, and increased from approximately 11.4% for 9M2023 to approximately 14.1% for 9M2024 which was mainly attributable to our sales of liquor in which we lowered our gross profit margin during 9M2023 to drive our sales with a view to facilitate the realisation of older inventory of liquor in our inventory.

Our gross profit margin for general sales in supermarkets remained relatively stable at approximately 23.8%, 24.7% and 25.8% for FY2021, FY2022 and FY2023, respectively, and remained relatively stable approximately 27.7% and 26.2% for 9M2023 and 9M2024, respectively.

Our gross profit margin for general sales in convenience stores remained relatively stable at approximately 14.0%, 14.1% and 16.1% for FY2021, FY2022 and FY2023, respectively. Our gross profit margin for general sales in convenience stores increased sharply from approximately 16.7% for 9M2023 to approximately 21.7% for 9M2024 mainly driven by our cessation of sales of tobacco products during 9M2024 which generally had a lower gross profit margin.

Our gross profit margin for general sales in Malls increased from approximately 12.0% for FY2021 to approximately 16.3% for FY2022 mainly because we lowered our gross profit margin during FY2021 to drive our sales in view of the initial low sentiment under COVID-19 pandemic, and thereafter remained stable at approximately 17.2%, 17.7% and 16.7% for FY2023, 9M2023 and 9M2024, respectively.

Our gross profit margin for bulk sales was approximately 20.6%, 32.5% and 20.9% for FY2021, FY2022 and FY2023, respectively. The higher gross profit margin for FY2022 was mainly attributable to our bulk sales of fresh food to Customer G during COVID-19 pandemic in FY2022 for emergency measures in which we were required to fulfil our orders under short notice. Our gross profit margin for bulk sales increased from approximately 20.6% for 9M2023 to approximately 23.3% for 9M2024, which was mainly contributed by the increase in our gross profit margin from bulk sales of fresh food as we reduced inventory losses through enhanced fresh food inventory management.

Other revenue

The following table sets forth the breakdown of our other revenue for the years/periods indicated:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Service income	2,495	64.4	3,939	65.8	3,998	74.7	3,423	74.8	4,520	92.5
Government grants	1,222	31.5	1,817	30.4	1,110	20.7	906	19.8	71	1.5
Dividends income	158	4.1	226	3.8	247	4.6	247	5.4	293	6.0
Total other revenue	**3,875**	**100**	**5,982**	**100**	**5,355**	**100**	**4,576**	**100**	**4,884**	**100**

Our other revenue primarily comprised service income, government grants and dividend income. Our other revenue for FY2021, FY2022, FY2023, 9M2023 and 9M2024 amounted to approximately RMB3.9 million, RMB6.0 million, RMB5.4 million, RMB4.6 million and RMB4.9 million, respectively.

The service income recognised for FY2021 mainly represented our service income from a guesthouse we operated in Yangzhou in which we ceased operation in 2021. The service income recognised for FY2022 and FY2023 mainly represented our service income for processing meals for two catering business operators in Yangzhou.

During FY2021, FY2022, FY2023, 9M2023 and 9M2024, we received unconditional government grants of approximately RMB1.2 million, RMB1.8 million, RMB1.1 million, RMB0.9 million and RMB0.1 million, respectively, mainly as rewards of our contribution to secure employment for regional employees and special funds for industrial development.

We recorded dividends income from our investments in listed and unlisted equity securities, amounting to approximately RMB0.2 million, RMB0.2 million, RMB0.2 million, RMB0.2 million and RMB0.3 million for FY2021, FY2022, FY2023, 9M2023 and 9M2024, respectively.

Other net gain

The following table sets forth the breakdown of our other net gain by nature for the years/periods indicated:

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Compensation received from early termination of lease agreement	–	–	2,300	2,300	–
Impairment losses of property, plant and equipment	–	–	(1,490)	–	–
Net realised gain on structured deposits and wealth management products	372	363	260	167	207
Net loss on disposal of an associate	(577)	–	–	–	–
Net (loss)/gain on disposal of disposal of property, plant and equipment	(4)	–	28	(50)	(390)
Net foreign exchange (loss)/gain	(112)	(155)	10	404	1,404
Others	339	17	136	98	(105)
Total other net gain	**18**	**225**	**1,244**	**2,919**	**1,116**

Our other net gain primarily comprised compensation received from early termination of lease agreement, impairment losses of property, plant and equipment, net realised gain on structured deposits and wealth management products, net loss on disposal of an associate, net gain/(loss) on disposal of disposal of property, plant and equipment and net foreign exchange gain/(loss). For FY2021, FY2022, FY2023, 9M2023 and 9M2024, our other net gain amounted to approximately RMB18,000, RMB0.2 million, RMB1.2 million, RMB2.9 million and RMB1.1 million, respectively.

Net realised gain on structured deposits and wealth management products represented gain from our short-term investments in structured deposits and wealth management products. According to our Group's short-term investment policies, the short-term investments are to better utilise our temporary surplus funds by investing in low-risk financial products including structured deposits and wealth management products without affecting the funds needed for our normal business operations. In terms of the financial products, our Group chose fixed-income capital-preserving financial products that can be redeemed daily, and the returns from those financial products need to be higher than the interest from bank deposits. Mr. Yuan Yuan, the vice chairman of our Board and our executive Director, is responsible for overseeing our short-term investments. For Mr. Yuan's biographical details, please refer to the paragraph headed "Directors, Supervisors and Senior Management – Executive Directors" in this prospectus. After the Listing, our Group plans to continue to invest in low-risk financial products as and when appropriate provided that such investments adhere to our short-term investment policies as disclosed above.

Net loss on disposal of an associate represented the disposal of our interest in an associate, namely 25% equity interest in Yangzhou City Jiangdu District Binjiang Rural Microfinance Co., Ltd.* (揚州市江都區濱江農村小額貸款股份有限公司) during FY2021. For details of the disposal, please refer to the paragraph headed "History and Development – Disposal of equity interest in Yangzhou City Jiangdu District Binjiang Rural Microfinance Co., Ltd.* (揚州市江都區濱江農村小額貸款股份有限公司)" in this prospectus.

Selling and distribution costs

Our selling and distribution costs mainly comprised staff costs and depreciation and amortisation expenses, which in aggregate constituted over 80% of our selling and distribution costs during the Track Record Period. The following table sets forth the breakdown of our selling and distribution costs by nature for the years/periods indicated:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff costs	85,587	53.9	86,104	52.1	79,569	49.1	59,466	51.5	55,608	48.0
Depreciation and amortisation expenses	47,950	30.2	54,051	32.7	58,538	36.1	40,230	34.8	43,675	37.7
Utility expenses	6,148	3.9	6,718	4.1	6,989	4.3	4,727	4.1	4,655	4.0
Marketing expenses	7,318	4.6	5,816	3.5	6,323	3.9	5,053	4.4	5,706	4.9
Service expenses	2,837	1.8	2,402	1.5	1,937	1.2	1,577	1.4	1,548	1.3
Promotion materials expenses	2,831	1.8	2,690	1.6	1,760	1.1	1,362	1.2	1,342	1.1
Handling expenses	1,738	1.1	1,552	0.9	1,589	1.0	1,186	1.0	1,478	1.3
Motor vehicles expenses	1,206	0.7	1,509	0.9	1,262	0.8	827	0.7	657	0.6
Others	3,144	2.0	4,515	2.7	4,152	2.5	1,054	0.9	1,292	1.1
Total selling and distribution costs	**158,759**	**100**	**165,357**	**100**	**162,119**	**100**	**115,482**	**100**	**115,961**	**100**

Administrative and other operating expenses

Our administrative and other operating expenses mainly comprised staff costs and depreciation and amortisation expenses, which in aggregate constituted over 50% of our administrative and other operating expenses during the Track Record Period. The following table sets forth the breakdown of our administrative and other operating expenses by nature for the years/periods indicated:

	FY2021		FY2022		FY2023		9M2023		9M2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff costs	26,946	53.3	24,793	47.7	24,704	47.0	17,066	44.9	16,861	41.0
Depreciation and amortisation expenses	7,614	15.1	7,558	14.5	7,245	13.8	5,415	14.2	5,565	13.6
Entertainment expenses	2,421	4.8	3,172	6.1	3,697	7.0	2,895	7.6	2,193	5.3
Repair and maintenance expenses	3,362	6.7	2,674	5.1	2,288	4.3	1,785	4.7	1,879	4.6
Administrative materials expenses	3,174	6.3	2,882	5.6	2,884	5.5	1,908	5.0	2,200	5.4
Utility expenses	1,535	3.0	2,302	4.4	2,437	4.6	2,131	5.6	2,070	5.0
Services expenses	3,153	6.2	4,352	8.4	3,366	6.4	2,322	2.3	1,395	1.1
Listing expenses	–	–	1,747	3.4	3,449	6.6	3,125	12.1	7,276	20.0
Others	2,339	4.6	2,503	4.8	2,544	4.8	1,372	3.6	1,625	4.0
Total administrative and other operating expenses	**50,544**	**100**	**51,983**	**100**	**52,614**	**100**	**38,019**	**100**	**41,064**	**100**

Impairment loss on trade and other receivables

Impairment loss represented the changes in loss allowance in respect of our trade receivables and other receivables. The following table sets forth the breakdown of impairment loss/(reversal of impairment loss) on trade receivables and other receivables for the years/periods indicated:

	FY2021	**FY2022**	**FY2023**	**9M2023**	**9M2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Trade receivables	8,299	2,046	3,167	6,967	6,014
Other receivables	1,849	(659)	47	64	119
Total impairment loss on trade and other receivables	**10,148**	**1,387**	**3,214**	**7,031**	**6,133**

The following tables set forth the movement in loss allowance for our trade receivables and other receivables during the Track Record Period:

	As at 31 December			**As at 30 September**
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loss allowance at beginning of the year/period	2,787	12,935	14,322	17,536
Loss allowance recognised during the year/period	10,148	1,387	3,214	6,133
Loss allowance for trade receivables and other receivables at end of the year/period	**12,935**	**14,322**	**17,536**	**23,669**

Net finance costs

The following table sets forth the breakdown of our net finance costs by nature for the years/periods indicated:

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest income from bank deposits	(228)	(480)	(1,573)	(944)	(1,396)
Finance income	(228)	(480)	(1,573)	(944)	(1,396)
Interest expenses on bank loans and other borrowings	13,964	16,679	17,058	12,631	14,240
Interest expenses on lease liabilities	4,990	4,932	4,485	3,361	3,330
Finance costs	18,954	21,611	21,543	15,992	17,570
Total net finance costs	**18,726**	**21,131**	**19,970**	**15,048**	**16,174**

For FY2021, FY2022, FY2023, 9M2023 and 9M2024, our net finance costs amounted to approximately RMB18.7 million, RMB21.1 million, RMB20.0 million, RMB15.0 million and RMB16.2 million, respectively.

Income tax

The following table sets forth the breakdown of our income tax for the years/periods indicated:

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	17,133	17,655	20,210	13,483	14,141
Deferred tax	(4,517)	(233)	(1,754)	(2,215)	(3,117)
Total income tax	**12,616**	**17,422**	**18,456**	**11,268**	**11,024**

Our income tax mainly included provision made for PRC enterprise income tax and movement of deferred tax assets/liabilities. Under the PRC enterprise income tax law and its implementing rules, our PRC operating subsidiaries are subject to the tax rate of 25%. For FY2021, FY2022, FY2023, 9M2023 and 9M2024, our effective tax rate, which is calculated by dividing income tax expense by profit before taxation, was approximately 26.5%, 25.4%, 26.3%, 27.0% and 31.4%, respectively. The increase in our effective tax rate for 9M2024 was mainly driven by the increase in Listing expenses which were non-deductible for tax.

REVIEW OF RESULTS OF OPERATIONS

FY2021 compared with FY2022

Revenue

Our revenue decreased by approximately RMB103.5 million or 7.2% from approximately RMB1,432.2 million for FY2021 to approximately RMB1,328.7 million for FY2022. Such decrease was mainly driven by the decrease in our revenue from retail operations, which was in turn driven by the decrease in our revenue from general sales. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss – Revenue" in this section.

Cost of sales

Our cost of sales decreased by approximately RMB123.0 million or 10.7% from approximately RMB1,149.5 million for FY2021 to approximately RMB1,026.5 million for FY2022. Such decrease was in line with the decrease in our aggregated revenue from general sales, bulk sales and wholesales.

Gross profit and gross profit margin

Our overall gross profit increased by approximately RMB19.5 million from approximately RMB282.7 million for FY2021 to approximately RMB302.1 million for FY2022. In respect of our sales of goods the revenue from which was recognised on gross basis, our gross profit from sales of goods remained relatively stable at approximately RMB230.9 million and RMB238.8 million for FY2021 and FY2022, respectively.

Our overall gross profit margin increased from approximately 19.7% for FY2021 to approximately 22.7% for FY2022. In respect of our sales of goods the revenue from which was recognised on gross basis, our gross profit margin from sales of goods remained relatively stable at approximately 16.8% and 19.1% for FY2021 and FY2022, respectively.

Other revenue

Our other revenue increased from approximately RMB3.9 million for FY2021 to approximately RMB6.0 million for FY2022, which was mainly driven by the increase in our service income, which was mainly driven by the service income for processing meals for a hotel operator.

Selling and distribution costs

Our selling and distribution costs increased by approximately RMB6.6 million or 4.2% from approximately RMB158.8 million for FY2021 to approximately RMB165.4 million for FY2022. Such increase was mainly attributable to the increase in our depreciation and amortisation expenses from approximately RMB48.0 million for FY2021 to approximately RMB54.1 million for FY2022 which was mainly driven by the additions of property, plant and equipment during FY2022, while our staff cost, being the most material component of our selling and distribution costs, remained stable at approximately RMB85.6 million and RMB86.1 million for FY2021 and FY2022, respectively.

Administrative and other operating expenses

Our administrative and other operating expenses remained stable at approximately RMB50.5 million and RMB52.0 million for FY2021 and FY2022, respectively. In particular, the slight decrease in our staff cost, being the most material component of our administrative and other operating expenses, from approximately RMB26.9 million for FY2021 to approximately RMB24.8 million for FY2022 was offset by the recognition of Listing expenses of approximately RMB1.7 million.

Impairment loss on trade and other receivables

Our impairment loss on trade and other receivables amounted to approximately RMB10.1 million and RMB1.4 million for FY2021 and FY2022, respectively. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss – Impairment loss on trade and other receivables" in this section.

Net finance costs

Our net finance costs increased by approximately RMB2.4 million from approximately RMB18.7 million for FY2021 to approximately RMB21.1 million for FY2022. Such increase was mainly attributable to the increase in interest expenses on bank loans and other borrowings.

Income tax

Our income tax increased by approximately RMB4.8 million from approximately RMB12.6 million for FY2021 to approximately RMB17.4 million for FY2022. Such increase was in line with the increase our profit before taxation. Our effective tax rate was relatively stable at approximately 26.5% and 25.4% for FY2021 and FY2022, respectively.

Profit for the year

For the forgoing reasons, our profit for the year increased significantly by approximately RMB16.0 million from approximately RMB35.1 million for FY2021 to approximately RMB51.1 million for FY2022. Our net profit margin increased from approximately 2.4% for FY2021 to approximately 3.8% for FY2022.

FY2022 compared with FY2023

Revenue

Our revenue increased by approximately RMB73.3 million or 5.5% from approximately from approximately RMB1,328.7 million for FY2022 to approximately RMB1,402.0 million for FY2023. Such increase was mainly driven by the increase in revenue from our wholesale operations, which was in turn driven by the increase in revenue from our wholesales, offset by the decrease in revenue from retail operations, which was in turn driven by the decrease in our revenue from bulk sales. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss – Revenue" in this section.

Cost of sales

Our cost of sales increased by approximately RMB74.0 million or 7.2% from approximately RMB1,026.5 million for FY2022 to approximately RMB1,100.6 million for FY2023. Such increase was in line with the increase in our aggregated revenue from general sales, bulk sales and wholesales.

Gross profit and gross profit margin

Our overall gross profit remained stable at approximately RMB302.1 million and RMB301.4 million for FY2022 and FY2023, respectively. In respect of our sales of goods the revenue from which was recognised on gross basis, our gross profit from sales of goods remained relatively stable at approximately RMB238.8 million and RMB250.0 million for FY2022 and FY2023, respectively.

Our overall gross profit margin remained relatively stable at approximately 22.7% and 21.5% for FY2022 and FY2023, respectively. In respect of our sales of goods the revenue from which was recognised on gross basis, our gross profit margin from sales of goods remained relatively stable at approximately 19.1% and 18.4% for FY2022 and FY2023, respectively.

Other revenue

Our other revenue decreased slightly from approximately RMB6.0 million for FY2022 to approximately RMB5.4 million for FY2023, which was mainly driven by the decrease in our government grants received.

Selling and distribution costs

Our selling and distribution costs decreased by approximately RMB3.2 million or 2.0% from approximately RMB165.4 million for FY2022 to approximately RMB162.1 million for FY2023. Such decrease was mainly driven by the decrease in our staff cost, being the most material component of our selling and distribution costs, from approximately RMB86.1 million for FY2022 to RMB79.6 million for FY2023 which was mainly due to decrease in number of staff, offset by the increase in our depreciation and amortisation expenses from approximately RMB54.1 million for FY2022 to approximately RMB58.5 million for FY2023 which was mainly driven by the additions of property, plant and equipment during FY2023.

Administrative and other operating expenses

Our administrative and other operating expenses remained stable at approximately RMB52.0 million and RMB52.6 million for FY2022 and FY2023, respectively. In particular, our staff cost, being the most material component of our administrative and other operating expenses, remained stable at approximately RMB24.8 million and RMB24.7 million for FY2022 and FY2023, respectively.

Impairment loss on trade and other receivables

Our impairment loss on trade and other receivables amounted to approximately RMB1.4 million and RMB3.2 million for FY2022 and FY2023, respectively. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss – Impairment loss on trade and other receivables" in this section.

Net finance costs

Our net finance cost remained relatively stable at approximately RMB21.1 million and RMB20.0 million for FY2022 and FY2023, respectively.

Income tax

Our income tax remained stable at approximately RMB17.4 million and RMB18.5 million for FY2022 and FY2023, respectively. Our effective tax rate was stable at approximately 25.4% and 26.3% for FY2022 and FY2023, respectively.

Profit for the year

For the forgoing reasons, our profit for the year remained stable at approximately RMB51.1 million and RMB51.6 million for FY2022 and FY2023, respectively. Our net profit margin decreased from approximately 3.8% for FY2022 to approximately 3.7% for FY2023.

9M2023 compared with 9M2024

Revenue

Our revenue increased by approximately RMB18.0 million or 1.8% from approximately RMB987.8 million for 9M2023 to approximately RMB1,005.8 million for 9M2024. Such increase was mainly driven by the increase in our revenue from wholesale operations, which was in turn driven by the increase in our revenue from wholesales, offset by the decrease in revenue from retail operations, which was in turn driven by the decrease in our revenue from general sales. For detailed analysis, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss – Revenue" in this section.

Cost of sales

Our cost of sales increased by approximately RMB19.4 million or 2.5% from approximately RMB778.0 million for 9M2023 to approximately RMB797.4 million for 9M2024. Such increase was in line with the increase in our aggregated revenue from general sales, bulk sales and wholesales.

Gross profit and gross profit margin

Our overall gross profit remained stable at approximately RMB209.9 million and RMB208.4 million for 9M2023 and 9M2024, respectively. In respect of our sales of goods the revenue from which was recognised on gross basis, for 9M2023 and 9M2024, our gross profit from sales of goods remained relatively stable at approximately RMB169.2 million and RMB172.1 million, respectively.

Our overall gross profit margin remained relatively stable at approximately 21.3% and 20.7% for 9M2023 and 9M2024, respectively. In respect of our sales of goods the revenue from which was recognised on gross basis, our gross profit margin from sales of goods also remained relatively stable at approximately 18.1% and 17.8%, respectively.

Other revenue

Our other revenue increased slightly from approximately RMB4.6 million for 9M2023 to approximately RMB4.9 million for 9M2024, which was mainly driven by the increase in service income for processing meals for a hotel operator, offset by the decrease in government grants received.

Selling and distribution costs

Our selling and distribution costs remained relatively stable at approximately RMB115.5 million and RMB116.0 million for 9M2023 and 9M2024, respectively. In particular, the decrease in our staff cost, being the most material component of our selling and distribution costs, from approximately RMB59.5 million for 9M2023 to approximately RMB55.6 million for 9M2024 was outweighed by the increase in our depreciation and amortisation expenses from approximately RMB40.2 million for 9M2023 to approximately RMB43.7 million for 9M2024. The decrease in our staff cost was mainly due to decrease in number of staff, whereas the increase in our depreciation and amortisation expenses was mainly driven by the additions of property, plant and equipment during 9M2024.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately RMB3.0 million or 8.0% from approximately RMB38.0 million for 9M2023 to approximately RMB41.1 million for 9M2024. Such increase was mainly driven by the increase in our Listing expenses from approximately RMB3.1 million for 9M2023 to approximately RMB7.3 million for 9M2024.

Impairment loss on trade and other receivables

Our impairment loss on trade and other receivables amounted to approximately RMB7.0 million and RMB6.1 million for 9M2023 and 9M2024, respectively. For details, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss – Impairment loss on trade and other receivables" in this section.

Net finance costs

Our net finance costs remained relatively stable at approximately RMB15.0 million and RMB16.2 million for 9M2023 and 9M2024, respectively.

Income tax

Our income tax decreased from approximately RMB11.3 million for 9M2023 to approximately RMB11.0 million for 9M2024, which was mainly driven by the decrease in profit before taxation. Our effective tax rate increased from approximately 27.0% for 9M2023 to approximately 31.4% for 9M2024, which was mainly driven by the increase in Listing expenses which were non-deductible for tax.

Profit for the period

For the forgoing reasons, our profit for the period decreased from approximately RMB30.5 million for 9M2023 to approximately RMB24.1 million for 9M2024. Our net profit margin decreased from approximately 3.1% for 9M2023 to approximately 2.4% for 9M2024.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

During the Track Record Period, we financed our operations by cash generated from operating activities and bank loans and other borrowings. As at 30 September 2024, we had cash and cash equivalents of approximately RMB147.8 million. Going forward, we intend to finance our operations by cash generated from operating activities, bank borrowings and proceeds from the Global Offering.

We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting a viable business scale and future plans. As at 30 September 2024, we had unutilised banking facilities of approximately RMB75.1 million.

Taking into account the financial resources available to us, including our existing cash and cash equivalents, availability of banking facilities, estimated net proceeds to be received by us from the Global Offering and cash flows from our operations, our Directors are of the view that, after due and careful inquiry, we have sufficient working capital for at least the next 12 months commencing from the date of this prospectus.

Cash flows

The following table sets forth a summary of our cash flows for the years/periods indicated:

	FY2021	FY2022	FY2023	9M2023	9M2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating profit before changes in working capital	136,890	153,365	163,623	117,466	109,855
Changes in working capital	(164,601)	(72,463)	(75,001)	(111,558)	(105,735)
Cash (used in)/generated from operations	(27,711)	80,902	88,622	5,908	4,120
Income tax paid	(18,116)	(10,867)	(19,403)	(17,051)	(14,745)
Net cash (used in)/generated from operating activities	(45,827)	70,035	69,219	(11,143)	(10,625)
Net cash used in investing activities	(24,749)	(25,813)	(34,536)	(32,127)	(26,680)
Net cash generated from/(used in) financing activities	78,375	(65,498)	35,729	(6,375)	(50,681)
Net increase/(decrease) in cash and cash equivalents	7,799	(21,276)	70,412	(49,645)	(87,986)
Effect of foreign exchange rate changes	(1,565)	2,377	327	(214)	(448)
Cash and cash equivalents at beginning of year/period	178,152	184,386	165,487	165,487	236,226
Cash and cash equivalents at end of year/period	184,386	165,487	236,226	115,628	147,792

For FY2021, FY2022, FY2023, 9M2023 and 9M2024, we generated revenue of approximately RMB1,432.2 million, RMB1,328.7 million and RMB1,402.0 million, RMB987.8 million and RMB1,005.8 million, respectively. Owing to our business nature (i.e. wholesale and retail), cost of inventories constituted a significant portion of our cost of sales and at the same time we had to incur selling and distribution costs and administrative and other operating expenses to support our operations, we had thin profit margins during the Track Record Period. Our net profit margin was approximately 2.4%, 3.8%, 3.7% and 2.4% for FY2021, FY2022, FY2023 and 9M2024, respectively. For the associated risk, please refer to the paragraph headed "Risk Factors – We have thin profit margins and we may not be able to sustain our historical profitability and working capital position" in this prospectus. With a thin profit margin, we would record net cash used in operating activities when we have negative movement in our working capital (including inventories, trade and bills receivables and trade and bills payables) outweighing our operating profit. We recorded net cash used in operating activities for FY2021, 9M2023 and 9M2024. Our net cash used in operating activities for FY2021, 9M2023 and 9M2024 was mainly due to a combination of (i) the lower amount of profit before taxation as compared to FY2022 and FY2023; and (ii) a shorter payment cycle for our trade payables as compared to the collection cycle for our trade receivables. Additionally, for FY2021 and 9M2024, it was further due to the increase in our inventories. For the associated risk, please refer to the paragraph headed "Risk Factors – We had net cash used in operating activities for FY2021, 9M2023 and 9M2024 and we may have difficulty meeting our payment obligations if we continue to record net cash used in operating activities in the future." in this prospectus. Going forward, our Group plans to improve our net operating cash outflow position by implementing a more stringent collection strategy (including reminding customers for settlement in advance of the expiry of credit period and strictly reinforcing our credit period granted to customers) and inventory management (including regularly reviewing our inventories to identify slow moving items and to adjust our purchase accordingly). On the other hand, we recorded net cash used in investing activities for all years/periods presented, and net cash generated from financing activities for FY2021 and FY2023.

Our cash and cash equivalent amounted to approximately RMB147.8 million as at 30 September 2024, representing a decrease of approximately RMB88.4 million from as at 31 December 2023. Such decrease was mainly because we recorded net cash used in both operating, investing and financing activities.

Our cash and cash equivalents amounted to approximately RMB236.2 million as at 31 December 2023, representing an increase of approximately RMB70.7 million from as at 31 December 2022. Such increase was mainly because the net cash generated from operating and financing activities outweighed the net cash used in investing activities.

Our cash and cash equivalents amounted to approximately RMB184.4 million and RMB165.5 million as at 31 December 2021 and 31 December 2022, respectively, representing a decrease of approximately RMB18.9 million. Such decrease was mainly because the net cash used in investing and financing activities outweighed the net cash generated from operating activities.

Net cash (used in)/generated from operating activities

For FY2021, we had net cash used in operating activities of approximately RMB45.8 million, primarily reflecting: (i) profit before taxation of approximately RMB47.7 million; (ii) positive adjustments before change in working capital of approximately RMB89.2 million, which primarily reflected depreciation of owned property, plant and equipment of approximately RMB32.9 million, depreciation of right-of-use assets of approximately RMB25.9 million and finance costs of approximately RMB19.0 million; and (iii) negative movements in change in working capital of approximately RMB164.6 million, which primarily reflected an increase in inventories of approximately RMB84.4 million, a decrease in contract liabilities of approximately RMB57.0 million and increase in trade and other receivables of approximately RMB32.0 million, offset by an increase in trade and other payables of approximately RMB9.6 million.

For FY2022, we had net cash generated from operating activities of approximately RMB70.0 million, primarily reflecting: (i) profit before taxation of approximately RMB68.5 million; (ii) positive adjustments before change in working capital of approximately RMB84.9 million, which primarily reflected depreciation of owned property, plant and equipment of approximately RMB36.4 million, depreciation of right-of-use assets of approximately RMB29.0 million and finance costs of approximately RMB21.6 million; and (iii) negative movements in change in working capital of approximately RMB72.5 million, which primarily reflected an increase in trade and other receivables of approximately RMB153.1 million, offset by an increase in trade and other payables of approximately RMB97.9 million.

For FY2023, we had net cash generated from operating activities of approximately RMB69.2 million, primarily reflecting: (i) profit before taxation of approximately RMB70.1 million; (ii) positive adjustments before change in working capital of approximately RMB93.6 million, which primarily reflected depreciation of owned property, plant and equipment of approximately RMB41.7 million, depreciation of right-of-use assets of approximately RMB28.0 million and finance costs of approximately RMB21.5 million; and (iii) negative movements in change in working capital of approximately RMB75.0 million, which primarily reflected an increase in trade and other receivables of approximately RMB86.0 million, decrease in trade and other payables of approximately RMB28.6 million, decrease in contract liabilities of approximately RMB18.1 million, offset by a decrease in inventories of approximately RMB57.8 million.

For 9M2024, we had net cash used in operating activities of approximately RMB10.6 million, primarily reflecting: (i) profit before taxation of approximately RMB35.1 million; (ii) positive adjustments before change in working capital of approximately RMB74.8 million, which primarily reflected depreciation of owned property, plant and equipment of approximately RMB31.3 million, depreciation of right-of-use assets of approximately RMB20.8 million and finance costs of approximately RMB17.6 million; and (iii) negative movements in change in working capital of approximately RMB105.7 million, which primarily reflected an increase in trade and other receivables of approximately RMB37.9 million, decrease in trade and other payables of approximately RMB18.7 million and increase in inventories of approximately RMB51.3 million.

Net cash used in investing activities

For FY2021, our net cash used in investing activities amounted to approximately RMB24.7 million, which was mainly contributed by (i) payment for purchases of structured deposits and wealth management products of approximately RMB538.3 million; and (ii) payment for acquisition of property, plant and equipment of approximately RMB50.6 million, offset by the proceeds from disposal of structured deposits and wealth management products of approximately RMB538.7 million and proceeds from disposal of interests in an associate of approximately RMB25.0 million.

For FY2022, our net cash used in investing activities amounted to approximately RMB25.8 million, which was mainly contributed by (i) payment for purchases of structured deposits and wealth management products of approximately RMB435.7 million; and (ii) payment for acquisition of property, plant and equipment of approximately RMB26.9 million, offset by the proceeds from disposal of structured deposits and wealth management products of approximately RMB436.1 million.

For FY2023, our net cash used in investing activities amounted to approximately RMB34.5 million, which was mainly contributed by (i) payment for purchases of structured deposits and wealth management products of approximately RMB205.0 million; and (ii) payment for acquisition of property, plant and equipment of approximately RMB40.7 million, offset by the proceeds from disposal of structured deposits and wealth management products of approximately RMB205.3 million.

For 9M2024, our net cash used in investing activities amounted to approximately RMB26.7 million, which was mainly contributed by (i) payment for purchases of structured deposits and wealth management products of approximately RMB506.0 million; and (ii) payment for the acquisition of property, plant and equipment of approximately RMB29.1 million, offset by the proceeds from disposal of structured deposits and wealth management products of approximately RMB506.2 million.

Net cash generated from/(used in) financing activities

For FY2021, our net cash generated from financing activities amounted to approximately RMB78.4 million, which was mainly contributed by the proceeds from bank loans and other borrowings of approximately RMB482.8 million, offset by the repayment from bank loans and other borrowings of approximately RMB368.4 million.

For FY2022, our net cash used in financing activities amounted to approximately RMB65.5 million, which was mainly contributed by the repayment of bank loans and other borrowings of approximately RMB593.1 million, offset by the proceeds from bank loans and other borrowings of approximately RMB573.4 million.

For FY2023, our net cash generated from financing activities amounted to approximately RMB35.7 million, which was mainly contributed by the proceeds from bank loans and other borrowings of approximately RMB595.6 million, offset by the repayment of bank loans and other borrowings of approximately RMB513.0 million.

For 9M2024, our net cash used in financing activities amounted to approximately RMB50.7 million, which was mainly contributed by repayment of bank loans and other borrowings of approximately RMB409.0 million and lease rental paid of approximately RMB18.4 million in aggregate, offset by the proceeds from bank loans and other borrowings of approximately RMB389.5 million.

Net current assets

	As at 31 December			As at 30 September	As at 31 January
	2021	**2022**	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Inventories	286,376	324,018	266,267	317,589	335,155
Trade and bills receivables	121,191	199,930	213,779	257,649	165,839
Prepayments, deposits and other receivables	171,140	244,114	313,092	301,001	424,007
Pledged deposits	1,571	–	–	1,600	1,600
Cash and cash equivalents	184,386	165,487	236,226	147,792	156,237
	764,664	933,549	1,029,364	1,025,631	1,082,838
Current liabilities					
Bank loans and other borrowings	385,306	372,357	462,799	425,068	425,151
Lease liabilities	21,538	24,530	23,561	23,420	25,080
Trade and bills payables	112,587	190,619	160,721	105,581	112,423
Other payables and accruals	45,577	64,484	45,755	60,756	86,113
Contract liabilities	111,435	130,204	112,120	115,958	129,451
Taxation payable	7,432	14,220	15,027	14,423	20,442
	683,875	796,414	819,983	745,206	798,660
Net current assets	**80,789**	**137,135**	**209,381**	**280,425**	**284,178**

Our net current assets increased significantly during the Track Record Period, mainly driven by our net profit and net cash generated from operating activities which contributed to the overall increase in our total current assets.

Our net current assets increased from approximately RMB80.8 million as at 31 December 2021 to approximately RMB137.1 million as at 31 December 2022, in which the increase in our current assets outweighed the increase in our current liabilities during FY2022. In terms of our current assets, the increase during FY2022 was mainly attributable to (i) the increase in our inventories; (ii) the increase in our trade receivables; and (iii) the increase in our prepayments. In terms of our current liabilities, the increase during FY2022 was mainly driven by (i) the increase in our trade and bills payables; and (ii) the increase in our contract liabilities, which was mainly driven the increase in advance receipts from customers.

Our net current assets increased significantly from approximately RMB137.1 million as at 31 December 2022 to approximately RMB209.4 million as at 31 December 2023, in which the increase in our current assets outweighed the increase in our current liabilities during FY2023. In terms of our current assets, the increase during FY2023 was mainly attributable to (i) the increase in our cash and cash equivalents, which was mainly due to net cash generated from operating and financing activities; and (ii) the increase in our prepayments, offset by (iii) the decrease in our inventories. In terms of our current liabilities, the decrease during FY2023 was mainly driven by (i) the decrease in our trade and bills payables; and (ii) the decrease in our contract liabilities, which was mainly driven by the decrease in advance receipts from customers, partially offset by the increase in our bank loans and other borrowings, which was mainly due to our net drawdowns.

Our net current assets increased from approximately RMB209.4 million as at 31 December 2023 to approximately RMB280.4 million as at 30 September 2024, in which the decrease in our current liabilities outweighed the decrease in our current assets during 9M2024. In terms of our current assets, the decrease during 9M2024 was mainly attributable to the decrease in our cash and cash equivalents. In terms of current liabilities, the decrease during 9M2024 was mainly driven by (i) the decrease in bank loans and other borrowings; and (ii) the decrease in trade and bills payables.

Our net current assets increased from approximately RMB280.4 million as at 30 September 2024 to approximately RMB284.2 million as at 31 January 2025, in which the increase in our current assets outweighed the increase in our current liabilities during the period. In terms of our current assets, the increase during the period was mainly driven by the increase in our prepayments, deposits and other receivables and cash and cash equivalents, offset by the decrease in our trade and bills receivables. In terms of our current liabilities, the increase during the period was mainly driven by the increase in our other payables and accruals and contract liabilities. Our current ratio, which is calculated by dividing total current assets by total current liabilities, remained stable at approximately 1.4 and 1.4 as at 30 September 2024 and 31 January 2025, respectively.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial position as at the dates indicated, which are extracted from the Accountants' Report:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	371,456	359,490	344,227	336,343
Financial assets at fair value through other comprehensive income	37,570	35,175	28,454	29,862
Deferred tax assets	3,310	3,325	5,091	8,138
	412,336	**397,990**	**377,772**	**374,343**
Current assets				
Inventories	286,376	324,018	266,267	317,589
Trade receivables	121,191	199,930	213,779	257,649
Prepayments, deposits and other receivables	171,140	244,114	313,092	301,001
Restricted deposits	1,571	–	–	1,600
Cash and cash equivalents	184,386	165,487	236,226	147,792
	764,664	**933,549**	**1,029,364**	**1,025,631**
Current liabilities				
Bank loans and other borrowings	385,306	372,357	462,799	425,068
Lease liabilities	21,538	24,530	23,561	23,420
Trade and bills payables	112,587	190,619	160,721	105,581
Other payables and accruals	45,577	64,484	45,755	60,756
Contract liabilities	111,435	130,204	112,120	115,958
Taxation payable	7,432	14,220	15,027	14,423
	683,875	**796,414**	**819,983**	**745,206**
Net current assets	**80,789**	**137,135**	**209,381**	**280,425**
Total assets less current liabilities	**493,125**	**535,125**	**587,153**	**654,768**

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank loans and other borrowings	5,675	–	12,552	53,691
Lease liabilities	82,727	81,950	76,533	77,593
Deferred tax liabilities	7,212	6,395	4,727	5,009
	95,614	**88,345**	**93,812**	**136,293**
Net assets	**397,511**	**446,780**	**493,341**	**518,475**
Capital and reserves				
Share capital	160,685	160,685	160,685	160,685
Reserves	224,624	271,678	316,943	341,620
Total equity attributable to equity shareholders of the Company	**385,309**	**432,363**	**477,628**	**502,305**
Non-controlling interests	12,202	14,417	15,713	16,170
Total equity	**397,511**	**446,780**	**493,341**	**518,475**

DESCRIPTION OF CERTAIN LINE ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment comprised (i) plant and building; (ii) machinery and equipment; (iii) office and other equipment; (iv) motor vehicles; (v) leasehold improvements; (vi) construction in progress; and (vii) right of use assets in land use rights and other properties. The following table sets forth the breakdown of our property, plant and equipment by type as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Plant and buildings	109,989	107,967	108,601	102,843
Machinery and equipment	10,627	11,340	10,046	8,240
Office and other equipment	21,376	18,172	14,794	11,908
Motor vehicles	3,828	4,246	3,301	2,440
Leasehold improvements	70,978	65,064	76,103	76,923
Construction in progress	8,100	8,550	–	7,790
Right-of-use assets in land use rights	31,579	30,452	29,325	28,480
Right-of-use assets in other properties	114,979	113,699	102,057	97,719
Total property, plant and equipment	**371,456**	**359,490**	**344,227**	**336,343**

The carrying amount of our property, plant and equipment decreased by approximately RMB12.0 million from approximately RMB371.5 million as at 31 December 2021 to approximately RMB359.5 million as at 31 December 2022. Such decrease was mainly driven by the depreciation of our office and other equipment, leasehold improvements and right-of-use assets.

The carrying amount of our property, plant and equipment decreased by approximately RMB15.3 million from approximately RMB359.5 million as at 31 December 2022 to approximately RMB344.2 million as at 31 December 2023. Such decrease was mainly driven by the depreciation of our office and other equipment and right-of-use assets, offset of the addition of our leasehold improvement.

The carrying amount of our property, plant and equipment decreased by approximately RMB7.9 million from approximately RMB344.2 million as at 31 December 2023 to approximately RMB336.3 million as at 30 September 2024. Such decrease was mainly driven by depreciation charged during the period.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, property certificates of certain properties and land use rights with an aggregate net book value of approximately RMB73.7 million, RMB74.6 million, RMB78.1 million and RMB73.9 million, respectively, is yet to be obtained. For further details, please refer to the paragraph headed "Business – Non-compliance – (1) Failure to obtain certain land use right certificates and property ownership certificates" in this prospectus.

Financial assets at fair value through other comprehensive income

Our financial assets at fair value through other comprehensive income represented our investments in unlisted and listed equity securities. The following table sets forth the breakdown of our financial assets at fair value through other comprehensive income as at the dates indicated:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity securities	36,590	33,950	27,329	28,450
Equity securities listed in the PRC	980	1,225	1,125	1,412
Total financial assets at fair value through other comprehensive income	**37,570**	**35,175**	**28,454**	**29,862**

For unlisted equity securities, they represented our investment in unlisted equity interest in Jiangsu Jiangdu Rural Commercial Bank Co., Ltd.* (江蘇江都農村商業銀行股份有限公司), which is a bank which is principally engaged in offering banking services to individuals and enterprises. Our Directors confirm that our Group invested in this unlisted equity interest as part of our treasury functions to better utilise our funds. We measured the fair value of our investment in unlisted equity interest at the end of each reporting period using valuation multiples, adjusted for changing trend of medium market multiples of comparable companies. For details, please refer to Note 27(e) to the Accountants' Report. The movement of the carrying amount in our investment in unlisted equity securities during the Track Record Period was mainly driven by the fair value movement. The following table sets forth the movement in carrying amount of our investment in unlisted equity securities (i.e. fair value measurement in Level 3 for the fair value hierarchy) during the Track Record Period:

	Carrying amount of investment in unlisted equity securities
	RMB'000
As at 1 January 2021	34,390
Net unrealised gain recognised in other comprehensive income	2,200
As at 31 December 2021 and 1 January 2022	**36,590**
Net unrealised loss recognised in other comprehensive income	(2,640)
As at 31 December 2022 and 1 January 2023	**33,950**
Net unrealised loss recognised in other comprehensive income	(6,621)
As at 31 December 2023 and 1 January 2024	**27,329**
Net unrealised gain recognised in other comprehensive income	1,121
As at 30 September 2024	**28,450**

Inventories

Our inventories represented our trade merchandise. The following table sets forth the breakdown of our inventories by major type as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wholesales				
Food	123,248	174,812	159,326	173,441
Non-food products	18,606	21,716	10,522	11,100
Sub-total	141,854	196,528	169,848	184,541
Retail Stores				
Food	88,871	60,714	43,309	74,455
Non-food products	14,627	23,268	21,618	16,976
Tobacco products	10,316	14,550	–	–
Sub-total	113,814	98,532	64,927	91,431
Malls				
Electronic appliances	9,946	11,411	11,197	11,970
Fashion, apparel and children's wear	11,608	9,941	10,758	9,840
Gold, jewellery and accessories	15,489	14,008	17,470	28,535
Others[*(note)*]	2,596	2,221	2,235	2,320
Sub-total	39,639	37,581	41,660	52,665
Total inventories, gross	295,307	332,641	276,435	328,637
Provision for write-down of inventories	(8,931)	(8,623)	(10,168)	(11,048)
Total inventories, net	**286,376**	**324,018**	**266,267**	**317,589**
Average inventories[(1)]	244,169	305,197	295,143	291,928

Note: Others include cosmetics, beauty products, stationeries and other groceries.

	FY2021	FY2022	FY2023	9M2024
Aggregated revenue from wholesales, general sales and bulk sales (recognised on gross basis) *(RMB'000)*	1,371,445	1,252,195	1,335,337	965,350
Average inventories to revenue from wholesales, general sales and bulk sales(2)	17.8%	24.4%	22.1%	22.7%

Notes:

(1) Average inventories represents the average of inventories as at 31 December of the previous year and 31 December of the current year. For average inventories as at 30 September 2024, it represents the average of inventories as at 31 December 2023 and as at 30 September 2024.

(2) Average inventories to revenue from general sales, bulk sales and wholesales represents the average of inventories divided by the aggregated revenue generated from general sales, bulk sales and wholesales for the relevant year/period. For the purpose of illustration, the average of inventories to revenue from general sales, bulk sales and wholesales for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

Our inventories amounted to approximately RMB286.4 million, RMB324.0 million, RMB266.3 million and RMB317.6 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively. The increase in the balance of our inventories from as at 31 December 2021 to as at 31 December 2022 was mainly because a higher proportion of our purchase was made during the fourth quarter of FY2022 and at the same time our retail sales during the same period was affected by COVID-19. The increase in the balance of our inventories from as at 31 December 2023 to as at 30 September 2024 was mainly driven by (i) the increase in the balance for food, which was primarily because we increased our purchase of food to accommodate the upcoming demand on food. According to the Industry Consultant, with the COVID-19 pandemic receded in the PRC and the gradual return to normalcy, consumers in the PRC generally were more willing to spend on purchasing food; and (ii) the increase in the balance for gold, jewellery and accessories, which was primarily due to the opening of a new shop in our Malls for selling gold, jewellery and accessories during 9M2024.

The following table sets forth the movement of our provision for write-down of inventories during the Track Record Period:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for write-down of inventories at beginning of the year/period	7,499	8,931	8,623	10,168
Provision for/(reversal of) write-down recognised during the year/period	1,432	(308)	1,545	880
Provision for write-down of inventories at end of the year/period	**8,931**	**8,623**	**10,168**	**11,048**

The following table sets forth the ageing analysis of our inventories as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 180 days	221,366	224,643	94,129	154,878
Over 180 days but within 360 days	37,079	33,864	89,878	63,701
Over 360 days but within 720 days	18,671	49,582	52,690	65,138
Over 720 days	18,191	24,552	39,738	44,920
Total inventories, gross	295,307	332,641	276,435	328,637
Provision for write-down of inventories	(8,931)	(8,623)	(10,168)	(11,048)
Total inventories, net	**286,376**	**324,018**	**266,267**	**317,589**

Our inventory balance mainly included alcoholic beverages, which constituted approximately 41.1%, 52.6%, 56.3% and 54.4% of our total inventories balance as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024. The following table sets forth the ageing analysis of alcoholic beverages in our inventories as at the dates indicated:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 180 days	73,168	97,227	14,590	37,640
Over 180 days but within 360 days	22,843	19,584	61,770	46,734
Over 360 days but within 720 days	8,120	37,450	44,999	56,181
Over 720 days	15,491	19,975	34,338	38,914
Total inventories of alcoholic beverages, gross	119,622	174,236	155,697	179,469
Provision for write-down of inventories	(1,955)	(3,870)	(5,684)	(6,701)
Total inventories of alcoholic beverages, net	**117,667**	**170,366**	**150,013**	**172,768**

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, our balance of provision for write-down of inventories amounted to approximately RMB8.9 million, RMB8.6 million, RMB10.2 million and RMB11.0 million, respectively, representing approximately 3.0%, 2.6%, 3.7% and 3.4% of our gross inventories balance as at the same dates. In respect of our balance of provision for write-down of inventory, approximately 21.9%, 44.9%, 55.9% and 60.6% was in respect of our alcoholic beverages.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, our inventories aged over 360 days were mainly alcoholic beverages and other Malls goods which have a longer shelf-life. Considering that (i) our inventories aged over 360 days were not fresh food and their shelf-life has not yet expired; and (ii) our average inventory turnover days during the Track Record Period was below 120 days (i.e. less than 4 months) which were not extensive, our Directors are of the view that there are no recoverability issues for our inventories and that sufficient provision for write-down has been provided.

The following table sets forth the average inventory turnover days for the years/period indicated:

	FY2021	FY2022	FY2023	9M2024
	(days)	*(days)*	*(days)*	*(days)*
Average inventory turnover days(1)	77.5	108.5	97.9	100.2

Note:

(1) Average inventory turnover days equal average inventories divided by cost of sales for the year and multiplied by 365. Average inventories are calculated as inventories at the beginning of the year plus inventories at the end of the year, divided by two. For the purpose of illustration, average inventory turnover days for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

Our average inventory turnover days were approximately 77.5 days, 108.5 days and 97.9 days for FY2021, FY2022 and FY2023, respectively. The increase in our average turnover days for FY2022 was mainly driven by a higher proportion of inventories for wholesale operations which generally had a longer inventory turnover days. As disclosed above, our revenue from wholesale began to pick up during FY2023 following the ease of COVID-19 and we were able to achieve a decrease our average inventory turnover days to approximately 97.9 days for FY2023. For 9M2024, our annualised average inventory turnover days was approximately 100.2 days.

As at 28 February 2025, approximately RMB271.6 million, or 82.7%, of our gross inventories as at 30 September 2024 were subsequently consumed.

Trade and bills receivables

The following table sets forth the breakdown of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, gross	131,485	212,270	229,286	257,096
Bills receivables, gross	–	–	–	22,074
Sub-total	131,485	212,270	229,286	279,170
Less: loss allowance	(10,294)	(12,340)	(15,507)	(21,521)
Trade and bills receivables, net	**121,191**	**199,930**	**213,779**	**257,649**
Average trade and bills receivables[(1)]	83,364	160,561	206,855	235,714
Average trade and bills receivables to total revenue[(2)]	5.8%	12.1%	14.8%	17.6%

Notes:

(1) Average trade and bills receivables represents the average of trade and bills receivables as at 31 December of the previous year and 31 December of the current year. For average trade and bills receivables as at 30 September 2024, it represents the average of trade and bills receivables as at 31 December 2023 and as at 30 September 2024.

(2) Average trade and bills receivables to total revenue represents the average of trade and bills receivables divided by total revenue for the relevant year/period. For the purpose of illustration, the average of trade and bills receivables to total revenue for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

Our net trade and bills receivables amounted to approximately RMB121.2 million, RMB199.9 million, RMB213.8 million and RMB257.6 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively. The increase in the balance of our trade and bills receivables as at 31 December 2021 to as at 31 December 2022 was mainly because a higher proportion of our wholesale was made during the fourth quarter of FY2022.

Our trade receivables are due within 90 days from the date of billing. For our credit policy and credit risk arising from trade receivables, please refer to Note 27(a) to the Accountants' Report.

The following is an ageing analysis of our trade receivables as at the dates indicated, based on the invoice date:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	63,786	171,661	172,055	149,745
Over 3 months but within 6 months	52,400	21,658	30,000	61,208
Over 6 months but within 9 months	4,499	6,244	10,043	21,763
Over 9 months but within 12 months	353	356	1,601	2,752
Over 12 months	153	11	80	107
Total trade receivables, net	**121,191**	**199,930**	**213,779**	**235,575**

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, our balance of provision for loss allowance amounted to approximately RMB10.3 million, RMB12.3 million, RMB15.5 million and RMB21.5 million, respectively, representing approximately 7.8%, 5.8%, 6.8% and 7.7% of our gross trade receivables balances as at the same dates, respectively.

In assessing provision for loss allowance, we estimated the expected loss rates with reference to the provision matrix approach and historical actual credit losses. The expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the Track Record Period over which the historic data has been collected, current conditions and our view of economic conditions over the expected lives of the receivables. The following tables set forth the analysis of our expected credit loss by time band based on due date:

	As at 31 December 2021			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	0.86%	64,338	552	63,786
Less than 3 month past due	3.63%	54,375	1,975	52,400
More than 3 months but less than 6 months past due	14.35%	5,253	754	4,499
More than 6 months but less than 9 months past due	66.64%	1,058	705	353
More than 9 months but less than 12 months past due	83.09%	905	752	153
More than 12 months past due	100.00%	5,556	5,556	–
		131,485	10,294	121,191

	As at 31 December 2022			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	1.21%	173,771	2,110	171,661
Less than 3 month past due	6.61%	23,190	1,532	21,658
More than 3 months but less than 6 months past due	32.37%	9,232	2,988	6,244
More than 6 months but less than 9 months past due	69.23%	1,157	801	356
More than 9 months but less than 12 months past due	97.05%	373	362	11
More than 12 months past due	100.00%	4,547	4,547	–
		212,270	12,340	199,930

	As at 31 December 2023			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	1.05%	173,878	1,823	172,055
Less than 3 month past due	5.90%	31,880	1,880	30,000
More than 3 months but less than 6 months past due	23.46%	13,121	3,078	10,043
More than 6 months but less than 9 months past due	58.25%	3,835	2,234	1,601
More than 9 months but less than 12 months past due	87.08%	619	539	80
More than 12 months past due	100.00%	5,953	5,953	–
		229,286	15,507	213,779

	As at 30 September 2024			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	1.10%	151,403	1,658	149,745
Less than 3 month past due	6.14%	65,215	4,007	61,208
More than 3 months but less than 6 months past due	27.14%	29,869	8,106	21,763
More than 6 months but less than 9 months past due	60.11%	6,899	4,147	2,752
More than 9 months but less than 12 months past due	87.01%	824	717	107
More than 12 months past due	100.00%	2,886	2,886	–
		257,096	21,521	235,575

Having considered the expected loss rate applied in calculating the loss allowance and that a substantially higher expected loss rates were applied to longer past due trade receivables, our Directors are of the view that there are not recoverability issue for our net trade receivables balance.

The following table sets forth the average turnover days of trade and bills receivables for the years/period indicated:

	FY2021	FY2022	FY2023	9M2024
	(days)	*(days)*	*(days)*	*(days)*
Average turnover days of trade and bills receivables[1]	21.3	44.1	53.9	64.2

Note:

(1) Average turnover days of trade and bills receivables equal average trade and bills receivables divided by revenue for the year and multiplied by 365. Average trade and bills receivables are calculated as trade receivables at the beginning of the year plus trade receivables at the end of the year, divided by two. For the purpose of illustration, average turnover days of trade and bills receivables for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

Our average trade and bills receivables turnover days were approximately 21.3 days, 44.1 days and 53.9 days for FY2021, FY2022 and FY2023, respectively. The increase in our average turnover days for FY2022 was mainly driven by the wholesales made near the year end in which the trade receivables were not settled as at the year end. The increase in our average trade and bills receivables turnover days for FY2023 was mainly driven by the sharp increase in our wholesales revenue for FY2023 in which the relating trade receivables balances were generally higher. For 9M2024, our annualised average turnover days of trade and bills receivables was approximately 64.2 days.

As at 28 February 2025, approximately RMB237.3 million, or 85.0%, of our gross trade and bills receivables as at 30 September 2024 were subsequently settled.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	150,810	220,899	283,491	274,096
Other deposits and receivables	20,576	25,077	31,286	27,922
Value-added tax recoverable	1,895	120	344	1,131
Amount due from a related party	500	–	–	–
	173,781	246,096	315,121	303,149
Less: loss allowance	(2,641)	(1,982)	(2,029)	(2,148)
Total prepayments, deposits and other receivables	**171,140**	**244,114**	**313,092**	**301,001**

Prepayments is the most significant component of our prepayments, deposits and other receivables. Prepayments mainly represented the prepayment for our purchases. Our prepayments increased from approximately RMB150.8 million as at 31 December 2021 to approximately RMB220.9 million as at 31 December 2022. Such increase was mainly driven by (i) our prepayment balance of approximately RMB38.6 million to Company Y, being our supplier, for our purchase orders to it for fulfilling sales orders from our customers, namely, Company X and Company W. Of which, (a) approximately RMB28.6 million was in respect of sales orders from Company X for shampoo products and laptops; and (b) approximately RMB10.0 million was in respect of sales orders from Company W for shampoo products. As Company Y delayed in the shipment of goods which led to us not being able to promptly deliver the procurement orders to Company X and Company W. During FY2023, Company X, Company Y and our Group entered into a tripartite agreement, pursuant to which Company Y shall deliver the goods (i.e. shampoo products) directly to Company X, and Company X's advanced payment to us of approximately RMB18.4 million and our prepayment to Company Y of approximately RMB18.0 million shall be offset and be regarded as duly settled. As of July 2024, Company Y has delivered all the relevant goods thereunder to Company X. During 9M2024, Company X, Company Y and our Group further entered into a tripartite agreement, pursuant to which Company Y shall deliver the goods (i.e. laptops) directly to Company X, and the advanced payments of approximately RMB10.8 million we received from Company X and our prepayment of approximately RMB10.6 million to Company Y shall be offset and be regarded as duly settled. As of August 2024, Company Y has delivered all the relevant goods thereunder to Company X. Furthermore, during 9M2024, Company W, Company Y and our Group entered into a tripartite agreement, pursuant to which Company Y shall deliver the goods (i.e. shampoo products) directly to Company W, and

Company W's advanced payment to us of approximately RMB10.2 million and our prepayment to Company Y of approximately RMB10.0 million shall be offset and be regarded as duly settled. As of July 2024, Company Y has delivered all the relevant goods thereunder to Company X. As such, all of our prepayment balances with Company Y were cleared as at 30 September 2024; and (ii) our prepayment balance of approximately RMB12.0 million to Supplier E, being one of our top suppliers for FY2022 which required 100% advance payment. Our Group entered into the abovementioned tripartite agreements having considering that (1) the delay by Company Y led to us not being able to fulfil our sales orders to Company X and Company W, the entering into of the tripartite agreements would relief our Group from the obligation to fulfil such orders; (2) the tripartite agreements would not affect our Group's economics as we are not required to refund the advanced payments to Company X and Company W we received from them while Company Y is not required to refund our prepayment to us; and (3) our Directors are of the view that our Group is in a better position than Company X and Company W to negotiate more favourable pricing and terms with Company Y as our Group bulk purchases from Company Y, Company X and Company W had no commercial reason to bypass our Group to deal with Company Y directly. Our Directors confirm that, save for the abovementioned tripartite agreements, our Group has not entered into similar tripartite arrangements with other customers and supplier during the Track Record Period and up to the Latest Practicable Date.

Our prepayments increased from approximately RMB220.9 million as at 31 December 2022 to approximately RMB283.5 million as at 31 December 2023. Such increase was mainly driven by (i) our prepayment balance of approximately RMB62.4 million to Yihai Kerry Food Marketing Co. Ltd. Nanjing Branch* (益海嘉里食品營銷有限公司南京分公司), being our largest supplier for FY2022 and FY2023; and (ii) the increase in our prepayment of approximately RMB28.5 million to the supplier group of Yangzhou Qianbaijia Trading Co., Ltd.* (揚州仟佰佳商貿有限公司), Yangzhou Xinbaoli Trading Co., Ltd.* (揚州新寶莉商貿有限公司) and Jiangsu Youchu Technology Co., Ltd.* (江蘇悠儲科技有限公司), being our second largest supplier for FY2022 and FY2023, and such increase was partially offset by the offsetting arrangement of our prepayments of approximately RMB18.0 million to Company Y as disclosed above.

Our prepayments remained relatively stable at approximately RMB283.5 million and RMB274.1 million as at 31 December 2023 and 30 September 2024, respectively.

As at 28 February 2025, approximately RMB217.1 million, or 79.2%, of our prepayments as at 30 September 2024 were subsequently utilised.

Other deposits and receivables mainly represented deposits with our suppliers and the receivables arising from year-end cutoff relating to clearance of our sales settled through point-of-sale system.

Restricted deposits

Our restricted deposits amounted to approximately RMB1.6 million, nil, nil and RMB1.6 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively. Our restricted deposits are released upon the settlement of the relevant bills payables.

Bank loans and other borrowings

Bank loans and other borrowings are our principal component of our total liabilities, constituting approximately 50.2%, 42.1%, 52.0% and 54.3% of our total liabilities as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively.

The following table sets forth the breakdown of our bank loans and other borrowings by current and non-current classification as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current	5,675	–	12,552	53,691
Current	385,306	372,357	462,799	425,068
Total bank loans and other borrowings	**390,981**	**372,357**	**475,351**	**478,759**

Our interest-bearing bank loans and other borrowings are at fixed-rate and at variable rate. As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, the effective interest rate of our fixed-rate bank loans and other borrowings ranged from 2.5% to 5.2%, 2.5% to 5.1%, 3.5% to 8.0% and 3.2% to 8.3% per annum, respectively. As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, the effective interest rate of our variable-rate bank loans and other borrowings ranged from one year loan prime rate to one year loan prime rate plus 0.7175%, one year loan prime rate to one year loan prime rate plus 0.7175%, one year loan prime rate to one year loan prime rate plus 0.7% and one year loan prime rate to one year loan prime rate plus 0.6% per annum, respectively.

The following table sets forth the breakdown of our bank loans and other borrowings by maturity as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	385,306	372,357	462,799	425,068
After 1 year but within 2 years	5,675	–	11,371	43,680
After 2 years but within 5 years	–	–	1,181	10,011
Total bank loans and other borrowings	**390,981**	**372,357**	**475,351**	**478,759**

During the Track Record Period, our bank loans and other borrowings included secured and unsecured bank loans and other borrowings. The following table sets forth the breakdown of our bank loans and other borrowings by secured and unsecured bank loans and other borrowings as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	370,857	356,402	437,477	468,759
Unsecured	20,124	15,955	37,874	10,000
Total bank loans and other borrowings	**390,981**	**372,357**	**475,351**	**478,759**

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, our certain assets were pledged as security for our bank loans and other borrowings, the breakdown of which is as follows as at the dates indicated:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights	31,579	30,452	29,325	28,480
Plants and buildings	38,920	36,012	33,045	30,864
Machinery and equipment, office and other equipment and motor vehicles	–	–	11,880	6,651
Total carrying amount of pledged assets	**70,499**	**66,464**	**74,250**	**65,995**

Certain facilities granted to our Group were guaranteed by Mr. Gao Feng, the controlling shareholder, and his spouse Ms. Leng Yuemei, Mr. Zhang Jiaan, the controlling shareholder, and Ms. Yin Qin, the key management personnel. All the below mentioned guarantees will be released upon Listing.

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees for granting bank loans and other borrowings	252,400	266,000	290,533	304,389

Our bank loans and other borrowings decreased by approximately RMB18.6 million from approximately RMB391.0 million as at 31 December 2021 to approximately RMB372.4 million as at 31 December 2022. Such decrease was mainly due to our net repayments. Our bank loans and other borrowings increased by approximately RMB103.0 million from approximately RMB372.4 million as at 31 December 2022 to approximately RMB475.4 million as at 31 December 2023. Such increase was mainly due to our net drawdowns for expansion. Our bank loans and other borrowings remained stable at approximately RMB475.4 million and RMB478.8 million as at 31 December 2023 and 30 September 2024, respectively.

Lease liabilities

The following table sets forth the breakdown of our lease liabilities by time band as at the dates indicated:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
– Within 1 year	21,538	24,530	23,561	23,420
Non-current:				
– after 1 year but within 2 years	17,313	16,960	21,199	21,613
– after 2 years but within 5 years	41,932	46,030	40,024	42,654
– after 5 years	23,482	18,960	15,310	13,326
	82,727	81,950	76,533	77,593
Total lease liabilities	**104,265**	**106,480**	**100,094**	**101,013**

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, our total lease liabilities remained relatively stable at approximately RMB104.3 million, RMB106.5 million, RMB100.1 million and RMB101.0 million, respectively.

Trade and bills payables

The following table sets forth the breakdown of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	112,537	175,819	160,721	105,581
Bills payables	50	14,800	–	–
Total trade and bills payables	**112,587**	**190,619**	**160,721**	**105,581**
Average trade and bills payables[1]	107,898	151,603	175,670	133,151

Note:

(1) Average trade and bills payables represents the average of trade and bills payables as at 31 December of the previous year and 31 December of the current year. For average trade and bills payables as at 30 September 2024, it represents the average of trade and bills payables as at 31 December 2023 and as at 30 September 2024.

Our trade and bills payables amounted to approximately RMB112.6 million, RMB190.6 million, RMB160.7 million and RMB105.6 million as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively. The increase in the balance of our trade and bills payables from as at 31 December 2021 to as at 31 December 2022 was mainly because a higher proportion of our purchase was made during the fourth quarter of FY2022, and the decrease in the balance of our trade and bills payables from as at 31 December 2022 to as at 31 December 2023 was mainly driven to the decrease in our purchase during FY2023 as we consumed our merchandise carried forward from FY2022. The decrease in the balance of our trade and bills payables from as at 31 December 2023 to as at 30 September 2024 was mainly because we settled our trade payables more promptly during 9M2024. As advised by the Industry Consultant, the COVID-19 pandemic has strained the cash flow of suppliers in the PRC, compelling them to pursue faster payments to ensure liquidity and operational stability. Furthermore, the economic uncertainties in the post-pandemic era have further intensified this need, as suppliers are increasingly focused on strengthening their cash flow management to mitigate risks and sustain their businesses in a volatile market environment.

The following is an ageing analysis of our trade and bills payables as at the dates indicated, based on the invoice date:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	82,412	141,860	116,819	82,307
Over 3 months but within 12 months	10,422	23,364	30,587	12,082
Over 12 months	19,753	25,395	13,315	11,192
Total trade and bills payables	**112,587**	**190,619**	**160,721**	**105,581**

All of our trade and bills payables are expected to be settled within one year or repayable on demand.

The following table sets forth the average turnover dates of trade and bills payables for the years indicated:

	FY2021	FY2022	FY2023	9M2024
	(days)	*(days)*	*(days)*	*(days)*
Average turnover days of trade and bills payables(1)	34.2	53.9	58.3	45.7

Note:

(1) Average turnover days of trade and bills payable equal average trade and bills payables divided by cost of sales for the year and multiplied by 365. Average trade and bills payables are calculated as trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year, divided by two. For the purpose of illustration, average turnover days of trade and bills payables for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

The increase in our average turnover days of trade and bills payables from approximately 34.2 days for FY2021 to approximately 53.9 days for FY2022 was mainly because we adjusted our payment timeline slightly to manage our cash flow in light of COVID-19. During FY2023, we continued with our practice and our average turnover days of trade and bills payable increased slightly to approximately 58.3 days for FY2023. For 9M2024, our annualised average turnover days of trade and bills payables was approximately 45.7 days.

As at 28 February 2025, approximately RMB86.6 million, or 82.1%, of our trade and bills payables as at 30 September 2024 were subsequently settled.

Other payables and accruals

The following table sets forth the breakdown of our other payables and accruals by nature as at the dates indicated:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payable for staff related costs	17,686	17,246	16,773	10,822
Deposits received	14,441	29,563	11,746	10,664
Other taxes payable	8,867	5,422	4,145	12,527
Others	4,583	12,253	13,091	26,743
Total other payables and accruals	**45,577**	**64,484**	**45,755**	**60,756**

Payable for staff related costs mainly represented salaries and bonus payables. As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, our payable for staff related costs remained relatively stable at appropriately RMB17.7 million, RMB17.2 million, RMB16.8 million and RMB10.8 million, respectively. The decrease in the balance as at 30 September 2024 was mainly because the bonus accrued as at 31 December 2023 was paid during 9M2024.

Deposits received mainly represented guaranteed deposits from suppliers and other miscellaneous deposits received. Included in the balance as at 31 December 2022 was a balance of approximately RMB18.4 million representing an advanced payment from a customer (Company X) for a sales order. In an effort to fulfil such sales order, we placed purchase orders to a supplier (Company Y) and made prepayment to Company Y. For details of our prepayment to Company Y, please refer to the paragraph headed "Description of certain line items in the consolidated statements of financial position – Prepayments, deposits and other receivables" in this section. Subsequently, as Company Y delayed in the shipment of goods which led to us not being able to promptly deliver the procurement orders to Company X, during FY2023 Company X, Company Y and our Group entered into a tripartite agreement, pursuant to which Company shall deliver the goods directly to Company X, and Company X's advanced payment to us of approximately RMB18.4 million and our prepayment to Company Y of approximately RMB18.0 million shall be offset and be regarded as duly settled. Our balance of deposits received remained relatively stable at approximately RMB11.7 million and RMB10.7 million as at 31 December 2023 and 30 September 2024, respectively.

Other taxes payable mainly included value-added tax payable. The increase in our other taxes payable from approximately RMB4.1 million as at 31 December 2023 to approximately RMB12.5 million as at 30 September 2024 was mainly driven by the increase in value-added tax payable, which was primarily due to the timing of our suppliers issuing their value-added tax invoices.

As disclosed in the paragraphs headed "History and Development – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" and "Business – Our product portfolio – Cessation of sales of tobacco products and disposal of tobacco product inventory assets" in this prospectus, our Group ceased the sales of tobacco products on 31 December 2023. The increase in others from approximately RMB13.1 million as at 31 December 2023 to approximately RMB26.7 million as at 30 September 2024 was mainly driven by the increase in the balance collected on behalf in respect of sales of tobacco products.

Contract liabilities

Our contract liabilities mainly comprised advance receipts from customers and prepaid cards. The following table sets forth the breakdown of our contract liabilities as at the dates indicated:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance receipts from customers	43,696	62,236	47,273	46,676
Prepaid cards	63,703	64,271	62,042	66,499
Advance receipts from operating lease	2,555	2,635	1,742	1,795
Customer loyalty program points liability	1,481	1,062	1,063	988
Total contract liabilities	**111,435**	**130,204**	**112,120**	**115,958**

Advanced receipts from customers

Our advance receipts from customers represented the amounts of consideration received in advance as prepayments by customers which were short term as the respective revenue was expected to be recognised within a few days when the goods are delivered to customers. As at 28 February 2025, approximately RMB39.0 million, or 83.6%, of advanced receipts from customers as at 30 September 2024 were subsequently recognised as revenue.

Prepaid cards

Prepaid cards represented the consideration prepaid by the customers to the cards which can be redeemed upon the customers purchasing our merchandise products. Our prepaid cards are not subject to expiry dates and are transferrable. Revenue is recognised when customers accept the products so revenue from prepaid cards is recognised when the prepaid cards are redeemed by customers. Based on recent trends in redemption by customers of the prepaid cards, it is expected that most of the prepaid cards will be redeemed within one year from purchase. During the Track Record Period and up to the Latest Practicable Date, we did not make any forfeiture in respect of prepaid cards.

Approximately RMB25.2 million or 39.6% of the balance as at 31 December 2021 was subsequently recognised as revenue for FY2022; approximately RMB25.1 million or 39.0% of the balance as at 31 December 2022 was subsequently recognised as revenue for FY2023; and approximately RMB17.8 million or 28.7% of the balance as at 31 December 2023 was subsequently recognised as revenue for 9M2024.

Customer loyalty program points liability

Our Group operates customer loyalty programs for sales to retail customers where points can be earned by customers and to be used to reduce the cost of future purchases. The contract liability in respect of unredeemed retail customer loyalty points will be recognised as revenue when the points are redeemed by those customers or expire, which is expected to occur before the end of the following year based on the expiry terms of the loyalty points. The balances as at 31 December 2021, 31 December 2022 and 31 December 2023 had been fully subsequently recognised as revenue for FY2022, FY2023 and 9M2024, respectively.

The following table sets forth the movement of our contract liabilities during the Track Record Period:

	Advance receipts from customers	**Prepaid cards**	**Advance receipts from operating lease**	**Customer loyalty program points liability**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	106,289	59,675	1,249	1,255	168,468
Increase in contract liabilities excluding amounts recognised as revenue during the year	43,696	28,623	2,555	1,481	76,355
Less: decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(106,289)	(24,595)	(1,249)	(1,255)	(133,388)

	Advance receipts from customers	Prepaid cards	Advance receipts from operating lease	Customer loyalty program points liability	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021 and 1 January 2022	**43,696**	**63,703**	**2,555**	**1,481**	**111,435**
Increase in contract liabilities excluding amounts recognised as revenue during the year	62,236	25,744	2,635	1,062	91,707
Less: decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(43,696)	(25,206)	(2,555)	(1,481)	(79,938)
As at 31 December 2022 and 1 January 2023	**62,236**	**64,271**	**2,635**	**1,062**	**130,204**
Increase in contract liabilities excluding amounts recognised as revenue during the year	26,294	22,848	1,742	1,063	51,947
Less: decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(41,257)	(25,077)	(2,635)	(1,062)	(70,031)
As at 31 December 2023 and 1 January 2024	**47,273**	**62,042**	**1,742**	**1,063**	**112,120**
Increase in contract liabilities excluding amounts recognised as revenue during the period	46,676	22,243	1,795	988	71,702
Transferred to other payables and accruals	(20,979)	–	–	–	(20,979)
Less: decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the period	(26,294)	(17,786)	(1,742)	(1,063)	(46,885)
As at 30 September 2024	46,676	66,499	1,795	988	115,958

As at 31 January 2025, approximately RMB49.2 million, or 42.4%, of our contract liabilities as at 30 September 2024 were subsequently recognised as revenue.

Taxation payable

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, our taxation payable amounted to approximately RMB7.4 million, RMB14.2 million, RMB15.0 million and RMB14.4 million, respectively. The following table sets forth the movement of our taxation payable during the Track Record Period:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Taxation payable – at beginning of the year/period	8,415	7,432	14,220	15,027
Provision for income tax	17,133	17,655	20,210	14,141
Tax paid	(18,116)	(10,867)	(19,403)	(14,745)
Taxation payable – at end of the year/period	**7,432**	**14,220**	**15,027**	**14,423**

SELECTED FINANCIAL RATIOS

The following tables set forth certain key financial ratios as at/for the years/period ended 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024:

	As at/For the years ended 31 December			As at/ For the nine months ended 30 September
	2021	**2022**	**2023**	**2024**
Gross profit margin(1)	19.7%	22.7%	21.5%	20.7%
Net profit margin(2)	2.4%	3.8%	3.7%	2.4%
Return on equity(3)	8.8%	11.4%	10.5%	6.2%
Return on assets(4)	3.0%	3.8%	3.7%	2.3%
Current ratio(5)	1.1	1.2	1.3	1.4
Quick ratio(6)	0.7	0.8	0.9	1.0
Gearing ratio(7)	78.2%	70.1%	68.8%	83.3%
Interest coverage ratio(8)	3.6	4.2	4.5	3.2

Notes:

(1) Gross profit margin represents gross profit for the year/period divided by total revenue for the respective year/period.

(2) Net profit margin represents profit for the year/period divided by total revenue for the respective year/period.

(3) Return on equity represents profit for the year/period divided by total equity as at the end of that year/period. For the purpose of illustration, return on equity for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

(4) Return on assets represents profit for the year/period divided by total assets as at the end of that year/period. For the purpose of illustration, return on assets for 9M2024 is calculated on an annualised basis, and may not represent the ratio for the year ended 31 December 2024.

(5) Current ratio represents total current assets divided by total current liabilities as at the relevant year/period end.

(6) Quick ratio represents total current assets less inventories divided by total current liabilities as at the relevant year/period end.

(7) Gearing ratio represents total bank loans and other borrowings and lease liabilities, less cash and cash equivalents, divided by total equity as at the relevant year/period end.

(8) Interest coverage ratio represents profit before net finance costs and taxation divided by net finance costs for the relevant year/period.

Gross profit margin

Our gross profit margin was approximately 19.7%, 22.7%, 21.5% and 20.7% for FY2021, FY2022, FY2023 and 9M2024, respectively. For analysis of our gross profit margin, please refer to the paragraph headed "Principal components of the consolidated statements of profit or loss – Gross profit and gross profit margin" in this section.

Net profit margin

Our net profit margin was approximately 2.4%, 3.8%, 3.7% and 2.4% for FY2021, FY2022, FY2023 and 9M2024, respectively. Please refer to the paragraph headed "Review of results of operations" in this section.

Return on equity

Our return on equity increased from approximately 8.8% for FY2021 to approximately 11.4% for FY2022. Such increase for FY2022 were mainly driven by the increase in our net profit for FY2022.

Our return on equity remained relatively stable at approximately 11.4% and 10.5% for FY2022 and FY2023, respectively.

For 9M2024, our annualised return on equity was approximately 6.2%.

Return on assets

Our return on assets increased from approximately 3.0% for FY2021 to approximately 3.8% for FY2022. Such increase for FY2022 were mainly driven by the increase in our net profit for FY2022.

Our return on assets remained relatively stable at approximately 3.8% and 3.7% for FY2022 and FY2023, respectively.

For 9M2024, our annualised return on assets was approximately 2.3%.

Current ratio

Our current ratio was approximately 1.1, 1.2, 1.3 and 1.4 as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively. For analysis of our net current assets, please refer to the paragraph headed "Liquidity and capital resources – Net current assets" in this section.

Quick ratio

Our quick ratio was approximately 0.7, 0.8, 0.9 and 1.0 as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively. Our quick ratio was below 1.0 as inventories are our material assets, which constituted approximately 24.3%, 24.3%, 18.9% and 22.7% of our total assets as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024, respectively. During the Track Record Period, we did not have prolonged average inventory turnover days. For FY2021, FY2022 and FY2023, our average inventory turnover days were approximately 77.5 days, 108.5 days and 97.9 days, respectively. For 9M2024, our annualised average inventory turnover days was approximately 100.2 days.

Gearing ratio

Our gearing ratio decreased from approximately 78.2% as at 31 December 2021 to approximately 70.1% as at 31 December 2022, mainly due to the slight decrease in our bank loans and other borrowings. Our gearing ratio decreased from approximately 70.1% as at 31 December 2022 to approximately 68.8% as at 31 December 2023, mainly due to decrease in bank loans and other borrowings. Our gearing ratio increased from approximately 68.8% as at 31 December 2023 to approximately 83.3% as at 30 September 2024, mainly due to the decrease in our cash and cash equivalents as we recorded net cash used in operating, investing and financing activities for 9M2024.

Interest coverage ratio

Our interest coverage ratio increased from approximately 3.6 times for FY2021 to approximately 4.2 times for FY2022, mainly due to the increase in profit before interest and taxation. For FY2023, our interest coverage ratio remained stable at approximately 4.5 times. Our interest coverage ratio decreased to approximately 3.2 times for 9M2024, mainly due to decrease in our profit before taxation primarily driven by the increase in our Listing expenses for 9M2024.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprised expenditures for additions of property, plant and equipment. Our additions of property, plant and equipment amounted to approximately RMB78.7 million, RMB53.5 million, RMB60.1 million and RMB45.1 million for FY2021, FY2022, FY2023 and 9M2024, respectively.

Our current plan with respect to future capital expenditures is subject to changes based on the evolution of our business plan, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

INDEBTEDNESS

During the Track Record Period and at the close of business on 31 January 2025, being the latest practicable date on which such information was available to us, our Group did not have any indebtedness except for those disclosed below.

During the Track Record Period and up to 31 January 2025, apart from intra-group liabilities and those disclosed below, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

As at 31 January 2025, our unutilised banking facilities amounted to approximately RMB69.4 million.

Our indebtedness comprised bank borrowings and lease liabilities. The following table sets forth our indebtedness as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 January
	2021	**2022**	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Non-current liabilities					
Bank loans and other borrowings	5,675	–	12,552	53,691	58,875
Lease liabilities	82,727	81,950	76,533	77,593	74,739
	88,402	81,950	89,085	131,284	133,614
Current liabilities					
Bank loans and other borrowings	385,306	372,357	462,799	425,068	425,151
Lease liabilities	21,538	24,530	23,561	23,420	25,080
	406,844	396,887	486,360	448,488	450,231
Total	**495,246**	**478,837**	**575,445**	**579,772**	**583,845**

Our Directors confirmed that as at the Latest Practicable Date, the agreements under our borrowings did not contain any material covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirmed that we had no defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirmed that (i) during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings, or breach of covenants; and (ii) there has been no material change in our Group's indebtedness since 31 January 2025 and up to the date of this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, other than guarantees for granting bank loans (the details of which are disclosed in the paragraph headed "Description of certain line items in the consolidated statements of financial position – Bank loans and other borrowings" in this section) and remuneration of key management personnel of our Group, our major related party transactions can be classified into the following categories: (i) sales of goods; and (ii) purchase of property, plant and equipment.

For FY2021, FY2022, FY2023 and 9M2024, we recognised revenue for sales of goods of approximately RMB71,000, RMB64,000, nil and nil from our related parties, respectively.

For FY2021, FY2022, FY2023 and 9M2024, we purchased property, plant and equipment of approximately RMB647,000, nil, RMB89,000 and nil from our related parties, respectively.

For details of the related party transactions, please refer to Note 29 to the Accountants' Report. Our Directors confirm that, all our related party transactions during the Track Record Period were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Group and our Shareholders as a whole, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments as at the dates indicated which were not provided in the consolidated financial statements:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised and contracted for	6,744	521	425	1,191

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

CONTINGENT LIABILITIES

Our Directors confirm that, as at the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

FINANCIAL RISKS AND CAPITAL MANAGEMENT

Our Group is exposed to credit risk, liquidity risk, interest rate risk and currency risk in the normal course of our business. For details of these risks and our financial risk management policies and practices to manage these risks, please refer to Note 27 to the Accountants' Report.

Our primary objectives when managing capital are to safeguard our ability to continue as a going concern. We monitor our capital structure on the basis of an adjusted net debt-to-capital ratio. For details, please refer to Note 26(e) to the Accountants' Report.

DIVIDENDS

No dividend has been paid or declared by our Company during the Track Record Period and up to the date of this prospectus.

Currently, we do not have a formal dividend policy or a pre-determined dividend distribution ratio. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account of factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

DISTRIBUTABLE RESERVES

As at 30 September 2024, our Company had retained profits of RMB90.3 million. The retained profits are reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the paragraph headed "A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets" set out in Appendix IIA to this prospectus.

LISTING EXPENSES

The total amount of Listing expenses in connection with the Global Offering, including underwriting commissions, is estimated to be approximately RMB38.9 million (equivalent to approximately HK$42.2 million) (based on the mid-point of the indicative Offer Price range), representing approximately 28.6% of our estimated gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised). We estimate that our Listing expenses will comprise (i) underwriting-related expenses, including underwriting commission, of approximately RMB8.1 million; and (ii) non underwriting-related expenses of approximately RMB30.8 million, including (a) fees paid and payable to legal advisers and reporting accountant of approximately RMB17.6 million; and (b) other fees and expenses including sponsor fee of approximately RMB13.2 million. The Listing expenses of: (i) approximately RMB14.8 million (equivalent to approximately HK$16.1 million) is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard; and (ii) approximately RMB24.1 million (equivalent to approximately HK$26.1 million) has been or is to be charged to the consolidated statements of profit or loss, of which (a) nil, approximately RMB1.7 million, RMB3.4 million and RMB7.3 million have been charged for FY2021, FY2022, FY2023 and 9M2024, respectively; and (b) nil and approximately RMB11.7 million is expected to be charged for the three months ended 31 December 2024 and the three months ending 31 March 2025, respectively, prior to or upon Listing. Expenses in relation to the Listing are non-recurring in nature.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business operation remained stable after the Track Record Period and up to the date of this prospectus and there was no material adverse change to our business and its industry, market or regulatory environment. Subsequent to the Track Record Period and up to the date of this prospectus, wholesale and retail operations continued to be our main stream of revenue. In addition, (i) as at the Latest Practicable Date, the number of our supermarkets remained stable at 51 and the number of our convenience stores increased two to 109, respectively; and (ii) subsequent to the Track Record Period and up to the Latest Practicable Date, we had commenced business relationship with not less than 30 wholesale customers and 10 suppliers.

Based on our unaudited financial information for the year ended 31 December 2024 as set out in Appendix IIB to this prospectus, our Directors expect that, there will be a decrease in our net profit for the year ended 31 December 2024 as compared to that for FY2023, which was primarily attributable to (i) the decrease in our revenue from our retail operations mainly driven by the decrease in revenue from sales of food as a result of the change in food consumption behaviour of consumer and our cessation of sales of tobacco products as disclosed above; and (ii) the increase in Listing expenses, and was partially offset by the increase in our revenue from our wholesale operations mainly driven by the increase in revenue from sales of food as a result of the change in food consumption behaviour of consumer as disclosed above. For further details, please refer to the section headed "Unaudited Preliminary Financial Information for the year ended 31 December 2024" in Appendix IIB to this prospectus. The unaudited financial information in respect of our consolidated statement of financial position as at 31 December 2024, our consolidated statement of profit or loss, our consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the section headed "Unaudited Preliminary Financial Information for the year ended 31 December 2024" in Appendix IIB to this prospectus has been agreed by the Reporting Accountants to the amounts set out in the Group's unaudited consolidated financial statements for the year ended 31 December 2024 following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountants on the unaudited preliminary financial information.

Our Directors expect that there will be a decrease in our net profit for the year ending 31 December 2025 as compared to that for the year ended 31 December 2024, which is primarily attributable to (i) the increase in Listing expenses; (ii) increase in professional service fee for compliance following the Listing; and (iii) the increase in relocation expenses in respect of our relocation plan in respect of Muyuan Central Kitchen (the details of which is disclosed in the paragraph headed "Business – Non-compliance – (1) Failure to obtain certain land use right certificates and property ownership certificates – current status and remedies" in this prospectus).

After due and careful considerations, our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 September 2024, and there had been no events since 30 September 2024 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I.

FUTURE PLANS

For a detailed description of our future plans, please refer to the paragraph headed "Business – Our business strategies" in this prospectus.

REASONS FOR LISTING AND USE OF PROCEEDS

Our Company is seeking the Listing in order to (i) satisfy our genuine funding need for our business expansion; (ii) enhance our corporate profile and competitiveness; (iii) enable us to access an efficient and sustainable fund raising platform; and (iv) attract and retain talents.

As stated in our business strategies, we aim to further strengthen our market position, increase our market share and capture the growth in the PRC retail industry. We intend to achieve our business objective mainly through (i) expanding our presence and number of Retail Stores; (ii) expanding our warehousing capacity by establishing a new distribution centre; (iii) expanding our processing capacity of meals by establishing a new central kitchen; and (iv) enhancing our ERP system and infrastructure systems to improve our operational efficiency. The net proceeds from the Global Offering will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in the paragraph headed "Business – Our business strategies" in this prospectus.

We have genuine funding need for our business expansion

According to the Industry Report, the retail sales of chain supermarkets in the central region of Jiangsu Province is forecasted to grow from approximately RMB20.6 billion in 2024 to RMB22.5 billion in 2027 at a CAGR of approximately 3.1%. The retail sales of convenience stores in the central region of Jiangsu Province is expected to grow from approximately RMB7.85 billion in 2024 to RMB10.74 billion in 2027 at a CAGR of approximately 11.0%. Driven by the strong economic growth momentum and increasing income and expenditure level, the retail sales of chain supermarkets and convenience stores in the central region of Jiangsu Province is expected to maintain a steady growth. The sales of prepared food in the central region of Jiangsu Province is forecasted to grow from approximately RMB10.64 billion in 2024 to RMB19.78 billion in 2027 at a CAGR of approximately 22.96%. Our Directors believe that there will be strong demand for prepared food in the central region of Jiangsu Province mainly attributable to the fast-paced lifestyle of PRC citizens and increasing awareness on nutritional value and safety of food.

In view of the said expected market growth and in line with our strategies to expand our Retail Stores and meal business, our Directors believe that the proceeds from the Global Offering will enable us to leverage the market growth and deepen our market penetration by implementing our business strategies.

Our Directors consider that it is necessary to maintain a sufficient level of working capital as our Group generally relied on cash inflows from customers to meet payment obligations to our suppliers as well as to meet the expenses required in the daily operations of our Group during the Track Record Period. Our Group in the past generally relied upon our internal resources for the purposes of business expansion. However, our Directors consider that such resources are only sufficient for our Group for expansion on a limited scale. Moreover, were our Group to only utilise our internal resources, our Directors believe that our Group would not be able to capitalise upon the growth opportunities in the chain supermarket and convenience store market and prepared food market in the PRC and there is no guarantee that our Group's internal resources can continue to provide sufficient capital, or that our Group will be able to obtain sufficient bank borrowings on favourable terms, prior to the full implementation of our Group's proposed and future business strategies.

A listing status would enhance our corporate profile and competitiveness

Our Directors believe that achieving a listed status is crucial to the long-term growth of our Group and to compete with our competitors. We believe that the Listing could attract potential customers and suppliers which are more willing to establish business relationships with listed companies. It may also generate reassurance amongst our existing customers and suppliers and can potentially lead to more business opportunities, such as obtaining distribution rights of more products in the central region of Jiangsu Province from more well-established or upcoming international and domestic brands. Our Directors consider a listing status would enhance our competitiveness among our industry peers.

As such, apart from the proceeds from the Global Offering, our Directors consider that a listing status would bring intangible benefits to our Group and fuel the future growth of our Group.

A listing status would enable us to access an efficient and sustainable fund raising platform

The Listing will provide a broader shareholder base and a market for the trading of the Shares to our Company. The Listing will allow institutional, professional and other investors in Hong Kong to invest in our Company. In addition, our Directors are of the view that the Listing will enable our Group to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future. On the contrary, debt financing does not offer such similar advantages.

Our Directors consider that the net proceeds from the Listing will also assist us in any future debt financing, if necessary. Being a private company without listing status, our Directors consider it would be difficult for us to obtain debt financing without guarantees or other collaterals to be provided by our Controlling Shareholders. As there will be more stringent financial reporting requirements under the Listing Rules for companies with a listing status, banks will be able to evaluate our financial position more effectively, and hence, the approval process for any future borrowings can be smoothened. We will have more flexibility in the management of our cash flow as a result of the better accessibility to banking facilities.

We have to attract and retain talents

Our Directors believe that human resources are valuable assets for the long-term growth of our business and consider that experienced and talented personnel may be more willing to work at listed companies. We believe that a listing status would help attract more experienced staff and talented people to join our management team in the future, as well as retaining our existing staff. Our Directors are of the view that a listing status will also improve our existing staff's work morale, thereby improving the quality of our services which is beneficial to our long-term development.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK$105.1 million, assuming an Offer Price of HK$2.75 per Share, being the mid-point of the Offer Price range stated in this prospectus and the Over-allotment Option is not exercised.

We currently intend to apply these net proceeds for the following purposes:

- approximately RMB30.0 million (equivalent to approximately HK$32.5 million), or approximately 30.9% of the net proceeds from the Global Offering will be used for the opening of new Retail Stores, of which (i) approximately RMB9.0 million (equivalent to approximately HK$9.7 million) will be used for store renovation; (ii) approximately RMB8.7 million (equivalent to approximately HK$9.4 million) will be used for purchase of shelves; (iii) approximately RMB8.1 million (equivalent to approximately HK$8.8 million) will be used for purchase of cold storage facilities, lightings, air-conditioning, CCTV surveillance system and POS system; and (iv) approximately RMB4.2 million (equivalent to approximately HK$4.6 million) will be used for installation of fire safety system. The total capital expenditure of the opening of new Retail Stores is currently estimated to be approximately RMB32.4 million (equivalent to approximately HK$35.1 million) of which, approximately RMB30.0 million (equivalent to approximately HK$32.5 million) will be financed with the net proceeds from the Global Offering, and approximately RMB2.4 million (equivalent to approximately HK$2.6 million) will be financed by our internal resources;

- approximately RMB40.0 million (equivalent to approximately HK$43.3 million), or approximately 41.2% of the net proceeds from the Global Offering will be used for establishing a new distribution centre (the "**New Distribution Centre**"), of which (i) approximately RMB14.4 million (equivalent to approximately HK$15.6 million) will be used to acquire a parcel of land located in Jiangdu District, Jiangsu Province, the PRC with a total site area of approximately 13,000 sq. m. We plan to use 10,000 sq.m. of the land for the construction of the New Distribution Centre; (ii) approximately RMB17.7 million (equivalent to approximately HK$19.2 million) will be used for the construction of the New Distribution Centre; and (iii) approximately RMB7.9 million (equivalent to approximately HK$8.5 million) will be used for acquiring shelves, lightings and ancillary facilities and installing fire safety system. The capital expenditure for establishing the New Distribution Centre is currently estimated to be approximately RMB45.5 million (equivalent to approximately HK$49.3 million), of which RMB40.0 million (equivalent to approximately HK$43.3 million) will be financed with the net proceeds from the Global Offering, and approximately RMB5.5 million (equivalent to approximately HK$6.0 million) will be financed by our internal resources;

- approximately RMB26.0 million (equivalent to approximately HK$28.1 million), or approximately 26.8% of the net proceeds from the Global Offering will be used for establishing a new central kitchen (the "**New Central Kitchen**") for meals, of which (i) approximately RMB4.8 million (equivalent to approximately HK$5.2 million) will be used for construction of the New Central Kitchen; (ii) approximately RMB9.7 million (equivalent to approximately HK$10.5 million) will be used for acquiring machines and equipment; (iii) approximately RMB10.0 million (equivalent to approximately HK$10.8 million) will be used for acquiring and installing fire safety system, ventilation system, cold storage facilities, utilities, air-conditioning, CCTV surveillance system and ancillary facilities; and (iv) approximately RMB1.5 million (equivalent to approximately HK$1.6 million) will be used for acquiring additional vehicles for the delivery of meals to our customers. The capital expenditure for establishing the New Central Kitchen is currently estimated to be approximately RMB29.3 million (equivalent to approximately HK$31.7 million), of which RMB26.0 million (equivalent to approximately HK$28.2 million) will be financed with the net proceeds from the Global Offering, and approximately RMB3.3 million (equivalent to approximately HK$3.5 million) will be financed by our internal resources; and

- approximately RMB1.1 million (equivalent to approximately HK$1.2 million), or approximately 1.1% of the net proceeds from the Global Offering, will be used for enhancing our ERP system and infrastructure systems to improve our operational efficiency. The capital expenditure for the upgrade of our ERP system and infrastructure systems is currently estimated to be approximately RMB8.5 million (equivalent to approximately HK$9.3 million) in aggregate of which, approximately RMB1.1 million (equivalent to approximately HK$1.2 million) will be financed with the net proceeds from the Global Offering, and approximately RMB7.4 million (equivalent to approximately HK$8.1 million) will be financed by our internal resources.

Assuming the Over-allotment Option is not exercised at all, if the Offer Price is set at HK$3.00 per Share (being the high end of the Offer Price range), the net proceeds from the Global Offering will increase to approximately HK$117.7 million.

Assuming the Over-allotment Option is not exercised at all, if the Offer Price is set at HK$2.50 per Share (being the low end of the Offer Price range), the net proceeds from the Global Offering will decrease to approximately HK$92.5 million.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

If the Over-allotment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK$20.8 million, assuming an Offer Price of HK$2.75 per Share, being the mid-point of the Offer Price range. The additional net proceeds received from the exercise of the Over-allotment Option will be applied pro rata to the above mentioned purposes. If the Over-allotment Option is exercised at the higher or lower end of the Offer Price range, we will adjust our allocation of the net proceeds for the above mentioned purposes on a pro-rata basis.

For the net proceeds of the Global Offering which are not immediately used in accordance with the purposes described above, we will only deposit such proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdiction).

Implementation plan

Purposes	Implementation targets	Estimated investments from net proceeds for the year ending 31 December 2025 and the three months ending 31 March 2026
1. Strengthen our market position further by expanding our presence and number of Retail Stores	(a) Store renovation	Approximately RMB9.0 million (equivalent to approximately HK$9.7 million)
	(b) Purchase of shelves	Approximately RMB8.7 million (equivalent to approximately HK$9.4 million)
	(c) Purchase of cold storage facilities, lightings, air-conditioning, CCTV surveillance system and POS system	Approximately RMB8.1 million (equivalent to approximately HK$8.8 million)
	(d) Installation of fire safety system	Approximately RMB4.2 million (equivalent to approximately HK$4.6 million)
	(e) Recruitment of staff for Retail Stores	Internal resources

Purposes	Implementation targets	Estimated investments from net proceeds for the year ending 31 December 2025 and the three months ending 31 March 2026
2. Expanding our warehousing capacity by establishing a new distribution centre	(a) Acquire a parcel of land located in Jiangdu District, Jiangsu Province, the PRC with a total site area of approximately 13,000 sq. m.	Approximately RMB14.4 million (equivalent to approximately HK$15.6 million)
	(b) Construction of the New Distribution Centre	Approximately RMB17.7 million (equivalent to approximately HK$19.2 million)
	(c) Acquiring shelves, lightings and ancillary facilities and installing fire safety system	Approximately RMB7.9 million (equivalent to approximately HK$8.5 million)
	(d) Recruitment of staff for the new distribution centre	Internal resources

Purposes	Implementation targets	Estimated investments from net proceeds for the year ending 31 December 2025 and the three months ending 31 March 2026
3. Expanding our processing capacity of meals by establishing a new central kitchen	(a) Construction of the New Central Kitchen	Approximately RMB4.8 million (equivalent to approximately HK$5.2 million)
	(b) Acquiring machines and equipment	Approximately RMB9.7 million (equivalent to approximately HK$10.5 million)
	(c) Acquiring and installing fire safety system, ventilation system, cold storage facilities, utilities, air-conditioning, CCTV surveillance system and ancillary facilities	Approximately RMB10.0 million (equivalent to approximately HK$10.8 million)
	(d) Acquiring additional vehicles for the delivery of meals to our customers	Approximately RMB1.5 million (equivalent to approximately HK$1.6 million)
	(e) Recruitment of staff for the new central kitchen	Internal resources
4. Enhancing our ERP system and infrastructure systems to improve our operational efficiency	Capital expenditure for the upgrade of our ERP system and infrastructure systems	Approximately RMB1.1 million (equivalent to approximately HK$1.2 million)

If there is any material change to the use of proceeds disclosed above after the Listing, we will make appropriate announcement(s) in due course.

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**") with a cornerstone investor set out below (the "**Cornerstone Investor**"), pursuant to which the Cornerstone Investor has agreed, subject to certain conditions, to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) that may be purchased for a maximum amount of approximately US$5.0 million (approximately HK$39.0 million) at the Offer Price (inclusive of the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$2.50 (being the low-end of the indicative Offer Price range stated in this prospectus), the maximum total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 15,444,000 H Shares, representing (a) approximately 28.8% of the total number of the Offer Shares, assuming the Over-allotment Option is not exercised; (b) approximately 25.1% of the total number of the Offer Shares, assuming the Over-allotment Option is fully exercised; (c) approximately 7.2% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised; and (d) approximately 7.0% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$3.00 (being the high-end of the indicative Offer Price range stated in this prospectus), the maximum total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 12,870,000 H Shares, representing (a) approximately 24.0% of the total number of the Offer Shares, assuming the Over-allotment Option is not exercised; (b) approximately 20.9% of the total number of the Offer Shares, assuming the Over-allotment Option is fully exercised; (c) approximately 6.0% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised; and (d) approximately 5.8% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$2.75 (being the mid-point of the indicative Offer Price range stated in this prospectus), the maximum total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investor would be 14,040,000 H Shares, representing (a) approximately 26.2% of the total number of the Offer Shares, assuming the Over-allotment Option is not exercised; (b) approximately 22.8% of the total number of the Offer Shares, assuming the Over-allotment Option is fully exercised; (c) approximately 6.6% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised; and (d) approximately 6.3% of the total Shares immediately upon the completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

We believe that the Cornerstone Placing will ensure a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering which will help raise the profile of our Company. In addition, the Cornerstone Placing will signify confidence of the market in our Company and our business prospects. We were directly approached by the Cornerstone Investor for potential investment opportunities.

To the best knowledge of our Company, (i) the Cornerstone Investor is an Independent Third Party and is not a connected person of our Company and its close associate; (ii) the subscription of the Offer Shares by the Cornerstone Investor is not financed directly or indirectly by our Company, Directors, Supervisors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders, or any of its subsidiaries or their respective close associates; and (iii) the Cornerstone Investor is not accustomed to take instructions from our Company, Directors, Supervisors, chief executive, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares registered in its name or otherwise held by it.

The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement, and the Cornerstone Placing will form part of the International Offering. The Cornerstone Investor has agreed to pay for the relevant Offer Shares that it has subscribed before dealings in the H Shares commence on the Stock Exchange. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, (i) the Cornerstone Investor will not have any representation on our Board; (ii) the Cornerstone Investor will not become a substantial Shareholder of our Company; or (iii) the H Shares in our Company being beneficially owned by the three largest public Shareholders will be less than 50% of the Shares in public hands for the purpose of Rule 8.08(3) of the Listing Rules.

As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by the funds of its investors. There are no side agreements or arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing or the Listing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. The Cornerstone Investor has confirmed that all necessary approvals (including approvals from its shareholders, if relevant) have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the cornerstone investment.

To the best knowledge of our Company, no preferential treatment has been granted by our Company to the Cornerstone Investor other than the preferential treatment of assured entitlement to the Cornerstone Investor following the principles as set out in Chapter 4.15 (Placing-related Matters) of the Guide for New Listing Applicants. The Offer Shares to be subscribed for by the Cornerstone Investor might be affected by the reallocation of the Offer Shares between the

International Offering and the Hong Kong Public Offering. If the total demand for Offer Shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this prospectus, the number of Offer Shares to be acquired by the Cornerstone Investor under the International Offering may be deducted on a pro rata basis to satisfy the public demands under the Hong Kong Public Offering. Further, the Joint Overall Coordinators and our Company can adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investor in their sole and absolute discretion for the purpose of satisfying Rule 8.08(3) of the Listing Rules which provides that no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public shareholders. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement of the Global Offering, which is expected to be published on or around 28 March 2025.

The Cornerstone Investor has agreed that the Joint Overall Coordinators may defer the delivery of all or any part of the Offer Shares it has subscribed for to a date later than the Listing Date. Despite having agreed to a potential delayed delivery arrangement, the Cornerstone Investor has agreed that it shall pay for the relevant Offer Shares that it has subscribed before the Listing Date, and there will be no delayed settlement of payment. The delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. There will be no delayed delivery if there is no over-allocation in the International Offering. For details of the Over-allotment Option and the stabilisation action by the Stabilising Manager, please refer to "Structure of the Global Offering – The International Offering – Over-allotment Option" and "Structure of the Global Offering – Stabilisation" in this prospectus, respectively.

OUR CORNERSTONE INVESTOR

The information about our Cornerstone Investor set forth below has been provided to our Company by the Cornerstone Investor in connection with the Cornerstone Placing:

Top Legend SPC ("Top Legend") for and on behalf of Ocean One SP

Top Legend has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be subscribed with an aggregate amount of US$5.0 million at the Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee).

Top Legend SPC is an exempted company incorporated with limited liability on 30 May 2022 and registered as a segregated portfolio company incorporated in the Cayman Islands acting for and on behalf of one of its segregated portfolios, namely Ocean One SP (being a fund incorporated in the Cayman Islands), in relation to the subscription of the Offer Shares pursuant to the Cornerstone Placing.

As at the Latest Practicable Date, each of Mr. SIT, Hon ("**Mr. Sit**") and Ms. TSANG, Karen Ka Yan ("**Ms. Tsang**") holds 50 management shares of Top Legend SPC, representing the entire number of management shares of Top Legend SPC.

Ocean One SP is a segregated portfolio of Top Legend SPC and is not a legal entity. Any action of Ocean One SP shall be taken by Top Legend SPC acting on behalf of and for the account of Ocean One SP. Ocean One SP is managed by Top Legend Global Investment Limited and EOD Holdings Limited in their capacity as the co-managers.

As at the Latest Practicable Date, Ocean Fusion Industry Group Co., Ltd, a company incorporated in the British Virgin Islands wholly-owned by Zhang Xiaoyun, held 33% of the participating shares of Ocean One SP. Save for the aforesaid, none of the investors are interested in 30% or more of the participating shares of Ocean One SP.

Zhang Xiaoyun is the beneficial owner of the entire share capital of EOD Holdings Limited and he has over 15 years of investment and entrepreneurial experience. He is currently working in the robotic industry.

Top Legend Global Investment Limited is a company incorporated in the British Virgin Islands with limited liability on 28 July 2023, and is owned as to 50% by Mr. Sit and 50% by Ms. Tsang, respectively. Both Mr. Sit and Ms. Tsang are the directors of Top Legend Global Investment Limited.

EOD Holdings Limited is a company incorporated in the British Virgin Islands with limited liability on 8 August 2024, and is wholly owned by Mr. Zhang Xiaoyun. Mr. Zhang Xiaoyun and Mr. Ma Lin are the directors of EOD Holdings Limited.

Mr. Sit invested in various types of financial assets such as private equity and stock loan. Before that, Mr. Sit was the Chief Operating Officer of a trading company, responsible for setting the strategy and overseeing business development for the luxury watches retail and wholesale company.

Ms. Tsang focuses on both pre-IPO and IPO investments, as well as fund raising for listed companies. Ms. Tsang is the founder of an investment firm, Legend Global Group Limited, which was founded in March 2015. She has led a numerous of investments in private equity, IPO, and secondary market.

The table below sets forth details of the Cornerstone Placing:

			Based on an Offer Price of HK$2.50 (being the low-end of the indicative Offer Price range)			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	Maximum gross investment amount (Note 1)	Maximum number of Offer Shares (Note 2)	Approximate % of the total number of the Offer Shares	Approximately % of the total Shares immediately upon the completion of the Global Offering	Approximately % of the total number of the Offer Shares	Approximately % of the total Shares immediately upon the completion of the Global Offering
Top Legend	US$5.0 million	15,444,000	28.83%	7.21%	25.07%	6.95%
Total	US$5.0 million	15,444,000	28.83%	7.21%	25.07%	6.95%

			Based on an Offer Price of HK$2.75 (being the mid-point of the indicative Offer Price range)			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	Maximum gross investment amount (Note 1)	Maximum number of Offer Shares (Note 2)	Approximate % of the total number of the Offer Shares	Approximately % of the total Shares immediately upon the completion of the Global Offering	Approximately % of the total number of the Offer Shares	Approximately % of the total Shares immediately upon the completion of the Global Offering
Top Legend	US$5.0 million	14,040,000	26.21%	6.55%	22.79%	6.32%
Total	US$5.0 million	14,040,000	26.21%	6.55%	22.79%	6.32%

			Based on an Offer Price of HK$3.00 (being the high-end of the indicative Offer Price range)			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
Cornerstone Investor	Maximum gross investment amount (Note 1)	Maximum number of Offer Shares (Note 2)	Approximate % of the total number of the Offer Shares	Approximately % of the total Shares immediately upon the completion of the Global Offering	Approximately % of the total number of the Offer Shares	Approximately % of the total Shares immediately upon the completion of the Global Offering
Top Legend	US$5.0 million	12,870,000	24.03%	6.01%	20.89%	5.79%
Total	US$5.0 million	12,870,000	24.03%	6.01%	20.89%	5.79%

Notes:

1. The maximum gross investment amount is inclusive of the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee.

2. Subject to rounding down to the nearest whole board lot of 1,000 H Shares.

CLOSING CONDITIONS PRECEDENTS

The subscription obligation of the Cornerstone Investor under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither of the Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon among our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters);

(c) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approvals, permissions or waivers having not been revoked prior to the commencement of dealings in the H Shares on the Main Board of the Stock Exchange;

(d) no Laws (as defined in the Cornerstone Investment Agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transaction;

(e) the representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are (as at the date of the Cornerstone Investment Agreement) and will be (as at the Listing Date or, if applicable, the Delayed Delivery Date (as defined in the Cornerstone Investment Agreement)) accurate, true and complete in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor; and

(f) our respective representations, warranties, undertakings and confirmations under the Cornerstone Investment Agreement are (as at the date of the Cornerstone Investment Agreement) and will be (as at the Listing Date or, if applicable, the Delayed Delivery Date (as defined in the Cornerstone Investment Agreement)) accurate, true and complete in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on our part.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the "**Lock-up Period**"), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that it has purchased pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Red Solar Capital Limited
CMBC Securities Company Limited
CCB International Capital Limited
CMB International Capital Limited
uSMART Securities Limited
Star River Securities Limited
Eddid Securities and Futures Limited
Innovax Securities Limited
Long Bridge HK Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 5,357,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus.

Subject to:

(a) the Stock Exchange granting the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus on the Main Board of the Stock Exchange and such listing approval and permission not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on Thursday, 27 March 2025, the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to us from the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Joint Overall Coordinators:

(i) that any statement contained in any of this prospectus and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendment thereto) (collectively, the "**Relevant Documents**"), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission of a material nature therefrom; or

(iii) any breach of a material nature of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and our Controlling Shareholders (the "**Warrantors**") pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business, prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**"); or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

(vii) the approval by the Stock Exchange of the listing of, and permission to deal in, the H Shares (including any additional H Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) we withdraw any of the Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Relevant Documents or to the issue of any of the Relevant Documents; or

(x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors, Supervisors and senior management member of our Group as set out in the section headed "Directors, Supervisors and Senior Management" in this prospectus; or

(xii) a portion of the orders in the bookbuilding process, which is considered by the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute opinion to be material to our Group as a whole; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, COVID-19, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority ("**Law(s)**"), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, or any other jurisdictions relevant to any Group Company or the Global Offering (the "**Specific Jurisdictions**"); or

(v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) any imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or

(x) any of our Directors, Supervisors and senior management members of our Group as set out in the section headed "Directors, Supervisors and Senior Management" in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his office; or

(xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director or Supervisors in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xiii) a contravention by any Group Company or any Director or Supervisors of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or

(xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Shares to be issued upon the exercise of the Over-allotment Option pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

(xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By us

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option, he/it shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the "**Relevant Shares**"); or

(b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/its shareholdings in us is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when he/it pledges or charges any securities in our Company beneficially owned by him/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by him/it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Hong Kong Underwriters

Undertakings by us

We have undertaken to each of the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue, repurchase, sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in, Shares or other securities of our Company, or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or other securities of our Company, as applicable), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company, or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-Month Period).

We have also undertaken that we will not, and will procure each other member of our Group not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, we enter into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) at any time during the First Six-Month Period, it/he shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him and the companies controlled by it/he (together, the “**Controlled Entities**”) shall not,

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him directly or indirectly through its/his Controlled Entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of H Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such H Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it/he shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he would cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholder cease to be "Controlling Shareholder" (as defined in the Listing Rules) of our Company;

(iii) in the event that it/he enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he shall take all reasonable steps to ensure that it/he will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) it/he shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, within the period from the date by reference to which disclosure of its/his shareholding in us is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

(i) when it/he pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform us and the Sole Sponsor in writing of such indications.

Underwriters' interests in our Group

Save for their respective interests and obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Save for (i) the advisory and documentation fees to be paid to the Sole Sponsor as the Sole Sponsor and one of the Joint Overall Coordinators to the Global Offering, (ii) the advisory fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rule 3A.19 of the Listing Rules, (iii) its obligations under the Underwriting Agreements and any interests in securities that may be subscribed by it pursuant to the Global Offering, neither the Sole Sponsor nor any of its associates has or may, as a result of the Global Offering, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has, or may, as a result of the Global Offering, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Global Offering).

No director or employee of the Sole Sponsor has a directorship in our Company or any other company in our Group.

The International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. Please refer to the paragraph headed "Structure of the Global Offering – The International Offering" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sponsor-Overall Coordinator on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 8,034,000 additional Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover any over-allocations in the International Offering, if any.

Total Commission and Expenses

The Capital Market Intermediaries will receive an underwriting commission of 4.5% of the aggregate Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (collectively, the "**Gross Proceeds**"). The Joint Overall Coordinators will receive 1.545% of the Gross Proceeds as the Joint Overall Coordinators' fee (together with the underwriting commission, the "**Fixed Fees**"). In addition, our Company may, at our sole and absolute discretion, pay to any one or more Capital Market Intermediaries an additional incentive fee of up to 1.5% of the Gross Proceeds (the "**Discretionary Fees**"). Assuming the

Discretionary Fees are paid in full, the ratio of Fixed Fees and Discretionary Fees payable is therefore approximately 75%:25%.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$2.75 (being the mid-point of the indicative Offer Price range), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK$42.2 million in total and are payable by us.

Indemnity

We, our Controlling Shareholders and our executive Directors have jointly and severally undertaken to indemnify each of the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to reallocation and the Over-allotment Option):

(i) the Hong Kong Public Offering of initially 5,357,000 H Shares in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offering" in this section below; and

(ii) the International Offering of an aggregate of initially 48,205,000 H Shares to be offered outside the United States in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Sponsor-Overall Coordinator, as representatives of the International Underwriters, has an option to require the Company to issue and allot up to an aggregate of 8,034,000 additional H Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital of the Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "The International Offering – Over-allotment Option" in this section below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering – Reallocation" in this section below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 5,357,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 2.50% of the Company's enlarged share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" in this section below.

Allocation

Allocation of the Hong Kong Offer Shares to applicants under the Hong Kong Public Offering will be based solely on the level of valid applications to be received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B (with any odd lots being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 2,678,000 Hong Kong Offer Shares (being approximately 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Joint Overall Coordinators, subject to the following:

(a) where the International Offer Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Joint Overall Coordinators have the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Overall Coordinators deem appropriate to satisfy demand under the International Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 5,357,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 10,714,000 Offer Shares, representing twice of the total number of the Offer Shares initially available under the Hong Kong Public Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 16,069,000 Offer Shares (in the case of (i)), 21,425,000 Offer Shares (in the case of (ii)) and 26,781,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Offer Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 5,357,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 10,714,000 Offer Shares, representing twice of the total number of the Offer Shares initially available under the Hong Kong Public Offering.

In the event of reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK$2.5 per Offer Share) according to Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B, and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Overall Coordinators may, at their sole and absolute discretion, determine. In addition, the Joint Overall Coordinators may in their discretion reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. Details of any reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the allotment results announcement of the Global Offering, which is expected to be published on or around Friday, 28 March 2025.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he/she/it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.00 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section below, is less than the maximum price of HK$3.00 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 48,205,000 H Shares representing approximately 90% of the Offer Shares under the Global Offering and approximately 22.5% of the Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing of the Global Offering" below in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell the Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Overall Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that he/she/it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "The Hong Kong Public Offering – Reallocation" in this section or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Overall Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Sponsor-Overall Coordinator has the right, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 8,034,000 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price, to cover over-allocation in the International Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the enlarged share capital of the Company immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made. The Sponsor-Overall Coordinator may also cover any over-allocations by purchasing the H Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

STABILISATION

Stabilisation is a usual practice used by underwriters in many markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases to be made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely, 8,034,000 H Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong), as amended. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the H shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimising any reduction in the market price;

(e) selling the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the H Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilising Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilising action by the Stabilising Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilising period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on Friday, 25 April 2025. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the H Shares by the Stabilising Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by applicants. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or before Thursday, 27 March 2025, and in any event no later than 12:00 noon on Thursday, 27 March 2025, by agreement between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.00 per Offer Share and is expected to be not less than HK$2.50 per Offer Share unless to be otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price stated below in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.hxsupermarket.cn**) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the offer price, if agreed upon by the Joint Overall Coordinators, on behalf of the Underwriters, and the Company, will be fixed within such revised Offer Price range.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares being offered under the Global Offering or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Overall Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of the initial Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Overall Coordinators.

The Offer Price under the Global Offering is expected to be announced on Friday, 28 March 2025. The indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, 28 March 2025 on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.hxsupermarket.cn**).

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price as stated in this Prospectus, or if our Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our H Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer with a supplemental prospectus or a new prospectus in FINI.

The level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the paragraph headed "How to Apply for Hong Kong Offer Shares – B. Publication of Results" in this prospectus.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

ADMISSION OF THE H SHARES INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 31 March 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 31 March 2025. The H Shares will be traded in board lots of 1,000 H Shares each and the stock code of the H Shares will be 2625.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on Thursday, 27 March 2025, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of the Company (**www.hxsupermarket.cn**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate Company account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Friday, 28 March 2025 but will only become valid evidence of title at 8:00 a.m. on Monday, 31 March 2025 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the paragraph headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised. Investors who trade the Offer Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.hxsupermarket.cn.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (for the **White Form eIPO** service only).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing beneficial owner of any Shares in the Company and/or any of its subsidiaries;
- are a Director or a Supervisor or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Friday, 21 March 2025 and end at 12:00 noon on Wednesday, 26 March 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO Service	**www.eipo.com.hk**	Applicants who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Friday, 21 March 2025 to 11:30 a.m. on Wednesday, 26 March 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Wednesday, 26 March 2025 Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit **electronic application instruction(s)** on your behalf through HKSCC's FINI system in accordance with your instruction	Applicants who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorised the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Hong Kong identity card ("**HKID**"); or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Legal entity identifier ("**LEI**") registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Joint Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	1,000 Shares
Permitted number of Hong Kong	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.
Offer Shares for application and amount payable on application/successful allotment	:	The maximum Offer Price is HK$3.00 per H Share. If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian. If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Offer Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

JIANGSU HORIZON CHAIN SUPERMARKET COMPANY LIMITED
(HK$3.00 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES
THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable[2] on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application HK$	No. of Hong Kong Offer Shares applied for	Amount payable[2] on application HK$
1,000	3,030.25	20,000	60,605.10	100,000	303,025.50	800,000	2,424,204.00
2,000	6,060.51	25,000	75,756.38	150,000	454,538.26	900,000	2,727,229.50
3,000	9,090.76	30,000	90,907.66	200,000	606,051.00	1,000,000	3,030,255.00
4,000	12,121.02	35,000	106,058.93	250,000	757,563.76	1,250,000	3,787,818.76
5,000	15,151.28	40,000	121,210.20	300,000	909,076.50	1,500,000	4,545,382.50
6,000	18,181.54	45,000	136,361.48	350,000	1,060,589.26	1,750,000	5,302,946.26
7,000	21,211.79	50,000	151,512.76	400,000	1,212,102.00	2,000,000	6,060,510.00
8,000	24,242.05	60,000	181,815.30	450,000	1,363,614.76	2,250,000	6,818,073.76
9,000	27,272.30	70,000	212,117.86	500,000	1,515,127.50	2,678,000[1]	8,115,022.89
10,000	30,302.56	80,000	242,420.40	600,000	1,818,153.00		
15,000	45,453.83	90,000	272,722.96	700,000	2,121,178.50		

Notes:

(1) Maximum number of Hong Kong Offer Share you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "– A. Applications for Hong Kong Offer Shares – 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any Offer Shares.

6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorise us and/or the Joint Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "– G. Personal Data – 3. Purposes and 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "– B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "– C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Joint Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through **White Form eIPO** service or **HKSCC EIPO** channel:		
Website	The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function. The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	24 hours, from 11:00 p.m. on Friday, 28 March 2025 to 12:00 midnight on Thursday, 3 April 2025 (Hong Kong time)
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.hxsupermarket.cn** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Friday, 28 March 2025 (Hong Kong time)
Telephone	+852 2862 8555 – the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Monday, 31 March 2025 to Thursday, 3 April 2025 (Hong Kong time)

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Thursday, 27 March 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Thursday, 27 March 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.hxsupermarket.cn** by no later than 11:00 p.m. on Friday, 28 March 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Joint Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "– A. Applications for Hong Kong Offer Shares – 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Joint Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

5. If there is money settlement failure for allotted Offer Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offer Shares. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Monday, 31 March 2025 (Hong Kong time), provided that the Global Offer has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
Despatch/collection of H Share certificate[1]		
For physical H Share certificates of equal or over 1,000,000 Hong Kong Offer Shares issued under your own name	Collection in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong **Time:** from 9:00 a.m. to 1:00 p.m. on Monday, 31 March 2025 (Hong Kong time). If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. *Note:* If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required
For physical H Share certificates of less than 1,000,000 Offer Shares issued under your own name	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk **Time:** Friday, 28 March 2025	

1 In case a Severe Weather Signal in force is hoisted on Friday, 28 March 2025, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to the paragraph headed "– E. Severe Weather Arrangements" in this section.

	White Form eIPO service	HKSCC EIPO channel
Refund mechanism for surplus application monies paid by you		
Date	Monday, 31 March 2025	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	**White Form** e-Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Wednesday, 26 March 2025 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 26 March 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement of the revised timetable will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.hxsupermarket.cn**.

If a Severe Weather Signal is hoisted on Friday, 28 March 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Monday, 31 March 2025.

If a Severe Weather Signal is hoisted on Monday, 31 March 2025:

- for physical H Share certificates of equal or over 1,000,000 Offer Shares issued under your own name, you may collect the physical H Share certificates from the H Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, 31 March 2025 or on Tuesday, 1 April 2025).

If a Severe Weather Signal is hoisted on Friday, 28 March 2025:

- for physical H Share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, 28 March 2025 or on Monday, 31 March 2025).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank(s) and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Offer Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Offer Shares and identifying any duplicate applications for the Offer Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Offer Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Offer Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the Offer Shares and/or regulators and/or any other purposes to which applicants and holders of the Offer Shares may from time to time agree.

4. Transfer of Personal Data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers and receiving bank(s);
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and

- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of Personal Data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and Correction of Personal Data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-90, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 江蘇宏信超市連鎖股份有限公司 JIANGSU HORIZON CHAIN SUPERMARKET COMPANY LIMITED* AND RED SOLAR CAPITAL LIMITED

Introduction

We report on the historical financial information of 江蘇宏信超市連鎖股份有限公司 Jiangsu Horizon Chain Supermarket Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-90, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 September 2024, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-90 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 21 March 2025 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

* *For identification purposes only*

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 Hong Kong Institute of Certified Public Accountants ("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 Company's and the Group's financial position as at 31 December 2021, 2022 and 2023 and 30 September 2024 of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2023 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividend

We refer to Note 26(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

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

21 March 2025

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by 畢馬威華振會計師事務所(特殊普通合夥)南京分所 KPMG Huazhen LLP Nanjing Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
(Expressed in Renminbi Yuan)

		Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	4	1,432,193	1,328,685	1,401,972	987,833	1,005,810
Cost of sales		(1,149,508)	(1,026,547)	(1,100,596)	(777,952)	(797,376)
Gross profit		**282,685**	**302,138**	**301,376**	**209,881**	**208,434**
Other revenue	5(a)	3,875	5,982	5,355	4,576	4,884
Other net gain	5(b)	18	225	1,244	2,919	1,116
Selling and distribution costs		(158,759)	(165,357)	(162,119)	(115,482)	(115,961)
Administrative and other operating expenses		(50,544)	(51,983)	(52,614)	(38,019)	(41,064)
Impairment loss on trade and other receivables	27(a)	(10,148)	(1,387)	(3,214)	(7,031)	(6,133)
Profit from operations		**67,127**	**89,618**	**90,028**	**56,844**	**51,276**
Finance income	6(a)	228	480	1,573	944	1,396
Finance costs	6(a)	(18,954)	(21,611)	(21,543)	(15,992)	(17,570)
Net finance costs		(18,726)	(21,131)	(19,970)	(15,048)	(16,174)
Share of losses of an associate	13	(705)	–	–	–	–
Profit before taxation		**47,696**	**68,487**	**70,058**	**41,796**	**35,102**
Income tax	7	(12,616)	(17,422)	(18,456)	(11,268)	(11,024)
Profit for the year/period		**35,080**	**51,065**	**51,602**	**30,528**	**24,078**
Attributable to:						
Equity shareholders of the Company		36,056	50,029	50,088	29,868	23,667
Non-controlling interests		(976)	1,036	1,514	660	411
Profit for the year/period		**35,080**	**51,065**	**51,602**	**30,528**	**24,078**
Earnings per share						
Basic and diluted *(RMB)*	10	0.22	0.31	0.31	0.19	0.15

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in Renminbi Yuan)

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period	35,080	51,065	51,602	30,528	24,078
Other comprehensive income for the year (after tax and reclassification adjustments)					
Item that will not be reclassified to profit or loss:					
Financial assets at fair value through other comprehensive income (FVOCI) – movement in fair value reserves (non-recycling)	2,262	(2,395)	(6,721)	(1,119)	1,408
Related tax	(566)	599	1,680	280	(352)
Other comprehensive income for the year/period	**1,696**	**(1,796)**	**(5,041)**	**(839)**	**1,056**
Total comprehensive income for the year/period	**36,776**	**49,269**	**46,561**	**29,689**	**25,134**
Attributable to:					
Equity shareholders of the Company	37,679	48,311	45,265	29,065	24,677
Non-controlling interests	(903)	958	1,296	624	457
Total comprehensive income for the year/period	**36,776**	**49,269**	**46,561**	**29,689**	**25,134**

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi Yuan)

		As at 31 December			As at 30 September
		2021	**2022**	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	11	371,456	359,490	344,227	336,343
Financial assets at FVOCI	14	37,570	35,175	28,454	29,862
Deferred tax assets	25(b)	3,310	3,325	5,091	8,138
		412,336	**397,990**	**377,772**	**374,343**
Current assets					
Inventories	15	286,376	324,018	266,267	317,589
Trade and bills receivables	16	121,191	199,930	213,779	257,649
Prepayments, deposits and other receivables	17	171,140	244,114	313,092	301,001
Restricted deposits	18	1,571	–	–	1,600
Cash and cash equivalents	19(a)	184,386	165,487	236,226	147,792
		764,664	**933,549**	**1,029,364**	**1,025,631**
Current liabilities					
Bank loans and other borrowings	20	385,306	372,357	462,799	425,068
Lease liabilities	21	21,538	24,530	23,561	23,420
Trade and bills payables	22	112,587	190,619	160,721	105,581
Other payables and accruals	23	45,577	64,484	45,755	60,756
Contract liabilities	24	111,435	130,204	112,120	115,958
Taxation payable	25(a)	7,432	14,220	15,027	14,423
		683,875	**796,414**	**819,983**	**745,206**
Net current assets		**80,789**	**137,135**	**209,381**	**280,425**
Total assets less current liabilities		**493,125**	**535,125**	**587,153**	**654,768**

		As at 31 December			As at 30 September
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans and other borrowings	20	5,675	–	12,552	53,691
Lease liabilities	21	82,727	81,950	76,533	77,593
Deferred tax liabilities	25(b)	7,212	6,395	4,727	5,009
		95,614	**88,345**	**93,812**	**136,293**
Net assets		397,511	446,780	493,341	518,475
Capital and reserves					
Share capital	26	160,685	160,685	160,685	160,685
Reserves	26	224,624	271,678	316,943	341,620
Total equity attributable to equity shareholders of the Company		**385,309**	**432,363**	**477,628**	**502,305**
Non-controlling interests		**12,202**	**14,417**	**15,713**	**16,170**
Total equity		**397,511**	**446,780**	**493,341**	**518,475**

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi Yuan)

		As at 31 December			As at 30 September
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	11	294,083	279,467	265,553	262,513
Investments in subsidiaries	12	78,317	93,317	93,817	93,317
Deferred tax assets		1,714	2,549	5,017	8,100
		374,114	**375,333**	**364,387**	**363,930**
Current assets					
Inventories	15	222,151	251,306	205,879	241,814
Trade and bills receivables	16	118,348	190,732	201,431	254,671
Prepayments, deposits and other receivables	17	184,200	214,737	293,088	226,759
Restricted deposits	18	1,571	–	–	1,600
Cash and cash equivalents	19(a)	62,662	47,231	83,147	47,852
		588,932	**704,006**	**783,545**	**772,696**
Current liabilities					
Bank loans and other borrowings	20	311,295	281,032	310,296	276,510
Lease liabilities	21	21,538	24,530	23,561	23,420
Trade and bills payables	22	106,433	180,468	143,708	100,977
Other payables and accruals	23	38,301	51,704	82,902	111,225
Contract liabilities	24	54,188	70,860	74,584	61,720
Taxation payable		4,528	9,253	11,365	11,929
		536,283	**617,847**	**646,416**	**585,781**
Net current assets		**52,649**	**86,159**	**137,129**	**186,915**
Total assets less current liabilities		**426,763**	**461,492**	**501,516**	**550,845**

		As at 31 December			As at 30 September
		2021	**2022**	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans and other borrowings	20	–	–	12,552	43,680
Lease liabilities	21	82,727	81,950	76,533	77,593
		82,727	**81,950**	**89,085**	**121,273**
Net assets		**344,036**	**379,542**	**412,431**	**429,572**
Capital and reserves					
Share capital	26	160,685	160,685	160,685	160,685
Reserves	26	183,351	218,857	251,746	268,887
Total equity		**344,036**	**379,542**	**412,431**	**429,572**

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company							
	Share capital	Capital reserve	PRC statutory reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 26(c))	*(Note 26(d)(i))*	*(Note 26(d)(ii))*					
Balance at 1 January 2021	160,685	149,253	14,725	21,551	1,416	347,630	8,276	355,906
Changes in equity for 2021:								
Profit for the year	–	–	–	–	36,056	36,056	(976)	35,080
Other comprehensive income	–	–	–	1,623	–	1,623	73	1,696
Total comprehensive income for the year	–	–	–	1,623	36,056	37,679	(903)	36,776
Capital contribution from non-controlling interests	–	–	–	–	–	–	4,900	4,900
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	(71)	(71)
Appropriation of reserve	–	–	2,704	–	(2,704)	–	–	–
Balance at 31 December 2021	160,685	149,253	17,429	23,174	34,768	385,309	12,202	397,511

	Attributable to equity shareholders of the Company							
	Share capital	Capital reserve	PRC statutory reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 26(c))	*(Note 26(d)(i))*	*(Note 26(d)(ii))*					
Balance at 1 January 2022	160,685	149,253	17,429	23,174	34,768	385,309	12,202	397,511
Changes in equity for 2022:								
Profit for the year	–	–	–	–	50,029	50,029	1,036	51,065
Other comprehensive income	–	–	–	(1,718)	–	(1,718)	(78)	(1,796)
Total comprehensive income for the year	–	–	–	(1,718)	50,029	48,311	958	49,269
Acquisition of non-controlling interests	–	(1,257)	–	–	–	(1,257)	1,257	–
Appropriation of reserve	–	–	4,240	–	(4,240)	–	–	–
Balance at 31 December 2022	160,685	147,996	21,669	21,456	80,557	432,363	14,417	446,780
Balance at 1 January 2023	160,685	147,996	21,669	21,456	80,557	432,363	14,417	446,780
Changes in equity for 2023:								
Profit for the year	–	–	–	–	50,088	50,088	1,514	51,602
Other comprehensive income	–	–	–	(4,823)	–	(4,823)	(218)	(5,041)
Total comprehensive income for the year	–	–	–	(4,823)	50,088	45,265	1,296	46,561
Appropriation of reserve	–	–	3,735	–	(3,735)	–	–	–
Balance at 31 December 2023	160,685	147,996	25,404	16,633	126,910	477,628	15,713	493,341

	Attributable to equity shareholders of the Company							
	Share capital	Capital reserve	PRC statutory reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 26(c))	*(Note 26(d)(i))*	*(Note 26(d)(ii))*					
Balance at 1 January 2024	160,685	147,996	25,404	16,633	126,910	477,628	15,713	493,341
Changes in equity for the nine months ended 30 September 2024:								
Profit for the period	–	–	–	–	23,667	23,667	411	24,078
Other comprehensive income	–	–	–	1,010	–	1,010	46	1,056
Total comprehensive income for the period	–	–	–	1,010	23,667	24,677	457	25,134
Balance at 30 September 2024	160,685	147,996	25,404	17,643	150,577	502,305	16,170	518,475
(Unaudited)								
Balance at 1 January 2023	160,685	147,996	21,669	21,456	80,557	432,363	14,417	446,780
Changes in equity for the nine months ended 30 September 2023:								
Profit for the period	–	–	–	–	29,868	29,868	660	30,528
Other comprehensive income	–	–	–	(803)	–	(803)	(36)	(839)
Total comprehensive income for the period	–	–	–	(803)	29,868	29,065	624	29,689
Balance at 30 September 2023	160,685	147,996	21,669	20,653	110,425	461,428	15,041	476,469

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Renminbi Yuan)

		Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Operating activities						
Cash (used in)/generated from operations	19(b)	(27,711)	80,902	88,622	5,908	4,120
Income tax paid	25(a)	(18,116)	(10,867)	(19,403)	(17,051)	(14,745)
Net cash (used in)/generated from operating activities		(45,827)	70,035	69,219	(11,143)	(10,625)
Investing activities						
Payment for the acquisition of property, plant and equipment		(50,627)	(26,884)	(40,731)	(33,653)	(29,058)
Proceeds from disposal of property, plant and equipment		120	2	4,115	168	482
Payment for purchases of structured deposits and wealth management products		(538,300)	(435,700)	(205,000)	(169,000)	(506,000)
Proceeds from disposal of structured deposits and wealth management products		538,672	436,063	205,260	169,167	506,207
Proceeds from disposal of interests in an associate		25,000	–	–	–	–
Dividends received		158	226	247	247	293
Interest received		228	480	1,573	944	1,396
Net cash used in investing activities		(24,749)	(25,813)	(34,536)	(32,127)	(26,680)

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	Nine months ended 30 September 2023 RMB'000 (Unaudited)	2024 RMB'000
Financing activities						
Capital element of lease rental paid	19(c)	(22,179)	(24,401)	(25,706)	(19,069)	(15,119)
Interest element of lease rental paid	19(c)	(4,990)	(4,932)	(4,485)	(3,361)	(3,330)
Proceeds from bank loans and other borrowings	19(c)	482,800	573,438	595,617	396,218	389,527
Repayment of bank loans and other borrowings	19(c)	(368,400)	(593,054)	(513,042)	(366,684)	(409,010)
Interest paid	19(c)	(13,685)	(16,549)	(16,655)	(13,479)	(12,749)
Capital contributions from non-controlling interests		4,900	–	–	–	–
Payment of dividends to non-controlling shareholders of subsidiaries		(71)	–	–	–	–
Net cash generated from/(used in) financing activities		78,375	(65,498)	35,729	(6,375)	(50,681)
Net increase/(decrease) in cash and cash equivalents		7,799	(21,276)	70,412	(49,645)	(87,986)
Cash and cash equivalents at the beginning of the year/period		178,152	184,386	165,487	165,487	236,226
Effect of foreign exchange rate changes		(1,565)	2,377	327	(214)	(448)
Cash and cash equivalents at the end of the year/period		184,386	165,487	236,226	115,628	147,792

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi Yuan)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

江蘇宏信超市連鎖股份有限公司 Jiangsu Horizon Chain Supermarket Company Limited*, (the "Company") was established in the People's Republic of China (the "PRC") on 19 October 2005 as a limited liability company. Upon approval by the Company's board meeting held on 30 September 2007, the Company was converted from a limited liability company into a joint stock company.

The Company and its subsidiaries (together, "the Group") are principally engaged in operation of retail stores and shopping malls in areas around Yangzhou, Jiangsu, sales of goods to wholesale customers and supply and sales of meals. The information of the principal subsidiaries is set out in Note 12.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards for the Track Record Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2025. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 31.

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

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Stub Period Corresponding Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the certain assets and liabilities are stated at their fair value as explained in the accounting policies as set out below.

* *For identification purposes only*

(b) Use of estimates and judgements

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

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

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

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

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

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

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

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

(d) Associates and joint ventures

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

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

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

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

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

(e) Other investments in securities

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

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

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

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

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

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

(ii) Equity investments

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

(f) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(h)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(g)).

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

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

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

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

	Estimated useful life
Plant and buildings	20–30 years
Machinery and equipment	5–10 years
Office and other equipment	3–10 years
Motor vehicles	5 years
Leasehold improvements	The shorter of the unexpired term of lease and the estimated useful lives
Right-of-use assets	Over the unexpired term of lease

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

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost less impairment losses (see Note 2(h)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(g) Leased assets

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

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

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

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

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

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

(ii) As a lessor

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

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

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Measurement of ECLs

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

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

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

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

Significant increases in credit risk

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 3 months past due.

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

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

– the financial asset is 12 months past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 12 months past due;

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

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

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

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

(i) Inventories

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

Cost is calculated using the first-in first-out method formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

(j) Contract liabilities

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

(k) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see Note 2(h)(i)).

(m) Trade and other payables (other than refund liabilities)

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

(n) Interest-bearing borrowings

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

(o) Employee benefits

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

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

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

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

(p) Income tax

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

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

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

Deferred tax is 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;

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

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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

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

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

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

(q) Provisions

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

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

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

(r) Revenue and other income

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

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

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

(i) Sale of goods

For the sale of goods from general sales, revenue is recognised when control passes to the retail customers, being the point the retail customers purchase the goods at the retail stores and shopping malls. Payment of transaction price is due immediately at the point the retail customers purchase the goods. The payment is usually settled in cash, using bank cards or by means of electronic payment.

Revenue from bulk sales of goods to retail customers is recognised when control of products has transferred, being when the products are delivered and there is no unfulfilled obligation that could affect them to accept the products. The retail customers make payments upon products delivery or according to the agreed credit terms normally for a period of 0–90 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

The Group's retail stores and shopping malls operate a customer loyalty program where points can be earned by customers which can be used to reduce the cost of future purchases. The Group allocates a portion of the consideration received to loyalty points based on the estimated relative stand-alone selling prices. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when loyalty points are redeemed or expired. The deferred revenue is included in contract liabilities.

Revenue from sales of goods to wholesale customers is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes. The wholesale customers make payments upon products delivery or according to the agreed credit terms normally for a period of 0–90 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

The Group is the principal for the sales of goods to retail and wholesale customers and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

(ii) Supply and sales of meals

The Group owns a central kitchen to produce meals daily and deliver to customers like local corporates or schools. Revenue is recognised when control passes to the customers, being the point when the meals have been delivered. The customers make payments upon the meal delivery or according to the agreed credit terms normally for a period of 0–90 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

(iii) Commission income from concessionaire sales

The Group grants concessionaire the right to operate business within retail stores and shopping malls under a concession. The Group recognises commission income from concessionaire sales upon sales of goods by concessionaire. The concessionaires will pay to the Group commission income at the higher of the minimum guaranteed commission and certain percentage of their sales in accordance with the terms of contracts. The Group receives the entire sales proceeds from customers on behalf of the concessionaires and reimburses the sales proceeds to the concessionaires after deducting its share of the commission income.

(iv) Commission income from supply of goods

The Group charges commission fees to customers from supply of goods, where the Group generally is acting as an agent and does not control the specified products provided before they are transferred to the customers. The Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified products to be provided. The commission income from sale of goods is recognised on a net basis at the point of acceptance of products.

(v) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(vi) Service income

Service income is recognised in profit or loss when the services are delivered.

(vii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost of FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(ix) Government grants

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

(s) Translation of foreign currencies

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

(t) Borrowing costs

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

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(v) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Sources of estimation uncertainty

Note 27(e) contain information about the assumptions and their risk factors relating to the fair value of financial assets. Other significant sources of estimation uncertainty are as follows:

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually. Management measures these estimates at each statement of financial position date.

(b) Loss allowance for expected credit losses

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in operation of retail stores and shopping malls in areas around Yangzhou, Jiangsu, and sales of goods to wholesale customers and supply and sales of meals.

(i) Disaggregation of revenue

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

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from contracts with customers within the scope of IFRS 15					
Sales of goods					
– general sales	751,615	613,209	616,813	472,480	362,049
– bulk sales	104,176	143,930	38,883	30,145	34,963
– wholesales	515,654	495,056	679,641	434,820	568,338
Subtotal	1,371,445	1,252,195	1,335,337	937,445	965,350
Commission income					
– concessionaire sales	32,718	30,748	32,894	21,795	20,752
– supply of goods	9,639	17,283	6,860	6,405	4,073
Subtotal	42,357	48,031	39,754	28,200	24,825
Supply and sales of meals	7,723	17,886	15,315	12,603	4,725
	1,421,525	1,318,112	1,390,406	978,248	994,900
Revenue from other sources					
Rental income from operating lease	10,668	10,573	11,566	9,585	10,910
	1,432,193	1,328,685	1,401,972	987,833	1,005,810

The Group's revenue from contracts with customers were recognised at point in time for the Track Record Period.

During the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024, nil, one, one, one (unaudited) and one customer with whom transactions have exceeded 10% of the Group's revenues. Details of concentrations of credit risk arising from the customers are set out in Note 27(a).

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

Except for the disclosures in Note 24, the Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for goods such that information about revenue expected to be recognised in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts that had an expected duration of one year or less.

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

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

5 OTHER REVENUE AND OTHER NET GAIN/(LOSS)

(a) Other revenue

	Year ended 31 December			**Nine months ended 30 September**	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Service income	2,495	3,939	3,998	3,423	4,520
Government grants	1,222	1,817	1,110	906	71
Dividends income	158	226	247	247	293
	3,875	5,982	5,355	4,576	4,884

During the years ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024, the Group received unconditional government grants of RMB1,222,000, RMB1,817,000, RMB1,110,000, RMB906,000 (unaudited) and RMB71,000, mainly as rewards of the Group's contribution to secure employment for regional employees and special funds for industrial development.

(b) Other net gain

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net realised gain on structured deposits and wealth management products	372	363	260	167	207
Net foreign exchange (loss)/gain	(112)	(155)	10	404	1,404
Net loss on disposal of an associate	(577)	–	–	–	–
Net (loss)/gain on disposal of property, plant and equipment	(4)	–	28	(50)	(390)
Compensation received from early termination of lease agreement	–	–	2,300	2,300	–
Impairment losses of property, plant and equipment and right-of-use assets	–	–	(1,490)	–	–
Others	339	17	136	98	(105)
	18	225	1,244	2,919	1,116

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Net finance costs

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income from bank deposits	(228)	(480)	(1,573)	(944)	(1,396)
Finance income	(228)	(480)	(1,573)	(944)	(1,396)
Interest expenses on bank loans and other borrowings	13,964	16,679	17,058	12,631	14,240
Interest expenses on lease liabilities	4,990	4,932	4,485	3,361	3,330
Finance costs	18,954	21,611	21,543	15,992	17,570
Net finance costs	18,726	21,131	19,970	15,048	16,174

(b) Staff costs

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and other benefits	105,095	102,249	95,561	70,130	66,709
Contribution to defined retirement plans *(Note (i))*	8,190	9,598	9,413	7,112	6,469
	113,285	111,847	104,974	77,242	73,178

Note:

(i) The employees of the subsidiaries of the Group established in the PRC participate in a defined contribution scheme managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees' salaries as agreed by the local municipal governments. Employees of these companies are entitled to benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of inventories recognised as expenses	1,137,269	1,015,224	1,089,334	770,344	789,727
Depreciation charge					
– owned property, plant and equipment	32,865	36,441	41,689	32,804	31,341
– right-of-use assets	25,924	29,023	28,048	20,938	20,767
Impairment loss on trade and other receivables	10,148	1,387	3,214	7,031	6,133
Listing expense	–	1,747	3,449	3,125	7,276

7 INCOME TAX

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

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax					
– Provision for the year/period	17,133	17,655	20,210	13,483	14,141
Deferred tax					
– Origination and reversal of temporary differences *(Note 25(b))*	(4,517)	(233)	(1,754)	(2,215)	(3,117)
	12,616	17,422	18,456	11,268	11,024

Note: Pursuant to the income tax rules and regulations of Hong Kong, the subsidiary in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

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

According to Announcement [2021] No. 12, "The Announcement of Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses" issued by Ministry of Finance of the PRC and National Tax Bureau on 2 April 2021, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 87.5% exemption of taxable income and application of income tax rate as 20% from 1 January 2021 to 31 December 2022.

According to Announcement [2022] No. 13, "The Announcement of Further Implementation of Income Tax Incentives for Small-scaled Minimal Profit Enterprise" issued by Ministry of Finance of the PRC and National Tax Bureau on 14 March 2022, the small-scaled minimal profit enterprise with an annual taxable income between RMB1,000,000 and RMB3,000,000 (RMB3,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% for the years from 2022 to 2024.

Certain subsidiaries in the Group meet the conditions as small-scaled minimal profit enterprise were qualified for the entitlement of such preferential tax treatment during the years ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before taxation	47,696	68,487	70,058	41,796	35,102
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25%	11,924	17,122	17,515	10,449	8,776
Effect of different tax rates	(347)	(475)	(190)	(42)	(115)
Tax effect of non-deductible expenses	426	176	312	354	2,048
Tax effect of non-taxable income	(40)	(56)	(62)	(21)	(73)
Tax effect of tax losses not recognised	617	569	755	436	438
Tax effect of temporary differences not recognised	36	86	126	92	(50)
Actual tax expense	12,616	17,422	18,456	11,268	11,024

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2021	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Gao Feng	–	185	527	–	712
Yuan Yuan	–	181	400	23	604
Zhang Jiaan	–	134	241	10	385
Yao Jun	–	96	90	7	193
Shen Zhigen	–	83	90	6	179
Li Xi	–	–	–	–	–
Supervisors					
Zhan Mingyu	–	88	90	–	178
Xia Zhonglin	–	58	24	7	89
Zhu Aizhen	–	93	4	7	104
Total	–	918	1,466	60	2,444

For the year ended 31 December 2022	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Gao Feng	–	186	527	–	713
Yuan Yuan	–	167	350	13	530
Zhang Jiaan	–	140	241	19	400
Yao Jun	–	83	90	8	181
Shen Zhigen	–	73	90	–	163
Li Xi	–	–	–	–	–
Wang Fei (appointed in December 2022)	–	–	–	–	–
Supervisors					
Zhan Mingyu	–	74	90	–	164
Xia Zhonglin	–	50	38	8	96
Zhu Aizhen	–	74	5	8	87
Total	–	847	1,431	56	2,334

For the year ended 31 December 2023	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Gao Feng	–	185	527	–	712
Yuan Yuan	–	151	350	–	501
Zhang Jiaan	–	139	241	19	399
Yao Jun	–	81	90	9	180
Shen Zhigen	–	77	90	–	167
Li Xi	–	–	–	–	–
Wang Fei	–	–	–	–	–
Supervisors					
Zhan Mingyu	–	74	90	–	164
Xia Zhonglin	–	50	24	4	78
Zhu Aizhen	–	74	4	9	87
Total	–	831	1,416	41	2,288

For the nine months ended 30 September 2023 (unaudited)	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Gao Feng	–	139	–	–	139
Yuan Yuan	–	113	–	–	113
Zhang Jiaan	–	104	–	14	118
Yao Jun	–	61	–	6	67
Shen Zhigen	–	58	–	–	58
Li Xi	–	–	–	–	–
Wang Fei	–	–	–	–	–
Supervisors					
Zhan Mingyu	–	55	–	–	55
Xia Zhonglin	–	37	–	3	40
Zhu Aizhen	–	56	–	6	62
Total	–	623	–	29	652

For the nine months ended 30 September 2024	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Gao Feng	–	139	–	–	139
Yuan Yuan	–	114	–	–	114
Zhang Jiaan	–	104	–	14	118
Yao Jun	–	62	–	7	69
Shen Zhigen	–	57	–	–	57
Li Xi	–	–	–	–	–
Wang Fei	–	–	–	–	–
Nai Jingjing (appointed in May 2024)	–	–	–	–	–
Non-executive director					
Wei Yan (appointed in May 2024)	–	–	–	–	–
Independent non-executive directors					
Zhu Bo (appointed in May 2024)	–	–	–	–	–
Lam Ka Tak (appointed in May 2024)	–	–	–	–	–
Zheng Manjun (appointed in May 2024)	–	–	–	–	–
Zheng Yu (appointed in May 2024)	–	–	–	–	–
Supervisors					
Zhan Mingyu	–	55	–	–	55
Xia Zhonglin	–	35	–	–	35
Zhu Aizhen	–	57	–	7	64
Total	–	623	–	28	651

In May 2024, Lam Ka Tak, Zheng Manjun, Zheng Yu and Zhu Bo were appointed as independent non-executive directors which will be effective upon the date of listing.

During the years ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024, no director or chief executive has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments of the Group for the years ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024, three, three, three, three (unaudited) and three individuals' emoluments are disclosed in Note 8 and the emoluments in respect of the remaining two, two, two, two (unaudited) and two individuals during the Track Record Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowance and benefits in kind	262	262	264	245	237
Discretionary bonuses	650	600	550	–	–
Retirement scheme contributions	–	–	9	6	7
	912	862	823	251	244

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*	*Number of individuals*
HK$					
Nil – 1,000,000	2	2	2	2	2

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share during the years ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024 is based on the profit attributable to equity shareholders of the Company of RMB36,056,000, RMB50,029,000, RMB50,088,000, RMB29,868,000 (unaudited) and RMB23,667,000 respectively, and the weighted average number of 160,684,910, 160,684,910, 160,684,910, 160,684,910 (unaudited) and 160,684,910 ordinary shares in issue during the respective year/period.

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2021, 2022, 2023 and nine months ended 30 September 2023 and 2024, therefore diluted earnings per share is the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets – land use rights	Right-of-use assets – other properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2021	215,458	21,386	53,002	13,031	113,746	5,140	44,650	149,338	615,751
Additions	397	6,977	4,055	1,349	21,896	15,953	–	28,120	78,747
Transfers	12,993	–	–	–	–	(12,993)	–	–	–
Disposals	–	(5)	(679)	(116)	–	–	–	(571)	(1,371)
At 31 December 2021 and 1 January 2022	228,848	28,358	56,378	14,264	135,642	8,100	44,650	176,887	693,127
Additions	769	2,992	1,649	1,521	14,453	5,500	–	26,616	53,500
Transfers	5,050	–	–	–	–	(5,050)	–	–	–
Disposals	–	–	(2)	–	–	–	–	(3,119)	(3,121)
At 31 December 2022 and 1 January 2023	234,667	31,350	58,025	15,785	150,095	8,550	44,650	200,384	743,506
Additions	643	1,276	1,576	414	36,822	–	–	19,320	60,051
Transfers	8,550	–	–	–	–	(8,550)	–	–	–
Disposals	–	(2,253)	(218)	(392)	(1,229)	–	–	(4,403)	(8,495)
At 31 December 2023 and 1 January 2024	243,860	30,373	59,383	15,807	185,688	–	44,650	215,301	795,062
Additions	581	47	541	20	20,079	7,790	–	16,038	45,096
Disposals	–	(8)	(269)	–	(382)	–	–	(2,422)	(3,081)
At 30 September 2024	244,441	30,412	59,655	15,827	205,385	7,790	44,650	228,917	837,077

	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Right-of-use assets – land use rights *RMB'000*	Right-of-use assets – other properties *RMB'000*	Total *RMB'000*
Accumulated depreciation:									
At 1 January 2021	(111,455)	(16,023)	(29,948)	(9,675)	(47,402)	–	(11,944)	(35,160)	(261,607)
Charge for the year	(7,404)	(1,713)	(5,612)	(874)	(17,262)	–	(1,127)	(24,797)	(58,789)
Written back on disposals	–	5	558	113	–	–	–	571	1,247
At 31 December 2021 and 1 January 2022	(118,859)	(17,731)	(35,002)	(10,436)	(64,664)	–	(13,071)	(59,386)	(319,149)
Charge for the year	(7,841)	(2,279)	(4,851)	(1,103)	(20,367)	–	(1,127)	(27,896)	(65,464)
Written back on disposals	–	–	–	–	–	–	–	2,511	2,511
At 31 December 2022 and 1 January 2023	(126,700)	(20,010)	(39,853)	(11,539)	(85,031)	–	(14,198)	(84,771)	(382,102)
Charge for the year	(8,559)	(2,502)	(4,948)	(1,347)	(24,333)	–	(1,127)	(26,921)	(69,737)
Written back on disposals	–	2,185	212	380	331	–	–	1,300	4,408
At 31 December 2023 and 1 January 2024	(135,259)	(20,327)	(44,589)	(12,506)	(109,033)	–	(15,325)	(110,392)	(447,431)
Charge for the period	(6,339)	(1,849)	(3,360)	(881)	(18,912)	–	(845)	(19,922)	(52,108)
Written back on disposals	–	4	202	–	35	–	–	1,968	2,209
At 30 September 2024	(141,598)	(22,172)	(47,747)	(13,387)	(127,910)	–	(16,170)	(128,346)	(497,330)

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets – land use rights	Right-of-use assets – other properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated impairment:									
At 1 January 2021 and 2022	–	–	–	–	–	–	–	(2,522)	(2,522)
Written back on disposals	–	–	–	–	–	–	–	608	608
At 31 December 2022 and 1 January 2023	–	–	–	–	–	–	–	(1,914)	(1,914)
Charge for the year	–	–	–	–	(552)	–	–	(938)	(1,490)
At 31 December 2023 and 30 September 2024	–	–	–	–	(552)	–	–	(2,852)	(3,404)
Net book value:									
At 31 December 2021	109,989	10,627	21,376	3,828	70,978	8,100	31,579	114,979	371,456
At 31 December 2022	107,967	11,340	18,172	4,246	65,064	8,550	30,452	113,699	359,490
At 31 December 2023	108,601	10,046	14,794	3,301	76,103	–	29,325	102,057	344,227
At 30 September 2024	102,843	8,240	11,908	2,440	76,923	7,790	28,480	97,719	336,343

The Company

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Leasehold improvements	Construction in progress	Right-of-use assets-land use rights	Right-of-use assets-other properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2021	121,968	9,364	41,074	4,642	86,406	–	29,415	149,338	442,207
Additions	–	1,912	2,241	731	15,322	–	–	28,120	48,326
Disposals	–	–	–	(116)	–	–	–	(571)	(687)
At 31 December 2021 and 1 January 2022	121,968	11,276	43,315	5,257	101,728	–	29,415	176,887	489,846
Additions	–	2,125	1,371	1,211	11,388	–	–	26,616	42,711
Disposals	–	–	–	–	–	–	–	(3,119)	(3,119)
At 31 December 2022 and 1 January 2023	121,968	13,401	44,686	6,468	113,116	–	29,415	200,384	529,438
Additions	–	1,044	1,363	34	30,414	–	–	19,320	52,175
Disposals	–	–	(84)	–	(1,229)	–	–	(4,403)	(5,716)
At 31 December 2023 and 1 January 2024	121,968	14,445	45,965	6,502	142,301	–	29,415	215,301	575,897
Additions	151	47	421	6	19,109	7,790	–	16,038	43,562
Disposals	–	–	(137)	–	(360)	–	–	(2,422)	(2,919)
At 30 September 2024	122,119	14,492	46,249	6,508	161,050	7,790	29,415	228,917	616,540

	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Right-of-use assets-land use rights *RMB'000*	Right-of-use assets-other properties *RMB'000*	Total *RMB'000*
Accumulated depreciation:									
At 1 January 2021	(35,095)	(6,291)	(20,299)	(3,853)	(37,162)	–	(4,834)	(35,160)	(142,694)
Charge for the year	(5,931)	(833)	(3,990)	(269)	(14,676)	–	(735)	(24,797)	(51,231)
Written back on disposals	–	–	–	113	–	–	–	571	684
At 31 December 2021 and 1 January 2022	(41,026)	(7,124)	(24,289)	(4,009)	(51,838)	–	(5,569)	(59,386)	(193,241)
Charge for the year	(5,931)	(1,181)	(4,085)	(402)	(17,097)	–	(735)	(27,896)	(57,327)
Written back on disposals	–	–	–	–	–	–	–	2,511	2,511
At 31 December 2022 and 1 January 2023	(46,957)	(8,305)	(28,374)	(4,411)	(68,935)	–	(6,304)	(84,771)	(248,057)
Charge for the year	(5,931)	(1,670)	(4,248)	(565)	(20,526)	–	(735)	(26,921)	(60,596)
Written back on disposals	–	–	82	–	331	–	–	1,300	1,713
At 31 December 2023 and 1 January 2024	(52,888)	(9,975)	(32,540)	(4,976)	(89,130)	–	(7,039)	(110,392)	(306,940)
Charge for the period	(4,444)	(1,146)	(2,902)	(331)	(16,516)	–	(551)	(19,922)	(45,812)
Written back on disposals	–	–	135	–	26	–	–	1,968	2,129
At 30 September 2024	(57,332)	(11,121)	(35,307)	(5,307)	(105,620)	–	(7,590)	(128,346)	(350,623)

	Plant and buildings *RMB'000*	Machinery and equipment *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Right-of-use assets-land use rights *RMB'000*	Right-of-use assets-other properties *RMB'000*	Total *RMB'000*
Accumulated impairment:									
At 1 January 2021 and 2022	–	–	–	–	–	–	–	(2,522)	(2,522)
Written back on disposals	–	–	–	–	–	–	–	608	608
At 31 December 2022 and 1 January 2023	–	–	–	–	–	–	–	(1,914)	(1,914)
Charge for the year	–	–	–	–	(552)	–	–	(938)	(1,490)
At 31 December 2023 and 30 September 2024	–	–	–	–	(552)	–	–	(2,852)	(3,404)
Net book value:									
At 31 December 2021	80,942	4,152	19,026	1,248	49,890	–	23,846	114,979	294,083
At 31 December 2022	75,011	5,096	16,312	2,057	44,181	–	23,111	113,699	279,467
At 31 December 2023	69,080	4,470	13,425	1,526	52,619	–	22,376	102,057	265,553
At 30 September 2024	64,787	3,371	10,942	1,201	54,878	7,790	21,825	97,719	262,513

Notes:

(i) As at 31 December 2021, 2022 and 2023 and 30 September 2024, property certificates of certain properties with an aggregate net book value of RMB71,070,000, RMB71,955,000, RMB75,556,000 and RMB71,442,000 respectively, are yet to be obtained.

(ii) As at 31 December 2021, 2022 and 2023 and 30 September 2024, certain property, plant and equipment were pledged as security for banking facilities (see Note 20).

(iii) Impairment loss

As at 31 December 2021, 2022 and 2023 and 30 September 2024, in view of the unfavourable future prospects of certain retail stores, the Group's management estimated the recoverable amount of each such retail store (cash generating unit ("CGU")) with an indication of impairment. The recoverable amount of each CGU is determined based on fair value less cost of disposal or the value-in-use calculations by preparing cash flow projections of the relevant CGUs derived from the most recent financial forecast approved by the management covering the remaining lease term, which is higher. The cash flows are discounted using a discount rate of 12.9%, 12.5%, 11.3% and 12.0% as at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

During the year ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2024, an impairment loss of nil, nil, RMB1,490,000 and nil which was allocated to the assets including right-of-use assets and leasehold improvements within CGU, was recognised in profit or loss as the "Other net gain/(loss)" in the consolidated statements of profit or loss, respectively.

(b) Right-of-use assets

The Group has obtained the right to use certain retail stores and warehouse properties through tenancy agreements during the years ended 31 December 2021, 2022 and 2023 and nine months ended 2023 and 2024. The leases typically run for a period of 5 to 10 years. The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		As at 31 December			**As at 30 September**
		2021	**2022**	**2023**	**2024**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights carried at depreciated cost	(i)	31,579	30,452	29,325	28,480
Other properties leased for own use, carried at depreciated cost	(ii)	114,979	113,699	102,057	97,719
		146,558	144,151	131,382	126,199

Notes:

(i) Land use rights

All lands in the PRC are state-owned or collectively owned and no individual ownership right exists. The Group acquired the rights to use certain lands. The consideration paid for such rights are treated as right-of-use assets and depreciated over the period of lease term using straight-line method.

Up to the issuance date of the Historical Financial Information, the Group has been in the process of applying for registration of the ownership certificates for certain land use rights. The aggregate carrying value of such land use rights of the Group as at 31 December 2021, 2022 and 2023 and 30 September 2024 is RMB2,671,000, RMB2,597,000, RMB2,523,000 and RMB2,468,000 respectively.

(ii) Other properties leased

The Group leases the certain retail stores under leases expiring from 5 to 10 years.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Land use rights carried at depreciated cost	1,127	1,127	1,127	845	845
Other properties leased for own use, carried at depreciated cost	24,797	27,896	26,921	20,093	19,922
Interest on lease liabilities *(Note 6(a))*	4,990	4,932	4,485	3,361	3,330

During the year ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024, additions to right-of-use assets were RMB28,120,000, RMB26,616,000, RMB19,320,000, RMB12,928,000 (unaudited) and RMB16,038,000, respectively, primarily related to the capitalized lease payments under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 19(d) and 21, respectively.

12 INVESTMENTS IN SUBSIDIARIES

During the Track Record Period, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest: As at 31 December 2021	2022	2023	As at 30 September 2024	At the date of this report	Principal activities
Directly held by the Company								
Jiangsu Hongxin Trade Co., Ltd. (江蘇宏信商貿股份有限公司) (i)	26 June 1994 The PRC	RMB33,000,000	96%	96%	96%	96%	96%	Shopping mall business
Jiangsu Hongxinlong Agricultural Products Production and Marketing Co., Ltd. (江蘇宏信龍農產品產銷有限公司) (ii)	5 July 2013 The PRC	RMB5,000,000	100%	100%	100%	100%	100%	Wholesaling
Yancheng Runbaijia Trading Co., Ltd. (鹽城潤佰佳商貿有限公司) (ii)	12 December 2019 The PRC	RMB2,000,000	100%	100%	100%	100%	100%	Wholesaling
Yangzhou Hongxin Pharmacy Co., Ltd. (揚州宏信大藥房有限公司) (ii)	14 May 2014 The PRC	RMB2,000,000	100%	100%	100%	100%	100%	Retailing
Tianchang Hongxinlong Supermarket Chain Co., Ltd. (天長市宏信龍連鎖超市有限公司) (ii)(iv)	14 August 2020 The PRC	RMB500,000	100%	100%	100%	–	–	Retailing
Yangzhou Xintongyuan Trading Co., Ltd. (揚州新通源商貿有限公司) (ii)	30 January 2007 The PRC	RMB500,000	100%	100%	100%	100%	100%	Wholesaling
Yangzhou Muyuan Modern Supply Chain Co., Ltd. (揚州沐源現代供應鏈有限公司) (ii)	26 August 2019 The PRC	RMB35,000,000	51%	72%	72%	72%	72%	Supply and sales of meals
Indirectly held by the Company								
Jiangsu Hongxin (HK) Co., Ltd. (江蘇宏信(香港)有限公司) (iii)	31 March 2011 Hong Kong	HK$1,000,000	96%	96%	96%	96%	96%	No business operations

Notes:

(i) No audited financial statements were prepared for this entity during the Track Record Period. The official name of this entity is in Chinese. The English translation is for identification purposes only. This entity is a joint stock company.

(ii) No audited financial statements were prepared for these entities during the Track Record Period. The official names of these entities are in Chinese. The English translation is for identification purposes only. These entities are all limited liability company.

(iii) The audited financial statements of this entity for the year ended 31 December 2021, 2022 and 2023 were prepared in accordance with Hong Kong Financial Reporting Standards. The statutory auditor is Omicron & Co Certified Public Accountants.

(iv) This entity went into dissolution and was deregistered on 12 August 2024.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The following table lists out the information relating to Yangzhou Muyuan Modern Supply Chain Co., Ltd., the only subsidiary of the Group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
NCI percentage	49%	28%	28%	28%	28%
Current assets	10,081	14,299	34,984	18,177	33,797
Non-current assets	29,796	34,685	35,625	33,314	33,670
Current liabilities	24,729	16,386	35,011	17,613	21,229
Net assets	15,148	32,598	35,598	33,879	36,227
Carrying amount of NCI	7,422	9,127	9,967	9,486	10,144
Revenue	9,475	25,824	21,237	16,214	9,504
(Loss)/profit for the year/period	(4,084)	3,271	3,749	1,688	693
Total comprehensive income	(3,071)	2,451	3,000	1,280	629
(Loss)/profit allocated to NCI	(1,505)	449	840	358	176

13 INTERESTS IN AN ASSOCIATE

At 1 January 2021, the Group invested in an associate, which is unlisted corporate entity whose quoted market price is not available:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Yangzhou City Jiangdu District Binjiang Rural Microfinance Co., Ltd. (揚州市江都區濱江農村小額貸款股份有限公司)	24 October 2011 The PRC	RMB25,000,000	25%	–	25%	Provision of loan and financing guarantees, business agents of financial institutions

In April 2021, the Group disposed its entire interest in the associate with RMB25,000,000. The loss on the disposal of investment in an associate was RMB577,000.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at FVOCI – non-current				
– Unlisted equity securities	36,590	33,950	27,329	28,450
– Equity securities listed in the PRC	980	1,225	1,125	1,412
	37,570	35,175	28,454	29,862

Note: The unlisted equity securities at FVOCI (non-recycling) represent investment in unlisted equity interest of a private company incorporated in the PRC. The listed equity security at FVOCI (non-recycling) represent investment in an listed equity securities issued by a listed company incorporated in the PRC. These companies are principally engaged in offering banking services to individuals or enterprises.

The Group designated these investments at FVOCI (non-recycling), as the investment is held for strategic purposes. During the years ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024, the Group received cash dividends of RMB158,000, RMB226,000, RMB247,000, RMB247,000 and RMB293,000 respectively, from the investment in listed and unlisted equity security.

The analysis on the fair value measurement of the above financial asset is disclosed in Note 27(e).

15 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

The Group

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade merchandise	286,376	324,018	266,267	317,589

The Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade merchandise	222,151	251,306	205,879	241,814

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Carrying amount of inventories sold	1,135,837	1,015,532	1,087,789	767,418	788,847
Provision/(reversal) for write-down of inventories	1,432	(308)	1,545	2,926	880
	1,137,269	1,015,224	1,089,334	770,344	789,727

All inventories are expected to be recovered within one year.

16 TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– related parties	7	7	–	–
– third parties	121,184	199,923	213,779	235,575
Bill receivables	–	–	–	22,074
	121,191	199,930	213,779	257,649

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– related parties	6,806	4,671	2,090	4,650
– third parties	111,542	186,061	199,341	227,947
Bill receivables	–	–	–	22,074
	118,348	190,732	201,431	254,671

All of the trade receivables are expected to be recovered within one year.

As at 31 December 2021, 2022 and 2023 and 30 September 2024, the Group endorsed certain bank acceptance bills to suppliers for settling trade and other payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2021, 2022 and 2023 and 30 September 2024, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB237,972,000, RMB130,000,000, nil and RMB139,000 respectively.

Ageing analysis

As of the end of the reporting period, the ageing analysis of the Group's trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	63,786	171,661	172,055	149,745
Over 3 months but within 6 months	52,400	21,658	30,000	61,208
Over 6 months but within 9 months	4,499	6,244	10,043	21,763
Over 9 months but within 12 months	353	356	1,601	2,752
Over 12 months	153	11	80	107
	121,191	199,930	213,779	235,575

Trade receivables are due within 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 27(a).

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a related party (non-trade)	500	–	–	–
Prepayments	150,810	220,899	283,491	274,096
Value added tax recoverable	1,895	120	344	1,131
Other deposits and receivables	20,576	25,077	31,286	27,922
	173,781	246,096	315,121	303,149
Less: loss allowance	(2,641)	(1,982)	(2,029)	(2,148)
	171,140	244,114	313,092	301,001

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from subsidiaries	23,288	13,423	13,479	6,286
Prepayments	143,387	180,816	257,780	202,930
Dividend receivable from subsidiaries	5,368	5,368	5,368	5,368
Other deposits and receivables	12,668	15,161	16,543	12,307
	184,711	214,768	293,170	226,891
Less: loss allowance	(511)	(31)	(82)	(132)
	184,200	214,737	293,088	226,759

All prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

18 RESTRICTED DEPOSITS

The Group and the Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted deposits				
– issuance of letter of guarantee	1,571	–	–	–
– pledged for bills payables and letter of credit	–	–	–	1,600
	1,571	–	–	1,600

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	181,911	162,440	234,494	146,806
Cash in hand	2,475	3,047	1,732	986
	184,386	165,487	236,226	147,792

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	60,565	45,403	81,803	46,935
Cash in hand	2,097	1,828	1,344	917
	62,662	47,231	83,147	47,852

As at 31 December 2021, 2022 and 2023 and 30 September 2024, the Group's cash included cash at bank and on hand of RMB184,386,000, RMB165,487,000, RMB236,226,000 and RMB147,792,000 respectively held in the PRC. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	Nine months ended 30 September 2023 RMB'000 (Unaudited)	2024 RMB'000
Profit before taxation		47,696	68,487	70,058	41,796	35,102
Adjustments for:						
Depreciation of owned property, plant and equipment	6(c)	32,865	36,441	41,689	32,804	31,341
Depreciation of right-of-use assets	6(c)	25,924	29,023	28,048	20,938	20,767
Net realised gain on structured deposits and wealth management products	5(b)	(372)	(363)	(260)	(167)	(207)
Finance costs	6(a)	18,954	21,611	21,543	15,992	17,570
Finance income	6(a)	(228)	(480)	(1,573)	(944)	(1,396)
Provision of loss allowance on trade receivables and other receivables	6(c)	10,148	1,387	3,214	7,031	6,133
Impairment losses of property, plant and equipment	5(b)	–	–	1,490	–	–
Share of losses of an associate	13	705	–	–	–	–
Net loss on disposal of an associate	5(b)	577	–	–	–	–
Dividends income	5(a)	(158)	(226)	(247)	(247)	(293)
Net loss/(gain) on disposal of property, plant and equipment	5(b)	4	–	(28)	50	390
Foreign exchange loss/(gain)		775	(2,515)	(311)	213	448
Operating profit before changes in working capital		136,890	153,365	163,623	117,466	109,855
(Increase)/decrease in restricted deposits		(720)	1,571	–	–	(1,600)
(Increase)/decrease in inventories		(84,415)	(37,642)	57,751	24,982	(51,322)
Increase in trade and other receivables		(31,998)	(153,100)	(86,041)	(167,966)	(37,912)
Increase/(decrease) in trade and other payables		9,564	97,939	(28,627)	63,742	(18,739)
(Decrease)/increase in contract liabilities		57,032	18,769	(18,084)	(32,316)	3,838
Cash (used in)/generated from operations		(27,711)	80,902	88,622	5,908	4,120

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans and other borrowings *RMB'000* *(Note 20)*	Lease liabilities *RMB'000* *(Note 21)*	Total *RMB'000*
At 1 January 2021	276,091	98,324	374,415
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	482,800	–	482,800
Repayment of bank loans and other borrowings	(368,400)	–	(368,400)
Capital element of lease rentals paid	–	(22,179)	(22,179)
Interest element of lease rentals paid	–	(4,990)	(4,990)
Interest paid	(13,685)	–	(13,685)
Total changes from financing cash flows	100,715	(27,169)	73,546
Other changes:			
Bank loans arising from supplier finance arrangements *(Note 20(iii))*	1,000	–	1,000
Increase in lease liabilities from entering into new leases during the year	–	28,120	28,120
Effect of foreign exchange rate changes	(789)	–	(789)
Interest expenses *(Note 6(a))*	13,964	4,990	18,954
At 31 December 2021 and 1 January 2022	390,981	104,265	495,246
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	573,438	–	573,438
Repayment of bank loans and other borrowings	(593,054)	–	(593,054)
Capital element of lease rentals paid	–	(24,401)	(24,401)
Interest element of lease rentals paid	–	(4,932)	(4,932)
Interest paid	(16,549)	–	(16,549)
Total changes from financing cash flows	(36,165)	(29,333)	(65,498)
Other changes:			
Bank loans arising from supplier finance arrangements *(Note 20(iii))*	1,000	–	1,000
Increase in lease liabilities from entering into new leases during the year	–	26,616	26,616
Effect of foreign exchange rate changes	(138)	–	(138)
Interest expenses *(Note 6(a))*	16,679	4,932	21,611
At 31 December 2022 and 1 January 2023	372,357	106,480	478,837

	Bank loans and other borrowings *RMB'000* *(Note 20)*	Lease liabilities *RMB'000* *(Note 21)*	Total *RMB'000*
At 1 January 2023	372,357	106,480	478,837
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	595,617	–	595,617
Repayment of bank loans and other borrowings	(513,042)	–	(513,042)
Capital element of lease rentals paid	–	(25,706)	(25,706)
Interest element of lease rentals paid	–	(4,485)	(4,485)
Interest paid	(16,655)	–	(16,655)
Total changes from financing cash flows	65,920	(30,191)	35,729
Other changes:			
Bank loans arising from supplier finance arrangements *(Note 20(iii))*	20,000	–	20,000
Increase in lease liabilities from entering into new leases during the year	–	19,320	19,320
Effect of foreign exchange rate changes	16	–	16
Interest expenses *(Note 6(a))*	17,058	4,485	21,543
At 31 December 2023 and 1 January 2024	475,351	100,094	575,445
Changes from financing cash flows:			
Proceeds from new bank loans	389,527	–	389,527
Repayment of bank loans	(409,010)	–	(409,010)
Capital element of lease rentals paid	–	(15,119)	(15,119)
Interest element of lease rentals paid	–	(3,330)	(3,330)
Interest paid	(12,749)	–	(12,749)
Total changes from financing cash flows	(32,232)	(18,449)	(50,681)
Other changes:			
Bank loans arising from supplier finance arrangements *(Note 20(iii))*	21,400	–	21,400
Increase in lease liabilities from entering into new leases during the period	–	16,038	16,038
Interest expenses *(Note 6(a))*	14,240	3,330	17,570
At 30 September 2024	478,759	101,013	579,772

(d) Total cash flow for leases

Amounts included in the cash flow statement for leases comprise the following:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within financing cash flows	27,169	29,333	30,191	18,449

These amounts relate to the following:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease rentals paid	27,169	29,333	30,191	18,449

20 BANK LOANS AND OTHER BORROWINGS

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans and other borrowings	384,849	370,890	462,422	424,634
Accrued interest	457	1,467	377	434
Bank loans and other borrowing – current	385,306	372,357	462,799	425,068
Long-term bank loans and other borrowings	4,795	–	12,511	53,630
Accrued interest	880	–	41	61
Bank loans and other borrowing – non-current	5,675	–	12,552	53,691
Total	390,981	372,357	475,351	478,759

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans and other borrowings	310,900	280,700	310,022	276,307
Accrued interest	395	332	274	203
Bank loans and other borrowing – current	311,295	281,032	310,296	276,510
Long-term bank loans and other borrowings	–	–	12,511	43,630
Accrued interest	–	–	41	50
Bank loans and other borrowing – non-current	–	–	12,552	43,680
Total	311,295	281,032	322,848	320,190

The maturity profile for the interest-bearing bank loans and other borrowing of the Group at the end of each reporting period is as follows:

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	385,306	372,357	462,799	425,068
After 1 year but within 2 years	5,675	–	11,371	43,680
After 2 years but within 5 years	–	–	1,181	10,011
Total	390,981	372,357	475,351	478,759

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	311,295	281,032	310,296	276,510
After 1 year but within 2 years	–	–	11,371	43,680
After 2 years but within 5 years	–	–	1,181	–
Total	311,295	281,032	322,848	320,190

At the end of each reporting period, the Group's bank and other borrowings were secured as follows:

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings				
– Secured *(Note (i))*	370,857	356,402	437,477	468,759
– Unsecured	20,124	15,955	37,874	10,000
	390,981	372,357	475,351	478,759

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings				
– Secured *(Note (i))*	311,295	281,032	322,848	320,190
– Unsecured	–	–	–	–
	311,295	281,032	322,848	320,190

Notes:

(i) The bank loans and other borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights	31,579	30,452	29,325	28,480
Plants and buildings	38,920	36,012	33,045	30,864
Machinery and equipment, office and other equipment, and motor vehicles	–	–	11,880	6,651
	70,499	66,464	74,250	65,995

(ii) Certain facilities granted to the Group were guaranteed by Mr. Gao Feng, the ultimate controlling shareholder of the Group, and his spouse Ms. Leng Yuemei, Mr. Zhang Jiaan, the controlling shareholder, and Ms. Yin Qin, the key management personnel. All the below mentioned guarantees will be released upon Listing.

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees for granting bank loans and other borrowings	252,400	266,000	290,533	304,389

(iii) The Group has entered into certain supplier finance arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers.

Under these arrangements, the banks pay suppliers the amounts owed by the Group on the original due dates. The Group then settles with the banks within one year after the original due dates with the suppliers, with fixed interest rates.

In the consolidated statement of financial position, the Group has presented the payables to the banks under these arrangements as "bank loans and other borrowings", in view of the nature and function of such liabilities when compared with the Group's trade payables to suppliers.

As at 31 December 2021, 2022 and 2023 and 30 September 2024, the carrying amount of financial liabilities under these arrangements amounted to RMB1,020,000, RMB1,020,000, RMB20,200,000 and RMB21,540,000, respectively, RMB1,000,000, RMB1,000,000, RMB20,000,000 and RMB21,400,000, respectively of which suppliers have received payments from the banks.

In the consolidated statement of cash flows, payments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks amounting to RMB1,000,000, RMB1,000,000, RMB20,000,000, RMB20,000,000 (unaudited) and RMB21,400,000, respectively during the years ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024 are non-cash transactions.

21 LEASE LIABILITIES

The Group and The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	21,538	24,530	23,561	23,420
After 1 year but within 2 years	17,313	16,960	21,199	21,613
After 2 years but within 5 years	41,932	46,030	40,024	42,654
After 5 years	23,482	18,960	15,310	13,326
	82,727	81,950	76,533	77,593
	104,265	106,480	100,094	101,013

22 TRADE AND BILLS PAYABLES

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	112,537	175,819	160,721	105,581
Bills payable	50	14,800	–	–
	112,587	190,619	160,721	105,581

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	106,383	165,668	143,708	100,977
Bills payable	50	14,800	–	–
	106,433	180,468	143,708	100,977

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

As of the end of each reporting period, the ageing analysis of the Group's trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	82,412	141,860	116,819	82,307
3 to 12 months	10,422	23,364	30,587	12,082
Over 12 months	19,753	25,395	13,315	11,192
	112,587	190,619	160,721	105,581

23 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payable for staff related costs	17,686	17,246	16,773	10,822
Deposits received	14,441	29,563	11,746	10,664
Other taxes payable	8,867	5,422	4,145	12,527
Others	4,583	12,253	13,091	26,743
	45,577	64,484	45,755	60,756

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to subsidiaries	6,174	21,015	47,325	57,614
Payable for staff related costs	11,851	12,092	11,290	7,027
Deposits received	11,741	8,671	9,632	8,270
Other taxes payable	5,503	3,642	2,609	12,170
Others	3,032	6,284	12,046	26,144
	38,301	51,704	82,902	111,225

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

24 CONTRACT LIABILITIES

The Group

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance receipts from customers *(Note (i))*	43,696	62,236	47,273	46,676
Advance receipts from operating lease	2,555	2,635	1,742	1,795
Prepaid cards *(Note (ii))*	63,703	64,271	62,042	66,499
Customer loyalty program points liability *(Note (iii))*	1,481	1,062	1,063	988
	111,435	130,204	112,120	115,958

The Company

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance receipts from customers *(Note i)*	22,050	37,953	41,960	25,115
Advance receipts from operating lease	2,555	2,635	1,742	1,795
Prepaid cards *(Note ii)*	28,619	29,412	30,241	34,215
Customer loyalty program points liability *(Note iii)*	964	860	641	595
	54,188	70,860	74,584	61,720

Notes:

(i) The amounts of consideration received in advance as prepayments by customers are short-term as the respective revenue is expected to be recognised within a few days when the goods are delivered to customers.

(ii) Revenue is recognised when customers accept the products so revenue from prepaid cards is recognised when the prepaid cards are redeemed by customers. Based on recent trends in redemption by customers of the prepaid cards, it is expected that most of the prepaid cards will be redeemed within one year from purchase.

(iii) The Group operates a customer loyalty programme for sales to retail customers where points can be earned by customers and to be used to reduce the cost of future purchases. The contract liability in respect of unredeemed retail customer loyalty points will be recognised as revenue when the points are redeemed by those customers or expire, which is expected to occur before the end of the following year based on the expiry terms of the loyalty points.

Movements in contract liabilities

The Group

	Advance receipts from customers *RMB'000*	Advance receipts from operating lease *RMB'000*	Prepaid cards *RMB'000*	Customer loyalty program points liability *RMB'000*	Total *RMB'000*
At 1 January 2021	106,289	1,249	59,675	1,255	168,468
Increase in contract liabilities excluding amounts recognised as revenue during the year	43,696	2,555	28,623	1,481	76,355
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(106,289)	(1,249)	(24,595)	(1,255)	(133,388)
At 31 December 2021 and 1 January 2022	43,696	2,555	63,703	1,481	111,435
Increase in contract liabilities excluding amounts recognised as revenue during the year	62,236	2,635	25,774	1,062	91,707
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(43,696)	(2,555)	(25,206)	(1,481)	(72,938)
At 31 December 2022 and 1 January 2023	62,236	2,635	64,271	1,062	130,204
Increase in contract liabilities excluding amounts recognised as revenue during the year	26,294	1,742	22,848	1,063	51,947
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(41,257)	(2,635)	(25,077)	(1,062)	(70,031)
At 31 December 2023 and 1 January 2024	47,273	1,742	62,042	1,063	112,120
Increase in contract liabilities excluding amounts recognised as revenue during the period	46,676	1,795	22,243	988	71,702
Transferred to other payables and accruals	(20,979)	–	–	–	(20,979)
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the period	(26,294)	(1,742)	(17,786)	(1,063)	(46,885)
At 30 September 2024	46,676	1,795	66,499	988	115,958

The Company

	Advance receipts from customers	Advance receipts from operating lease	Prepaid cards	Customer loyalty program points liability	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	82,953	1,249	23,152	692	108,046
Increase in contract liabilities excluding amounts recognised as revenue during the year	22,050	2,555	15,739	964	41,308
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(82,953)	(1,249)	(10,272)	(692)	(95,166)
At 31 December 2021 and 1 January 2022	22,050	2,555	28,619	964	54,188
Increase in contract liabilities excluding amounts recognised as revenue during the year	37,953	2,635	13,284	860	54,732
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(22,050)	(2,555)	(12,491)	(964)	(38,060)
At 31 December 2022 and 1 January 2023	37,953	2,635	29,412	860	70,860
Increase in contract liabilities excluding amounts recognised as revenue during the year	20,981	1,742	12,656	641	36,020
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the year	(16,974)	(2,635)	(11,827)	(860)	(32,296)
At 31 December 2023 and 1 January 2024	41,960	1,742	30,241	641	74,584
Increase in contract liabilities excluding amounts recognised as revenue during the period	25,115	1,795	11,373	595	38,878
Transferred to other payables and accruals	(20,979)	–	–	–	(20,979)
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the period	(20,981)	(1,742)	(7,399)	(641)	(30,763)
At 30 September 2024	25,115	1,795	34,215	595	61,720

Except for the disclosures above related to redemptions of prepaid cards, advance receipts from customers and customer loyalty program points, the Group applies the practical expedient in paragraph 121 of IFRS 15 for other sales contracts and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	8,415	7,432	14,220	15,027
Provision for income tax	17,133	17,655	20,210	14,141
Tax paid	(18,116)	(10,867)	(19,403)	(14,745)
At the end of the year/period	7,432	14,220	15,027	14,423
Represented by:				
Taxation payable	7,432	14,220	15,027	14,423

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movement during each year are as follows:

	Credit loss allowance	Inventory provision	Impairment on property, plant and equipment	Deductible tax losses	Fair value change of financial assets	Lease liabilities	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:								
At 1 January 2021	666	1,738	–	582	(7,507)	24,582	(27,914)	(7,853)
Recognised in profit or loss	2,519	340	–	1,004	–	1,485	(831)	4,517
Recognised in other comprehensive income	–	–	–	–	(566)	–	–	(566)
At 31 December 2021 and 1 January 2022	3,185	2,078	–	1,586	(8,073)	26,067	(28,745)	(3,902)
Recognised in profit or loss	279	(96)	–	(823)	–	553	320	233
Recognised in other comprehensive income	–	–	–	–	599	–	–	599
At 31 December 2022 and 1 January 2023	3,464	1,982	–	763	(7,474)	26,620	(28,425)	(3,070)
Recognised in profit or loss	801	263	138	(763)	–	(1,596)	2,911	1,754
Recognised in other comprehensive income	–	–	–	–	1,680	–	–	1,680
At 31 December 2023 and 1 January 2024	4,265	2,245	138	–	(5,794)	25,024	(25,514)	364
Recognised in profit or loss	1,559	244	–	–	–	230	1,084	3,117
Recognised in other comprehensive income	–	–	–	–	(352)	–	–	(352)
At 30 September 2024	5,824	2,489	138	–	(6,146)	25,254	(24,430)	3,129

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	3,310	3,325	5,091	8,138
Deferred tax liabilities	(7,212)	(6,395)	(4,727)	(5,009)
	(3,902)	(3,070)	364	3,129

(c) Deferred tax assets not recognised

As at 31 December 2021, 2022 and 2023 and 30 September 2024, in accordance with the accounting policy set out in Note 2(p), the Group did not recognise deferred tax assets of RMB306,000, RMB875,000, RMB1,630,000 and RMB2,409,000, in respect of cumulative tax losses of RMB1,223,000, RMB3,500,000, RMB6,522,000 and RMB9,636,000 respectively. The Group did not recognise deferred tax assets of RMB203,000, RMB289,000, RMB416,000 and RMB404,000, in respect of cumulative time differences of RMB813,000, RMB1,158,000, RMB1,663,000 and RMB1,616,000. It was not probable that future taxable profits against which the losses and time differences can be utilised will be available in the relevant tax jurisdiction and entities.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each year are set out below:

	Attributable to equity shareholders of the Company				
	Share capital	Capital reserve	PRC statutory reserve	(Accumulated losses)/ Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021	160,685	170,505	–	(15,578)	315,612
Changes in equity for 2021:					
Total comprehensive income for the year	–	–	–	28,424	28,424
Appropriation of reserve	–	–	1,285	(1,285)	–
Balance at 31 December 2021 and 1 January 2022	160,685	170,505	1,285	11,561	344,036
Changes in equity for 2022:					
Total comprehensive income for the year	–	–	–	35,506	35,506
Appropriation of reserve	–	–	3,550	(3,550)	–
Balance at 31 December 2022 and 1 January 2023	160,685	170,505	4,835	43,517	379,542
Changes in equity for 2023:					
Total comprehensive income for the year	–	–	–	32,889	32,889
Appropriation of reserve	–	–	3,294	(3,294)	–
Balance at 31 December 2023 and 1 January 2024	160,685	170,505	8,129	73,112	412,431
Changes in equity for the period:					
Total comprehensive income for the period	–	–	–	17,141	17,141
Balance at 30 September 2024	160,685	170,505	8,129	90,253	429,572

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the Track Record Period.

(c) Share capital

	No. of shares	*RMB'000*
Ordinary shares, issued and fully paid:		
At 1 January 2021, 31 December 2021, 31 December 2022, 31 December 2023 and 30 September 2024	160,684,910	160,685

(d) Nature and purpose of reserves

(i) Capital Reserve

The capital reserve represents:

- the difference between consideration received for ordinary shares subscription net of any transaction costs directly attributable to the subscription and the par value of the ordinary shares subscribed; and

- the difference between the carrying value of the net assets acquired and the consideration paid for the acquisition of the subsidiaries under common control and non-controlling interests.

(ii) PRC Statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintaining a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings and lease liabilities) plus unaccrued dividends less cash and cash equivalents and restricted cash. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio as at 31 December 2021 and 2022 and 2023 and 30 September 2024 are as follows:

		As at 31 December			**As at 30 September**
		2021	**2022**	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities:					
– Bank loans and other borrowings	20	385,306	372,357	462,799	425,068
– Lease liabilities	21	21,538	24,530	23,561	23,420
Non-current liabilities:					
– Bank loans and other borrowings	20	5,675	–	12,552	53,691
– Lease liabilities	21	82,727	81,950	76,533	77,593
Total debt		495,246	478,837	575,445	579,772
Less: Cash and cash equivalents	19(a)	(184,386)	(165,487)	(236,226)	(147,792)
Restricted deposits	18	(1,571)	–	–	(1,600)
Adjusted net debt		309,289	313,350	339,219	430,380
Total equity		397,511	446,780	493,341	518,475
Adjusted capital		397,511	446,780	493,341	518,475
Adjusted net debt-to-capital ratio		78%	70%	69%	83%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposures to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and pledged deposits is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

As at 31 December 2021, 2022 and 2023 and 30 September 2024, 33%, 25%, 21% and 22% respectively, of the total trade receivables were due from the Group's largest customer during the year/period and 49%, 65%, 60% and 58% respectively, of the total trade receivables were due from the Group's five largest customers during the year/period.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

	As at 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.86%	64,338	552
Less than 3 month past due	3.63%	54,375	1,975
More than 3 months but less than 6 months past due	14.35%	5,253	754
More than 6 months but less than 9 months past due	66.64%	1,058	705
More than 9 months but less than 12 months past due	83.09%	905	752
More than 12 months past due	100.00%	5,556	5,556
		131,485	10,294

	As at 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.21%	173,771	2,110
Less than 3 month past due	6.61%	23,190	1,532
More than 3 months but less than 6 months past due	32.37%	9,232	2,988
More than 6 months but less than 9 months past due	69.23%	1,157	801
More than 9 months but less than 12 months past due	97.05%	373	362
More than 12 months past due	100.00%	4,547	4,547
		212,270	12,340

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.05%	173,878	1,823
Less than 3 month past due	5.90%	31,880	1,880
More than 3 months but less than 6 months past due	23.46%	13,121	3,078
More than 6 months but less than 9 months past due	58.25%	3,835	2,234
More than 9 months but less than 12 months past due	87.08%	619	539
More than 12 months past due	100.00%	5,953	5,953
		229,286	15,507

	As at 30 September 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.10%	151,403	1,658
Less than 3 month past due	6.14%	65,215	4,007
More than 3 months but less than 6 months past due	27.14%	29,869	8,106
More than 6 months but less than 9 months past due	60.11%	6,899	4,147
More than 9 months but less than 12 months past due	87.01%	824	717
More than 12 months past due	100.00%	2,886	2,886
		257,096	21,521

Expected loss rates are based on provision matrix approach and historical actual credit loss experience over the past years. These rates are adjusted based on the Group's historical credit loss experience, adjusted for factors including customer mix, general market risk and specific conditions to debtors, if any, at the reporting date.

Other receivables

For other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The management has assessed that during the Track Record Period, other receivables did not have a significant increase in credit risk since initial recognition. Thus, a 12-month ECL approach that results from possible default event within 12 months of each reporting date is adopted by management. As at 31 December, 2021, 2022, 2023 and 30 September 2024, the loss allowance of other receivables were RMB2,641,000, RMB1,982,000, RMB2,029,000 and RMB2,148,000, respectively.

Movement in the loss allowance account in respect of the trade receivables and other receivables during the Track Record Period is as follows:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	2,787	12,935	14,322	17,536
Loss allowance recognised during the year/period	10,148	1,387	3,214	6,133
At the end of the year/period	12,935	14,322	17,536	23,669

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	As at 31 December 2021					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December 2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	385,661	5,605	–	–	391,266	390,981
Lease liabilities	25,935	20,798	48,113	25,340	120,186	104,265
Trade and bills payables	112,587	–	–	–	112,587	112,587
Other payables and accruals	45,577	–	–	–	45,577	45,577
	569,760	26,403	48,113	25,340	669,616	653,410

	As at 31 December 2022					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December 2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	377,013	–	–	–	377,013	372,357
Lease liabilities	28,744	20,280	51,330	20,116	120,470	106,480
Trade and bills payables	190,619	–	–	–	190,619	190,619
Other payables and accruals	64,484	–	–	–	64,484	64,484
	660,860	20,280	51,330	20,116	752,586	733,940

	As at 31 December 2023					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December 2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	472,112	11,921	1,211	–	485,244	475,351
Lease liabilities	27,375	24,108	44,337	16,076	111,896	100,094
Trade and bills payables	160,721	–	–	–	160,721	160,721
Other payables and accruals	45,755	–	–	–	45,755	45,755
	705,963	36,029	45,548	16,076	803,616	781,921

	As at 30 September 2024					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 30 September 2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	433,655	45,766	10,243	–	489,664	478,759
Lease liabilities	26,821	24,068	45,982	13,838	110,709	101,013
Trade and bills payables	105,581	–	–	–	105,581	105,581
Other payables and accruals	60,756	–	–	–	60,756	60,756
	626,813	69,834	56,225	13,838	766,710	746,109

(c) Interest rate risk

Interest rate risk if the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The cash flow interest risk arising from the change of market interest rate on these balances is not considered significant.

The Group's interest rate profile as monitored by management is set out below.

	As at 31 December						As at 30 September	
	2021		2022		2023		2024	
	Effective Interest rate		*Effective Interest rate*		*Effective Interest rate*		*Effective Interest rate*	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Net fixed rate instruments:								
Bank loans and other borrowings	2.5%–5.2%	234,081	2.5%–5.1%	241,357	3.5%–8.0%	263,751	3.2%–8.3%	304,759
Lease Liabilities	4.0%	104,265	4.0%	106,480	4.0%	100,094	4.0%	101,013
Less: Restricted cash	0.3%–0.35%	(1,571)	–	–	–	–	1.2%–1.85%	(1,600)
Cash and cash equivalents	0.15%–0.35%	(184,386)	0.15%–0.9%	(165,487)	0.15%–2.1%	(236,226)	0.1%-2.05%	(147,792)
Total		152,389		182,350		127,619		256,380
Net variable rate instruments:								
Bank loans and other borrowings	1 Year LPR – 1 Year LPR +0.7175%	156,900	1 Year LPR – 1 Year LPR +0.7175%	131,000	1 Year LPR – 1 Year LPR +0.7%	211,600	1 Year LPR – 1 Year LPR +0.6%	174,000
Total		309,289		313,350		339,219		430,380

Sensitivity analysis

As the Group accounts for the above fixed rate financial instruments at amortised cost, change in interest rates would have no impact on the Group's Historical Financial Information. For the variable rate instruments, at 31 December 2021, 2022 and 2023 and 30 September 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,177,000, RMB983,000, RMB1,590,000 and RMB1,305,000, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualized impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD and AUD.

(i) Exposure to currency risk

The following table details the Group's exposure as at 31 December 2021, 2022 and 2023 and 30 September 2024 to currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB translated using the spot rate of the end of each reporting period. Differences resulting from the translation of the financial statements of the Group's subsidiaries with functional currency other than RMB into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in Renminbi) Year ended 31 December			**Nine months ended 30 September**
	2021	**2022**	**2023**	**2024**
	USD	**USD**	**USD**	**USD**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	4,523	6,291	4,355	2,136
Cash and cash equivalents	24,079	30,687	48,217	35,209
Trade and other payables	(19,299)	(63,065)	(21,359)	–
Overall net exposure	9,303	(26,087)	31,213	37,345

	Exposure to foreign currency (expressed in Renminbi) Year ended 31 December			**Nine months ended 30 September**
	2021	**2022**	**2023**	**2024**
	AUD	**AUD**	**AUD**	**AUD**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	9,222	4,868	2,575	909
Interest-bearing borrowings	(10,124)	(5,955)	–	–
Overall net exposure	(902)	(1,087)	2,575	909

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at 31 December 2021, 2022 and 2023 and 30 September 2024.

	Year ended 31 December									Nine months ended 30 September		
	2021			2022			2023			2024		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity
	%	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*
USD	5%	461	461	5%	(1,305)	(1,305)	5%	1,293	1,293	5%	1,444	1,444
	-5%	(461)	(461)	-5%	1,305	1,305	-5%	(1,293)	(1,293)	-5%	(1,444)	(1,444)
AUD	5%	(45)	(45)	5%	(54)	(54)	5%	129	129	5%	45	45
	-5%	45	45	-5%	54	54	-5%	(129)	(129)	-5%	(45)	(45)

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

– Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of financial instruments as at 31 December 2021, 2022 and 2023 and 30 September 2024 are as follows:

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Assets:				
Financial assets at FVOCI:				
– Unlisted equity securities	36,590	–	–	36,590
– Listed equity securities	980	980	–	–

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Assets:				
Financial assets at FVOCI:				
– Unlisted equity securities	33,950	–	–	33,950
– Listed equity securities	1,225	1,225	–	–

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Assets:				
Financial assets at FVOCI:				
– Unlisted equity securities	27,329	–	–	27,329
– Listed equity securities	1,125	1,125	–	–

	Fair value at 30 September 2024	Fair value measurements as at 30 September 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Assets:				
Financial assets at FVOCI:				
– Unlisted equity securities	28,450	–	–	28,450
– Listed equity securities	1,412	1,412	–	–

During the years ended 31 December 2021, 2022 and 2023 and nine months ended 30 September 2023 and 2024, there were no transfers, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Any gain or loss arising from the remeasurement of the Group's unlisted equity security held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity security, the amount accumulated in other comprehensive income is transferred directly to accumulated losses.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted equity security	Valuation multiples *(Note (i))*	Medium market multiples of comparable companies

Note:

(i) The fair value of certain unlisted investments is determined using valuation multiples adjusted for medium market multiples of comparable companies. The fair value measurement is positively correlated to the medium market multiples of comparable companies. As at 31 December 2021, 2022 and 2023 and 30 September 2024, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's comprehensive income for the year by RMB1,372,000, RMB1,273,000, RMB1,025,000 and RMB1,067,000, respectively.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Financial assets at FVOCI *RMB'000*
As at 1 January 2021	34,390
Net unrealised gain recognised in other comprehensive income	2,200
As at 31 December 2021 and 1 January 2022	36,590
Net unrealised gain recognised in other comprehensive income	(2,640)
As at 31 December 2022 and 1 January 2023	33,950
Net unrealised gain recognised in other comprehensive income	(6,621)
As at 31 December 2023 and 1 January 2024	27,329
Net unrealised gain recognised in other comprehensive income	1,121
As at 30 September 2024	28,450

All financial instruments carried at cost or amortised cost are at amounts not materially different from their values as at 31 December 2021, 2022 and 2023 and 30 September 2024.

28 COMMITMENTS

Capital commitments outstanding at 31 December 2021, 2022 and 2023 and 30 September 2024, not provided in the Historical Financial Information were as follows:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised and contracted for	6,744	521	425	1,191

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships of the related parties that had material transactions with the Group

Name of related parties	**Relationship**
Mr. Gao Feng	Ultimate controlling party of the Group
Ms. Leng Yuemei	Spouse of Mr. Gao Feng
Mr. Zhang Jiaan	Director of the Group
Jiangsu Ruichuanda Investment Co., Ltd. 江蘇瑞川達投資有限公司	Company and its affiliates controlled by the ultimate controlling shareholder of the Group
Yangzhou Xiandafengtian Sales and Services Co., Ltd. 揚州仙達豐田汽車銷售服務有限公司	Company and its affiliates controlled by the ultimate controlling shareholder of the Group
Jiangsu Meijiachen Waterproof Technology Co., Ltd. 江蘇美佳臣防水科技有限公司	Company and its affiliates controlled by the ultimate controlling shareholder of the Group

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	3,125	2,972	2,939	878	879
Contribution to defined retirement plans	74	72	59	41	42
	3,199	3,044	2,998	919	921

Total remuneration is included in staff costs (see Note 6(b)).

(c) Guarantees issued by related parties

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees for granting bank loans and other borrowings	252,400	266,000	290,533	304,389

Certain facilities granted to the Group were guaranteed by Mr. Gao Feng, the controlling shareholder, and his spouse Ms. Leng Yuemei, Mr. Zhang Jiaan, the controlling shareholder, and Ms. Yin Qin, the key management personnel. All the above mentioned guarantees will be released upon listing.

(d) Other significant related party transactions:

The Group had following transactions with related parties:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of goods					
Yangzhou Xiandafengtian Sales and Services Co., Ltd.	71	64	–	–	–
Purchase of property, plant and equipment					
Jiangsu Meijiachen Waterproof Technology Co., Ltd.	647	–	89	85	–

(e) Significant related party balances:

At 31 December 2021, 2022 and 2023 and 30 September 2024, the Group had following trade in nature balances with related parties:

Trade in nature:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Yangzhou Xiandafengtian Sales and Services Co., Ltd.	7	7	–	–
Trade payables				
Jiangsu Meijiachen Waterproof Technology Co., Ltd.	–	–	4	4

At 31 December 2021, 2022 and 2023 and 30 September 2024, the Group had following non-trade in nature balances with a related party:

Non-trade in nature:

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a related party				
Jiangsu Ruichuanda Investment Co., Ltd.	500	–	–	–

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, 2022 and 2023 and 30 September 2024, the directors consider the immediate controlling party of the Group to be Mr. Gao Feng, Jiangsu Ruichuanda Investment Co., Ltd., Mr. Yuan Yuan and Mr. Zhang Jiaan. At 31 December 2021, 2022 and 2023 and 30 September 2024, the directors consider the ultimate controlling party of the Group to be Mr. Gao Feng, Mr. Yuan Yuan and Mr. Zhang Jiaan.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

32 SUBSEQUENT EVENTS

There was no material non-adjusting event after reporting period up to the date of this report.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 September 2024.

The information set forth in this appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of Jiangsu Horizon Chain Supermarket Company Limited (the "Company") and its subsidiaries (collectively the "Group") is prepared in accordance with Rule 4.29 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as at 30 September 2024 as if the Global Offering had taken place on 30 September 2024.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 September 2024 or any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as at 30 September 2024(1)	Estimated net proceeds from the Global Offering(2)(4)	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an Offer Price of HK$2.50 per Share	502,305	97,951	600,256	2.80	3.03
Based on an Offer Price of HK$3.00 per Share	502,305	121,200	623,505	2.91	3.15

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 30 September 2024 is based on the audited total equity attributable to equity shareholders of the Company of RMB502,305,000 as at 30 September 2024, which is extracted from the Accountants' Report set out in Appendix I in this Prospectus.

(2) The estimated net proceeds from this Global Offering are based on 53,562,000 H Shares to be issued pursuant to the Global Offering and the indicative Offer Prices of HK$2.50 per H Share and HK$3.00 per H Share, being the low end and high end of the Offer Price range respectively, after deduction of the estimated underwriting fees and other related listing expenses paid or payable by the Group (excluding the listing expenses of RMB12,472,000 that have been charged to profit or loss during the Track Record Period), and does not take into account the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is arrived at after the above adjustment and on the basis that a total of 214,246,910 shares were in issue immediately following the completion of the Global Offering assuming the Global Offering had been completed on 30 September 2024 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) For illustrative purpose, the estimated net proceeds from the Global Offering is converted from the Hong Kong dollar into Renminbi and the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is converted from the Renminbi into Hong Kong dollar at the exchange rate of HK$1.00 to RMB0.9236, the exchange rate set by the People's Bank of China ("PBOC") prevailing on Latest Practicable Date. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company to reflect our trading results or other transactions entered into subsequent to 30 September 2024.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF 江蘇宏信超市連鎖股份有限公司 JIANGSU HORIZON CHAIN SUPERMARKET COMPANY LIMITED*

We have completed our assurance engagement to report on the compilation of pro forma financial information of 江蘇宏信超市連鎖股份有限公司 Jiangsu Horizon Chain Supermarket Company Limited* (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 September 2024 and related notes as set out in Part A of Appendix IIA to the prospectus dated 21 March 2025 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IIA to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 September 2024 as if the Global Offering had taken place at 30 September 2024. As part of this process, information about the Group's financial position as at 30 September 2024 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

* *For identification purpose only*

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 September 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

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

21 March 2025

*The following is the preliminary financial information of our Group as at and for the year ended 31 December 2024 ("**2024 Preliminary Financial Information**"), together with comparative financial information as at and for the year ended 31 December 2023 and a discussion of changes in our Group's financial condition and results of operations between the two financial years. The 2024 Preliminary Financial Information was not audited. Investors should bear in mind that the 2024 Preliminary Financial Information in this Appendix may be subject to adjustments.*

2024 PRELIMINARY FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi Yuan)

	Note	2023 *RMB'000*	2024 *RMB'000* (unaudited)
Revenue	3	1,401,972	1,350,925
Cost of sales		(1,100,596)	(1,061,824)
Gross profit		**301,376**	**289,101**
Other revenue	4(a)	5,355	7,657
Other net gain	4(b)	1,244	1,573
Selling and distribution costs		(162,119)	(160,390)
Administrative and other operating expenses		(52,614)	(54,425)
Impairment loss on trade and other receivables		(3,214)	942
Profit from operations		**90,028**	**84,458**
Finance income		1,573	1,917
Finance costs		(21,543)	(24,030)
Net finance costs	5(a)	(19,970)	(22,113)
Profit before taxation		**70,058**	**62,345**
Income tax	6	(18,456)	(18,370)
Profit for the year		**51,602**	**43,975**
Attributable to:			
Equity shareholders of the Company		50,088	42,722
Non-controlling interests		1,514	1,253
Profit for the year		**51,602**	**43,975**
Earnings per share			
Basic and diluted *(RMB)*	7	0.31	0.27

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi Yuan)

	2023	2024
	RMB'000	*RMB'000*
		(unaudited)
Profit for the year	51,602	43,975
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Financial assets at fair value through other comprehensive income (FVOCI) – movement in fair value reserves (non-recycling)	(6,721)	4,792
Related tax	1,680	(1,198)
Other comprehensive income for the year	(5,041)	3,594
Total comprehensive income for the year	**46,561**	**47,569**
Attributable to:		
Equity shareholders of the Company	45,265	46,161
Non-controlling interests	1,296	1,408
Total comprehensive income for the year	**46,561**	**47,569**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi Yuan)

		At 31 December	
		2023	**2024**
	Note	*RMB'000*	*RMB'000*
			(unaudited)
Non-current assets			
Property, plant and equipment		344,227	360,127
Financial assets at FVOCI		28,454	31,710
Deferred tax assets		5,091	7,271
		377,772	**399,108**
Current assets			
Inventories	8	266,267	330,062
Trade and bills receivables	9	213,779	190,007
Prepayments, deposits and other receivables	10	313,092	318,053
Restricted deposits		–	1,600
Cash and cash equivalents		236,226	216,858
		1,029,364	**1,056,580**
Current liabilities			
Bank loans and other borrowings	11	462,799	409,688
Lease liabilities		23,561	24,720
Trade payables	12	160,721	110,285
Other payables and accruals	13	45,755	88,524
Contract liabilities	14	112,120	120,913
Taxation payable		15,027	20,425
		819,983	**774,555**
Net current assets		**209,381**	**282,025**
Total assets less current liabilities		**587,153**	**681,133**

		At 31 December	
		2023	**2024**
	Note	*RMB'000*	*RMB'000*
			(unaudited)
Non-current liabilities			
Bank loans and other borrowings	11	12,552	58,829
Lease liabilities		76,533	75,901
Deferred tax liabilities		4,727	5,493
		93,812	**140,223**
Net assets		**493,341**	**540,910**
Capital and reserves			
Share capital		160,685	160,685
Reserves		316,943	363,104
Total equity attributable to equity shareholders of the Company		**477,628**	**523,789**
Non-controlling interests		**15,713**	**17,121**
Total equity		**493,341**	**540,910**

NOTES TO THE 2024 PRELIMINARY FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The 2024 Preliminary Financial Information comprises the Company and its subsidiaries (together, the "Group"). The 2024 Preliminary Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"), also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Material accounting policy information adopted by the Group are disclosed in Note 2 in "Appendix I – Accountants' Report".

2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2024. The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective in the 2024 Preliminary Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	No mandatory effective date yet determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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 Group's consolidated financial statements.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in operation of retail stores and shopping mall in areas around Yangzhou, Jiangsu and sales of goods to wholesale customers and sales of packed meals.

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

	2023	2024
	RMB'000	*RMB'000*
		(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Sales of goods		
– general sales	616,813	505,761
– bulk sales	38,883	49,669
– wholesales	679,641	729,813
Subtotal	1,335,337	1,285,243
Commission income		
– concessionaire sales	32,894	29,046
– supply of goods	6,860	5,899
Subtotal	39,754	34,945
Supply and sales of meals	15,315	16,877
	1,390,406	1,337,065
Revenue from other sources		
Rental income from operating lease	11,566	13,860
	1,401,972	1,350,925

The Group's revenue from contracts with customers were recognised at point in time for the year ended 31 December 2024 and 2023.

There is one (unaudited) and one customer with whom transactions has exceed 10% of the Group's revenues for the year ended 31 December 2024 and 2023.

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

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

4 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	2023 *RMB'000*	2024 *RMB'000* (unaudited)
Service income	3,998	6,323
Government grants	1,110	1,041
Dividends income	247	293
	5,355	7,657

The Group received unconditional government grants of RMB293,000 (unaudited) and RMB247,000 for the year ended 31 December 2024 and 2023 mainly as rewards of the Group's contribution to secure employment for regional employees and special funds for industrial development.

(b) Other net gain

	2023 *RMB'000*	2024 *RMB'000* (unaudited)
Net realised gain on structured deposits and wealth management products	260	242
Net foreign exchange gain	10	1,767
Net gain/(loss) on disposal of property, plant and equipment	28	(505)
Compensation received from early termination of lease agreement	2,300	–
Impairment losses of property, plant and equipment and right-of-use assets	(1,490)	–
Others	136	69
	1,244	1,573

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Net finance costs

	2023	2024
	RMB'000	*RMB'000*
		(unaudited)
Interest income from bank deposits	(1,573)	(1,917)
Finance income	(1,573)	(1,917)
Interest expenses on bank loans and other borrowings	17,058	19,749
Interest expenses on lease liabilities	4,485	4,281
Finance costs	21,543	24,030
Net finance costs	19,970	22,113

(b) Staff costs

	2023	2024
	RMB'000	*RMB'000*
		(unaudited)
Salaries, wages and other benefits	95,561	91,850
Contribution to defined retirement plans *(Note (i))*	9,413	9,204
	104,974	101,054

Note:

(i) The employees of the subsidiaries of the Group established in the PRC participate in a defined contribution scheme managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees' salaries as agreed by the local municipal governments. Employees of these companies are entitled to benefits, calculated based on a percentage of the average salaries level in the PRC, from the above-mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	2023	2024
	RMB'000	*RMB'000*
		(unaudited)
Cost of inventories recognised as expenses	1,089,334	1,049,646
Depreciation charge		
– owned property, plant and equipment	41,689	42,568
– right-of-use assets	28,048	28,316
Provision/(reversal) of impairment loss on trade and other receivables	3,214	(942)
Listing expense	3,449	7,276

6 INCOME TAX

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

	2023	2024
	RMB'000	*RMB'000*
		(unaudited)
Current tax		
– Provision for the year	20,210	20,668
Deferred tax		
– Origination and reversal of temporary differences	(1,754)	(2,298)
	18,456	18,370

Note: Pursuant to the income tax rules and regulations of Hong Kong, the subsidiary in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended 31 December 2024 and 2023.

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

According to Announcement [2022] No. 13, "The Announcement of Further Implementation of Income Tax Incentives for Small-scaled Minimal Profit Enterprise" issued by Ministry of Finance of the PRC and National Tax Bureau on 14 March 2022, the small-scaled minimal profit enterprise with an annual taxable income between RMB1,000,000 and RMB3,000,000 (RMB3,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% for the years from 2022 to 2024.

Certain subsidiaries in the Group meet the conditions as small-scaled minimal profit enterprise were qualified for the entitlement of such preferential tax treatment during the year ended 31 December 2023.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 *RMB'000*	2024 *RMB'000* (unaudited)
Profit before taxation	70,058	62,345
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25%	17,515	15,586
Effect of different tax rates	(190)	–
Tax effect of non-deductible expenses	312	1,934
Tax effect of non-taxable income	(62)	(73)
Tax effect of tax losses not recognised	755	939
Tax effect of temporary differences not recognised	126	(16)
Actual tax expense	18,456	18,370

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB42,722,000 (unaudited) (2023: RMB50,088,000) respectively, and the weighted average number of 160,685,000 (unaudited) (2023:160,685,000) ordinary shares in issue during the respective year.

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2024 and 2023, diluted earnings per share is the same as the basic earnings per share.

8 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December 2023 *RMB'000*	 2024 *RMB'000* (unaudited)
Trade merchandise	266,267	330,062

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Carrying amount of inventories sold	1,087,789	1,048,684
Provision for write-down of inventories	1,545	962
	1,089,334	1,049,646

All inventories are expected to be recovered within one year.

9 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Trade receivables		
– third parties	213,779	173,007
Bill receivables	–	17,000
	213,779	190,007

All of the trade receivables are expected to be recovered within one year.

The Group endorsed certain bank acceptance bills to suppliers for settling trade and other payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2024, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB107,608,000 (unaudited) (2023: nil).

Ageing analysis

As of the end of the reporting period, the ageing analysis of the Group's trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Within 3 months	172,055	122,506
Over 3 months but within 6 months	30,000	44,062
Over 6 months but within 9 months	10,043	3,293
Over 9 months but within 12 months	1,601	3,021
Over 12 months	80	125
	213,779	173,007

Trade receivables are due within 90 days from the date of billing.

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Prepayments	283,491	295,909
Value added tax recoverable	344	488
Other deposits and receivables	31,286	23,824
	315,121	320,221
Less: loss allowance	(2,029)	(2,168)
	313,092	318,053

All prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

11 BANK LOANS AND OTHER BORROWINGS

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Short-term bank loans and other borrowings	462,422	409,265
Accrued interest	377	423
Bank loans and other borrowing – current	462,799	409,688
Long-term bank loans and other borrowings	12,511	58,775
Accrued interest	41	54
Bank loans and other borrowing – non-current	12,552	58,829
Total	475,351	468,517

The maturity profile for the interest-bearing bank loans and other borrowing of the Group at the end of each reporting period is as follows:

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Within 1 year or on demand	462,799	409,688
After 1 year but within 2 years	11,371	48,787
After 2 years but within 5 years	1,181	10,042
Total	475,351	468,517

At the end of each reporting period, the Group's bank and other borrowings were secured as follows:

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Bank loans and other borrowings		
– Secured	437,477	458,517
– Unsecured	37,874	10,000
	475,351	468,517

12 TRADE PAYABLES

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Trade payables	160,721	110,285

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

As of the end of each reporting period, the ageing analysis of the Group's trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Within 3 months	116,819	89,894
3 to 12 months	30,587	12,856
Over 12 months	13,315	7,535
	160,721	110,285

13 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Payable for staff related costs	16,773	15,878
Deposits received	11,746	12,423
Other taxes payable	4,145	12,169
Others	13,091	48,054
	45,755	88,524

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

14 CONTRACT LIABILITIES

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Advance receipts from customers *(Note (i))*	47,273	59,059
Advance receipts from operating lease	1,742	2,268
Prepaid cards *(Note (ii))*	62,042	58,787
Customer loyalty program points liability *(Note (iii))*	1,063	799
	112,120	120,913

Notes:

(i) The amounts of consideration received in advance as prepayments by customers are short-term as the respective revenue is expected to be recognised within a few days when the goods are delivered to customers.

(ii) Revenue is recognised when customers accept the products so revenue from prepaid cards is recognised when the prepaid cards are redeemed by customers. Based on recent trends in redemption by customers of the prepaid cards, it is expected that most of the prepaid cards will be redeemed within one year from purchase.

(iii) The Group operates a customer loyalty programme for sales to retail customers where points can be earned by customers and to be used to reduce the cost of future purchases. The contract liability in respect of unredeemed retail customer loyalty points will be recognised as revenue when the points are redeemed by those customers or expire, which is expected to occur before the end of the following year based on the expiry terms of the loyalty points.

BUSINESS REVIEW AND OUTLOOK

We are a wholesaler of grains and oil headquartered in Yangzhou, with retail operations of supermarket and convenience stores focusing on the central region of Jiangsu Province under our brand "宏信龍" (Hongxinlong*). Leveraging our ability to source and supply quality and fresh food ingredients, we also operate a central kitchen to produce meals and deliver to local corporates, schools or government entities.

Our business entails the following operations:

- **Wholesale operations:** We sell grains and oil, food products and other products to resellers and other retail operators including other operators of supermarkets and convenience stores as well as catering business operators. We also sell garment and wooden products to overseas customers and household appliances to distributors and retailers.

- **Retail operations:** We operate our supermarkets and convenience stores under our brand "宏信龍" (Hongxinlong*), as well as two Malls, with geographical focus in the central region of Jiangsu Province. We receive sales proceeds from (i) general sales to consumers at our Retail Stores and Malls; and (ii) bulk sales to customers including corporate and government entities. We also receive sales amounts for concessionaire sales at our Retail Stores and Malls and charge the concessionaires certain percentage of gross sale amounts or the agreed sales target, whichever is the higher, as commissions.

  Our supermarkets provide a wide range of daily consumer products to cater for the daily needs of our customers, which could be broadly categorised as raw and fresh food, grains and oil, non-staple food and household products, while our convenience stores open for 16 or 24 hours a day to cater for quick purchases of everyday consumable products.

  Apart from supermarkets and convenience stores, we also operate two Malls located in Yangzhou, namely Jiangdu Mall* (江都商城) and Hongxinlong Mall* (宏信龍購物中心). We sell fashion and apparel, children's wear, cosmetics and personal care, jewellery, accessories, footwear, household appliances, consumer electronics, liquor and miscellaneous products at our Malls.

- **Rental operations:** Ancillary to our retail operations, we lease some shop floor area or shop premises in our Retail Stores and Malls to other retail operators like restaurant, hotels and pharmacies, etc. and receive rental income.

- **Supply and sales of meals:** We operate a central kitchen to produce meals and deliver to local corporates, schools or government entities.

Going forward, we plan to implement the following strategies, which we believe, will strengthen our market position, increase our market share and capture the growth in the PRC retail industry:

- expanding our presence and number of Retail Stores;
- expanding our warehousing capacity by establishing a new distribution centre;
- expanding our processing capacity of meals by establishing a new central kitchen; and
- enhancing our ERP system and infrastructure systems to improve our operational efficiency.

Except for the estimated non-recurring Listing expenses as disclosed in this prospectus, to the best of our Directors' knowledge, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2024 and up to the date of this prospectus.

RESULTS OF OPERATIONS

Year ended 31 December 2023 compared to Year ended 31 December 2024

Revenue

Our revenue decreased by approximately RMB51.1 million from approximately RMB1,402.0 million for the year ended 31 December 2023 to approximately RMB1,350.9 million for the year ended 31 December 2024. Such decrease was mainly driven by the decrease in our revenue from general sales of approximately RMB111.1 million, and is partially offset by the increase in our revenue from wholesales of approximately RMB50.2 million and the increase in our revenue from bulk sales of approximately RMB10.8 million. Our revenue from rental operations and supply and sales of meals remained relatively stable.

For the year ended 31 December 2024, our revenue generated from wholesales increased to approximately RMB729.8 million from approximately RMB679.6 million for the year ended 31 December 2023. Such increase was mainly driven by the sales of food in wholesale. As advised by the Industry Consultant, the increase in wholesale of food in the PRC in 2023 and 2024, particularly as a result of recovery from COVID-19 pandemic, was driven by a combination of economic recovery and pent-up demand. In particular, as COVID-19 restrictions were lifted, businesses resumed normal operations, including resellers, retail operators such as operators of supermarkets and convenience stores as well as catering business operators. This resurgence in economic activity led to increased demand for wholesale food supplies as food service establishments sought to replenish stock. In addition, during the lockdowns, businesses in the PRC tended to postpone many purchases particularly in the food sector. As restrictions eased, there was a tendency to purchase food supplies to meet the needs of retail operators and catering business operators, thereby driving up wholesale sales.

For the year ended 31 December 2024, our revenue generated from general sales decreased to approximately RMB505.8 million from approximately RMB616.8 million for the year ended 31 December 2023. Such decrease was mainly due to (i) the cessation of sales of tobacco products; (ii) the decrease in revenue from sales of food in retail; and (iii) the bad weather in Yangzhou in late June 2024 which hindered the performance of our 2024 half-year promotional sales as compared to our 2023 half-year promotional sales. As advised by the Industry Consultant, in 2024, there has been a notable increase in the number of individuals dining out at restaurants, which was mainly driven by several key factors including, (1) the gradual recovery of the general economy in Yangzhou and the PRC has resulted in increased disposable income for consumers, enabling greater spending on dining out; (2) restaurants are proactively seeking to attract customers in order to recover from business losses incurred during the lockdowns; and (3) many people appreciate the social aspect of dining out, which fosters gatherings with friends and family in a lively atmosphere. As a result of the increasing number of individuals dining out at restaurants, consumers have reduced their spending on food purchased from supermarkets at the retail level, while at the same time the demand for food ingredients (such as grains and oil) at the wholesale level increased.

Our revenue from supply and sales of meals remained relatively stable at approximately RMB15.3 million and RMB16.9 million for the years ended 31 December 2023 and 2024, respectively; and our rental income from operating lease also remained relatively stable at approximately RMB11.6 million and RMB13.9 million for the years ended 31 December 2023 and 2024, respectively.

Cost of sales

Our cost of sales mainly comprised the cost of inventories sold. Our cost of sales decreased by approximately RMB38.8 million from approximately RMB1,100.6 million for the year ended 31 December 2023 to approximately RMB1,061.8 million for the year ended 31 December 2024. Such decrease was generally in line with our decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB12.3 million from approximately RMB301.4 million for the year ended 31 December 2023 to approximately RMB289.1 million for the year ended 31 December 2024. Such decrease was mainly driven by the decrease in our gross profit from general sales, and is partially offset by the increase in our gross profit from wholesales.

Our gross profit margin remained stable at approximately 21.5% and 21.4% for the years ended 31 December 2023 and 2024, respectively.

Other revenue

Our other revenue mainly comprised service income for processing meals for two catering business operators in Yangzhou and government grants. Our other revenue increased from approximately RMB5.4 million for the year ended 31 December 2023 to approximately RMB7.7 million for the year ended 31 December 2024. Such increase was mainly driven by the increase in our service income.

Other net gain

Our other net gain increased from approximately RMB1.2 million for the year ended 31 December 2023 to approximately RMB1.6 million for the year ended 31 December 2024. Such increase was mainly driven by (i) the increase in net foreign exchange gain during the year under review; and (ii) the impact of impairment losses of property, plant and equipment recognised for the year ended 31 December 2023 (but not for the year ended 31 December 2024), and is offset by the impact of compensation received from early termination of lease agreement recognised for the year ended 31 December 2023 (but not for the year ended 31 December 2024).

Selling and distribution costs

Our selling and distribution costs mainly comprised staff costs and depreciation and amortisation expenses. Our selling and distribution costs decreased from approximately RMB162.1 million for the year ended 31 December 2023 to approximately RMB160.4 million for the year ended 31 December 2024. Such decrease was mainly due to the decrease in staff costs, which was was mainly due to decrease in number of staff.

Administrative and other operating expenses

Our administrative and other operating expenses mainly comprised staff costs, depreciation and amortisation expenses and Listing expenses. Our administrative and other operating expenses increased from approximately RMB52.6 million for the year ended 31 December 2023 to approximately RMB54.4 million for the year ended 31 December 2024. Such increase was mainly driven by the increase in our Listing expenses from approximately RMB3.4 million for the year ended 31 December 2023 to approximately RMB7.3 million for the year ended 31 December 2024.

Impairment loss/(reversal of impairment loss) on trade and other receivables

Impairment loss represented the changes in loss allowance in respect of our trade receivables and other receivables. We overturned from impairment loss of approximately RMB3.2 million for the year ended 31 December 2023 to a reversal of impairment loss of approximately RMB0.9 million for the year ended 31 December 2024, which was mainly driven by the reversal of impairment loss on our trade receivables.

Net finance costs

Our net finance cost remained relatively stable at approximately RMB20.0 million and RMB22.1 million for the years ended 31 December 2023 and 2024, respectively.

Income tax

Our income tax remained stable at approximately RMB18.5 million and RMB18.4 million for the years ended 31 December 2023 and 2024, respectively. Our effective tax rate increased from approximately 26.3% for the year ended 31 December 2023 to approximately 29.5% for the year ended 31 December 2024, which was mainly driven by the increase in Listing expenses which were non-deductible for tax.

Profit for the year

For the forgoing reasons, our profit for the year decreased from approximately RMB51.6 million for the year ended 31 December 2023 to approximately RMB44.0 million for the year ended 31 December 2024. Our net profit margin decreased from approximately 3.7% for the year ended 31 December 2023 to approximately 3.3% for the year ended 31 December 2024.

Non-IFRS financial measure

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also presented the adjusted net profit (Non-IFRS measure) and adjusted net profit margin (Non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRSs. We believe that the presentation of non-IFRS financial measures when shown in conjunction with the corresponding IFRS financial measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period. Such non-IFRS financial measures allow investors to consider matrices used by our management in evaluating our performance.

The use of non-IFRS financial measures has limitations as an analytical tool, and investors should not consider these in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial conditions as reported in accordance with IFRSs. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

We adjusted for certain items as our non-IFRS financial measures, in order to provide potential investors with an overall and fair understanding of our operating results and financial performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance. Listing expenses are mainly expenses related to the Listing and are added back because they were incurred only for the purposes of the Listing.

Adjusted net profit (Non-IFRS measure)

We defined adjusted net profit (Non-IFRS measure) as net profit for the year adjusted by adding back Listing expenses. The table below sets forth the adjusted net profit (Non-IFRS measure) and the adjusted net profit margin (Non-IFRS measure) for the years ended 31 December 2023 and 31 December 2024:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Profit for the year	51,602	43,975
Adjusted:		
Listing expenses	3,449	7,276
Adjusted net profit (Non-IFRS measure) for the year	**55,051**	**51,251**
Adjusted net profit margin (Non-IFRS measure)	**3.9%**	**3.8%**

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current assets and current liabilities

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Current assets		
Inventories	266,267	330,062
Trade and bills receivables	213,779	190,007
Prepayments, deposits and other receivables	313,092	318,053
Restricted deposits	–	1,600
Cash and cash equivalents	236,226	216,858
	1,029,364	**1,056,580**
Current liabilities		
Bank loans and other borrowings	462,799	409,688
Lease liabilities	23,561	24,720
Trade payables	160,721	110,285
Other payables and accruals	45,755	88,524
Contract liabilities	112,120	120,913
Taxation payable	15,027	20,425
	819,983	**774,555**
Net current assets	**209,381**	**282,025**

Cash flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Operating profit before changes in working capital	163,623	153,471
Changes in working capital	(75,001)	1,884
Cash generated from operations	88,622	155,355
Income tax paid	(19,403)	(15,270)
Net cash generated from operating activities	69,219	140,085
Net cash used in investing activities	(34,536)	(64,238)
Net cash generated from/(used in) financing activities	35,729	(95,800)
Net increase/(decrease) in cash and cash equivalents	70,412	(19,953)
Effect of foreign exchange rate changes	327	585
Cash and cash equivalents at beginning of year	165,487	236,226
Cash and cash equivalents at end of year	236,226	216,858

Our cash and cash equivalent decreased from approximately RMB236.2 million as at 31 December 2023 to approximately RMB216.9 million. Such decrease was mainly our net cash used in investing and financial activities during the year ended 31 December 2024, which outweighed our net cash generated from operating activities.

For the year ended 31 December 2024, we recorded a net cash generated from operating activities of approximately RMB140.1 million, which primarily reflected our operating profit before changes in working capital of approximately RMB153.5 million. During the year ended 31 December 2024, we only had insignificant net changes in working capital as our decrease in trade and other receivables and our increase in trade and other payables outweighed our increase in inventories.

For the year ended 31 December 2024, we record a net cash used in investing activities of approximately RMB64.2 million, which was mainly due to acquisition of property, plant and equipment during the year.

For the year ended 31 December 2024, we record a net cash used in financing activities of approximately RMB95.8 million, which was mainly due to our net repayment of bank loans and other borrowings.

Inventories

Our inventories represented our trade merchandise. Our inventories increased from approximately RMB266.3 million as at 31 December 2023 to approximately RMB330.1 million as at 31 December 2024. Such increase was mainly driven by the increase in the balance for food, which was primarily because we increased our purchase of food to accommodate the upcoming demand on food. According to the Industry Consultant, with the COVID-19 pandemic receded in the PRC and the gradual return to normalcy, consumers in the PRC generally were more willing to spend on purchasing food.

The following table sets forth the average inventory turnover days for the years indicated:

	Year ended 31 December	
	2023	**2024**
	(days)	*(days)*
Average inventory turnover days[1]	97.9	102.5

Note:

(1) Average inventory turnover days equal average inventories divided by cost of sales for the year and multiplied by 365. Average inventories are calculated as inventories at the beginning of the year plus inventories at the end of the year, divided by two.

Our average inventory turnover days increased from approximately 97.9 days for the year ended 31 December 2023 to approximately 102.5 days for the year ended 31 December 2024. Such increase was mainly driven by (i) the increase in food for retail and wholesales in our inventories as we increased our purchase of food to accommodate the 2025 Chinese New Year, which was earlier than 2024 Chinese New Year; and (ii) towards the end of 2024, we made purchases in food for wholesales for sale orders to be fulfiled in January 2025.

Trade and bills receivables

Our trade and bills receivables decreased from approximately RMB213.8 million as at 31 December 2023 to approximately RMB190.0 million as at 31 December 2024 as we collected more receivables from customers toward the end of the year ended 31 December 2024.

The following table sets forth the average turnover days of trade and bills receivables for the years indicated:

	Year ended 31 December	
	2023	**2024**
	(days)	*(days)*
Average turnover days of trade and bills receivables[1]	53.9	54.5

Note:

(1) Average turnover days of trade and bills receivables equal average trade and bills receivables divided by revenue for the year and multiplied by 365. Average trade and bills receivables are calculated as trade receivables at the beginning of the year plus trade receivables at the end of the year, divided by two.

Our average turnover days of trade and bills receivables remained stable at approximately 53.9 days and 54.5 days for the years ended 31 December 2023 and 2024, respectively.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly comprises the prepayment for our purchases. Our prepayments, deposits and other receivables remained relatively stable at approximately RMB313.1 million and RMB318.1 million as at 31 December 2023 and 2024, respectively.

Trade payables

Our trade payables decreased from approximately RMB160.7 million as at 31 December 2023 to approximately RMB110.3 million as at 31 December 2024. Such decrease was mainly because we settled our trade payables more promptly during the year under review. As advised by the Industry Consultant, the COVID-19 pandemic has strained the cash flow of suppliers in the PRC, compelling them to pursue faster payments to ensure liquidity and operational stability. Furthermore, the economic uncertainties in the post-pandemic era have further intensified this need, as suppliers are increasingly focused on strengthening their cash flow management to mitigate risks and sustain their businesses in a volatile market environment.

The following table sets forth the average turnover dates of trade payables for the years indicated:

	Year ended 31 December	
	2023	**2024**
	(days)	*(days)*
Average turnover days of trade payables[(1)]	58.3	46.6

Note:

(1) Average turnover days of trade payables equal average trade payables divided by cost of sales for the year and multiplied by 365. Average trade payables are calculated as trade payables at the beginning of the year plus trade payables at the end of the year, divided by two.

Our average turnover days of trade payables significantly decreased from approximately 58.3 days for the year ended 31 December 2023 to approximately 46.6 days for the year ended 31 December 2024. Such decrease was mainly driven by the decrease in our trade payables as we settled our trade payables more promptly during the year ended 31 December 2024.

Contract liabilities

Our contract liabilities increased from approximately RMB112.1 million as at 31 December 2023 to approximately RMB120.9 million as at 31 December 2024. Such increase was mainly driven by the increase in advance receipts from customers.

INDEBTEDNESS

Our indebtedness comprised bank borrowings and lease liabilities. The following table sets forth our indebtedness as at the dates indicated:

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
		(unaudited)
Non-current liabilities		
Bank loans and other borrowings	12,552	58,829
Lease liabilities	76,533	75,901
	89,085	134,730
Current liabilities		
Bank loans and other borrowings	462,799	409,688
Lease liabilities	23,561	24,720
	486,360	434,408
Total	**575,445**	**569,138**

Bank loans and other borrowings

Our total bank loans and other borrowings decreased from approximately RMB475.4 million as at 31 December 2023 to approximately RMB468.5 million as at 31 December 2024. Such decrease was mainly driven by our net repayment during the year under review. As at 31 December 2024, our unutilised banking facilities amounted to approximately RMB76.0 million.

Lease liabilities

Our total lease liabilities remained stable at approximately RMB100.1 million and RMB100.6 million as at 31 December 2023 and 2024, respectively.

SELECTED FINANCIAL RATIOS

The following tables set forth certain key financial ratios as at/for the years ended 31 December 2023 and 31 December 2024:

	As at/For the years ended 31 December	
	2023	**2024**
Gross profit margin[1]	21.5%	21.4%
Net profit margin[2]	3.7%	3.3%
Return on equity[3]	10.5%	8.1%
Return on assets[4]	3.7%	3.0%
Current ratio[5]	1.3	1.4
Quick ratio[6]	0.9	0.9
Gearing ratio[7]	68.8%	65.1%
Interest coverage ratio[8]	4.5	3.8

Notes:

(1) Gross profit margin represents gross profit for the year divided by total revenue for the respective year.

(2) Net profit margin represents profit for the year divided by total revenue for the respective year.

(3) Return on equity represents profit for the year divided by total equity as at the end of that year.

(4) Return on assets represents profit for the year divided by total assets as at the end of that year.

(5) Current ratio represents total current assets divided by total current liabilities as at the relevant year end.

(6) Quick ratio represents total current assets less inventories divided by total current liabilities as at the relevant year end.

(7) Gearing ratio represents total bank loans and other borrowings and lease liabilities, less cash and cash equivalents, divided by total equity as at the relevant year end.

(8) Interest coverage ratio represents profit before net finance costs and taxation divided by net finance costs for the relevant year.

Gross profit margin

Our gross profit margin remained stable at approximately 21.5% and 21.4% for the years ended 31 December 2023 and 2024, respectively.

Net profit margin

Our net profit margin decreased from approximately 3.7% for the year ended 31 December 2023 to approximately 3.3% for the year ended 31 December 2024. Such decrease was mainly due to the increase in Listing expenses. Our adjusted net profit margin (non-IFRS measure as disclosed above) remained stable at approximately 3.9% and 3.8% for the years ended 31 December 2023 and 2024, respectively.

Return on equity

Our return on equity decreased from approximately 10.5% for the year ended 31 December 2023 to approximately 8.1% for the year ended 31 December 2024. Such decrease was mainly due to decrease in our net profits, which was primarily driven by the decrease in our gross profit and the increase in Listing expenses.

Return on assets

Our return on assets decreased from approximately 3.7% for the year ended 31 December 2023 to approximately 3.0% for the year ended 31 December 2024. Such decrease was mainly due to decrease in our net profits, which was primarily driven by the decrease in our gross profit and the increase in Listing expenses.

Current ratio

Our current ratio increased from approximately 1.3 as at 31 December 2023 to approximately 1.4 as at 31 December 2024. Such increase was mainly due to (1) the net increase in our current assets, which was mainly driven by the increase in our inventories; and (2) the net decrease in our current liabilities, which was mainly driven by the decrease in our bank loans and other borrowings.

Quick ratio

Our quick ratio remained stable at approximately 0.9 and 0.9 as at 31 December 2023 and 2024.

Gearing ratio

Our gearing ratio decreased from approximately 68.8% as at 31 December 2023 to approximately 65.1% as at 31 December 2024. Such decrease was mainly driven by the decrease in our bank loans and other borrowing.

Interest coverage ratio

Our interest coverage ratio decreased from approximate 4.5 times for the year ended 31 December 2023 to approximately 3.8 times for the year ended 31 December 2024. Such decrease was mainly due to decrease in our net profits, which was primarily driven by the decrease in our gross profit and the increase in Listing expenses.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Please refer to Note 29 to the Accountant's Report in Appendix I to this prospectus for the details of the risks to which we are exposed to.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not yet listed on the Stock Exchange during the year ended 31 December 2024, the Corporate Governance Code set out in Appendix C1 (formerly Appendix 14) to the Listing Rules (the "**CG Code**") was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the CG Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

The unaudited financial information in respect of our consolidated statement of financial position as at 31 December 2024, our consolidated statement of profit or loss, our consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the 2024 Preliminary Financial Information above has been agreed by the Reporting Accountants to the amounts set out in the Group's unaudited consolidated financial statements for the year ended 31 December 2024 following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountants on the 2024 Preliminary Financial Information.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Since we were not yet listed on the Stock Exchange during the year ended 31 December 2024, this disclosure requirement is not applicable to us.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital tax, VAT, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC TAXATION

Taxation on Dividends

Individual Investors

Pursuant to the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018 and the *Implementation Rules of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法實施條例》), which was last amended on 18 December 2018 (the "**IIT Law**"), dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty. In addition, according to the *Notice on Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued on 7 September 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than 1 year, the income from dividends and bonuses shall be exempted from individual income tax; where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is 1 month or less, the income from dividends and bonuses shall be included into the taxable incomes in full amount; if the stock holding period is more than 1 month and up to 1 year, 50% of the income from dividends and bonuses shall be temporarily included into the taxable incomes The individual income tax rate on the aforesaid income is levied at a flat rate of 20%.

Enterprise Investors

In accordance with the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on 16 March 2007, came into effect on 1 January 2008 and was subsequently amended on 24 February 2017 and 29 December 2018, and the *Implementation Rules of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on 6 December 2007, came into effect on 1 January 2008 and was amended in 2019 (the "**EIT Law**"), a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonuses received from a PRC resident enterprise), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income is not connected with such establishment or premise in the PRC. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due.

The *Circular of the STA on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares* (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the STA and implemented on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate flat of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the *Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B shares* (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by the STA and implemented on 24 July 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable. Accordingly, dividends paid to non-PRC resident enterprise (including HKSCC Nominees) shall be subject to withholding enterprise income tax at a rate of 10%.

Pursuant to the *Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on 21 August 2006, the PRC government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The *Fifth Protocol of the Arrangement between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion* *with respect to Taxes on Income* (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which came into effect on 6 December 2019, adds criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted for relevant gains in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements shall be subject to the requirements of PRC tax laws and regulations, such as the *Circular of the SAT on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the *Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT* (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (the "**Circular 36**"), which was implemented on 1 May 2016 and amended on 11 July 2017, 25 December 2017 and 20 March 2019, respectively, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and "sales of services within the PRC" refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products.

According to the provisions above, upon the sale or disposal of H shares, the holders are exempt from VAT in the PRC if they are non-resident individuals; in case the holders are non-resident enterprises, they may not be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located outside of the PRC whereas the holders may be subject to the VAT in the PRC if the purchasers of the H shares are individuals or entities located in the PRC.

Income Taxes

Individual investors

According to the IIT Law, gains from the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. According to the *Circular of the MOF and STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares* (《財政部國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and STA on 30 March 1998, since 1 January 1997, gains of individuals from the transfer of shares of listed companies continue to be temporarily exempted from individual income tax.

However, on 31 December 2009, the MOF, the STA and CSRC jointly issued the *Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which became effective on 1 January 2010, states that individuals' income from the transfer of listed shares obtained from the public offering and transfer of the stock market of the listed company on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the *Supplementary Notice on Issues Concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by the above three departments and came into effect on 10 November 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise investors

In accordance with the EIT Law and the Implementation Rules of the Enterprise Income Tax Law of the PRC, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premises in the PRC but its PRC-sourced income is not connected in reality with such establishment or premise. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income shall be the withholding agent, and is required to withhold the income tax from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the *Stamp Duty Law of the PRC* (《中華人民共和國印花稅法》) promulgated by the SCNPC on 10 June 2021 and came into effect on 1 July 2022 (the "**Stamp Duty Law**"), all entities and individuals engaged in securities transactions within the PRC are subject to stamp duty as stamp duty payers in accordance with the provisions of the Stamp Duty Law, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside the PRC.

Estate Duty

According to PRC law, no estate duty is currently levied in the PRC.

Major Taxes on the Company in the PRC

Please refer to the section headed "Regulatory Overview" in this prospectus.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable, and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The *Regulations of the PRC on the Management of Foreign Exchange* (《中華人民共和國外匯管理條例》, the "**Regulations on the Management of Foreign Exchange**"), which was promulgated by the State Council on 29 January 1996 and effective on 1 April 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administrative authorities, while capital items are subject to the approval of foreign exchange administrative authorities. According to the Regulations on the Management of Foreign Exchange as amended on 14 January 1997 and 5 August 2008, the PRC will not impose any restriction on international current payments and transfers.

The *Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (《結匯、售匯及付匯管理規定》, the "**Settlement Regulations**"), which was promulgated by the PBOC on 20 June 1996 and effective on 1 July 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital items.

According to the *Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism* (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), which was issued by the PBOC on 21 July 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies from 21 July 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

On 5 August 2008, the State Council promulgated the revised Regulation on the Management of Foreign Exchange, which has made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment from foreign exchange accounts opened at the designated foreign exchange banks, on the strength of valid transaction receipt or proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On 23 October 2014, the State Council promulgated the *Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items* (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On 26 December 2014, the SAFE promulgated and implemented the *Circular of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing* (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the PRC or deposited overseas, but the use of the proceeds shall be consistent with the contents as specified in the document and other disclosure documents.

According to the *Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》, the "**Circular 13**") (Hui Fa [2015] No. 13) promulgated by the SAFE on 13 February 2015 and took effect on 1 June 2015, and further revised in 2019, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled, the foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the *Circular of the SAFE on the Policies for Reforming and Standardizing Management of Foreign Exchange Settlement under the Capital Account* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16), which was issued by the SAFE and came into effect on 9 June 2016, and was partially amended on 4 December 2023, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

On 26 January 2017, the SAFE issued the *Circular of the SAFE on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading; allow repatriation of funds under domestic guaranteed foreign loans for domestic utilisation; allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones; and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On 23 October 2019, the SAFE issued the *Circular of the SAFE Further Promoting Cross-border Trade and Investment Facilitation* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which was partially amended on 4 December 2023, which stipulated that on the basis that investing foreign-funded enterprises may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) are not violated and domestic invested projects are true and compliant.

PROVISIONS

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to the Company. This summary is not intended to include all information that is important for potentially investors. For discussion of laws and regulations governing the business of the Company, see "Regulatory Overview" of this document.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the Constitution of the PRC (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the *Constitution and the Legislation Law of the PRC* (《中華人民共和國立法法》) (the "**Legislation Law**"), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, ecological civilization construction, historical and cultural protection, grassroots governance and other aspects according to the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations of cities with districts will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries, commissions of the State Council, the PBOC, the National Audit Office, institutions with administrative functions directly under the State Council, and other institutions stipulated by law may formulate rules and regulations within the power of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts and autonomous regions may formulate rules, in accordance with laws, administrative regulations and relevant local regulations of provinces, autonomous regions and municipalities directly under the central government.

Pursuant to the *Resolution of the SCNPC Providing an Improved Interpretation of the Law* (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, issues related to the further clarification or supplement of laws or decrees should be interpreted by the SCNPC or provided by with decrees, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the application of other laws and decrees in matters other than those involved in trial or prosecution process should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations is vested in the regional legislative and administrative authorities which promulgate such laws and regulations.

The PRC Judicial System

Under the Constitution, the *Law of Organization of the People's Courts of the PRC (2018 revision)* (《中華人民共和國人民法院組織法(2018修訂)》) and the *Law of Organization of the People's Procuratorate of the PRC (2018 revision)* (《中華人民共和國人民檢察院組織法(2018修訂)》), the people's courts of the PRC are classified into the Supreme People's Court, the local people's courts at various levels, and other special people's courts. The local people's courts at various levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts may set up a number of people's tribunals based on the facts of the region, population and cases. The Supreme People's Court is the highest judicial authority. The Supreme People's Court shall supervise the judicial work of the local people's courts at all levels and special people's courts, and people's courts at higher levels shall supervise the judicial work of people's courts at lower levels. The Chinese People's Procuratorates are divided into the Supreme People's Procuratorate, local people's procuratorates at various levels, and specialized people's procuratorates such as the Military Procuratorate. The Supreme People's Procuratorate is the highest procuratorial organ. The Supreme People's Procuratorate directs the work of the local people's procuratorates and specialized people's procuratorates at all levels, and the people's procuratorates at higher levels direct the work of the people's procuratorates at lower levels.

The people's court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance of the people's court are final. The parties may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. The first judgments or rulings of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in the final and binding judgment or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court discovers an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The *Civil Procedure Law of the PRC* (《中華人民共和國民事訴訟法》) (the "**PRC Civil Procedure Law**") adopted on 9 April 1991 and amended four times on 28 October 2007, 31 August 2012, 27 June 2017, 24 December 2021 and 1 September 2023 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. Each party to a civil action conducted within the PRC must comply with the relevant provisions of the

PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the places where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a person without nationality, a foreign enterprise and organization is given the same litigation rights and obligations as a citizen, a legal person and other organization of the PRC when initiating actions or defending against litigation at the people's court. Should a foreign court limit the litigation rights of citizens, a legal person, and other organizations of the PRC, the PRC court may apply the same limitations to the civil litigation rights to citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise and organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

Where a party applies for enforcement of a legally effective judgement or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court. Similarly, where an effective judgment or ruling made by a foreign court needs to be recognized and enforced by the people's court of the PRC, unless the people's court considers that the recognition or enforcement of the judgment or ruling would violate the basic legal principles of the PRC, national sovereignty, national security or social and public interest, the parties involved may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may, in accordance with the provisions of international treaties entered into or acceded to by that country and the PRC or according to the principle of reciprocity, request the people's court to recognize and enforce it.

The Company Law of the PRC, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and the Guidelines for the Articles of Association of Listed Companies

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on 29 December 1993 and came into effect on 1 July 1994, and was successively amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The latest revised PRC Company Law was implemented on 26 October 2018.

On 17 February 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "**Overseas Listing Trial Measures**"), which came into effect on 31 March 2023 and is applicable to direct and indirect overseas share subscription and listing of domestic companies, which also stipulates the filing administrative measures and regulatory requirements for the overseas securities offering and listing by domestic companies.

On 15 December 2023, the CSRC promulgated the latest amended Guidelines for the Articles of Association of Listed Companies (the "**Guidelines for the Articles of Association**"), pursuant to the Overseas Listing Trial Measures and its supporting guidelines, Guidelines for Application of Regulatory Rules – Overseas Listing Category No. 1, domestic enterprises that are directly listed overseas shall formulate its articles of association with reference to the Guidelines for the Articles of Association and other relevant provisions of the CSRC on corporate governance to regulate corporate governance. Set out below is a summary of the main provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association.

General Provisions

A "joint stock limited company" (hereinafter referred to as the "**company**") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Companies engaged in business activities shall obey the relevant laws and administrative regulations, observe social and business ethics, and act in good faith, accept the supervision of the government and the public, and shoulder social responsibility. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A company may be incorporated by promotion or raising. A company shall be incorporated by two to 200 promoters, provided that at least more than half of the promoters must reside in the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No shares shall be raised from others before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a Board of Directors and a Supervisory Committee shall be elected and the Board of Directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by raising, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. A prospectus shall be published and a subscription letter shall be prepared when the promoters offer shares to the public. The subscription letter shall be filled in by the subscriber with the number of shares to be subscribed, amount, address, and signed and sealed. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC laws, and an underwriting agreement shall be concluded thereon. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall convene an inauguration meeting within 30 days after the issued shares have been completely paid up. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the document, or where the promoter fails to convene an inauguration meeting within 30 days after the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the Board of Directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the company registration authority and a business license has been issued.

The promoters of a company shall: (1) individually and jointly be liable for the payment of all liabilities and expenses incurred in the incorporation process if the company cannot be incorporated; (2) individually and jointly be liable for the repayment of subscription monies to the subscribers together with interest at bank rates of a deposit for the same period if the company cannot be incorporated; and (3) be liable for compensation of damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets that are prohibited from being contributed as capital by the laws or administrative regulations. Non-monetary property used for capital contributions shall be evaluated and verified, and shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail.

The issuance of shares shall be conducted in a fair and equitable manner, and each share of the same class shall enjoy the same rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same. The share offering price may be equal to or in excess of the par value, but shall not be less than the par value.

Pursuant to the Overseas Listing Trial Measures, a domestic company that offers and lists securities on overseas markets may raise funds and pay dividends in a foreign currency or the RMB. Under specific circumstances such as equity incentives, issuance of securities to purchase assets, etc., domestic enterprises are allowed to issue securities to specific domestic objects when they directly issue and list overseas.

According to the provisions of the PRC Company Law, a company that issues registered shares shall establish a register of shareholders to record the following items: (1) the names or titles and domiciles of the shareholders; (2) the number of shares held by each shareholder; (3) the serial number of the shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in a general meeting. In addition, the *Securities Law of the PRC* (the "**PRC Securities Law**") also stipulates the following conditions for the company's public offering of new shares: (1) have a sound organizational structure with satisfactory operating; (2) have the capability of sustainable operation; (3) have been issued with an unqualified opinion audit report by the auditor for the company's financial accounting documents in the latest three years; (4) the issuer and its controlling shareholder(s) and actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order; and (5) other conditions required by the securities administration department of the State Council as approved by the State Council. After the new shares issued by the company have been fully paid up, the change must be registered with the company registration authority and a public announcement shall be made.

Reduction of Share Capital

The Company shall reduce the registered capital in accordance with the following procedures as stipulated in the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of properties; (2) make a resolution at a shareholders' general meeting to reduce the registered capital; (3) the company shall notify its creditors within 10 days after making the resolution to reduce the registered capital and publish the relevant announcement in newspapers within 30 days; (4) a creditor may, within 30 days after receipt of the notification, or within 45 days after the date of announcement if he/she has not received the notification, have the right to request the company to repay its debts or provide relevant guarantees; and (5) the company must apply to the companies registration authority for a change in registration.

Repurchase of Shares

Under the provisions of the PRC Company Law, a company shall not repurchase its own shares except in the following circumstances: (1) reduction of the registered capital of the company; (2) merger with another company that holds its shares; (3) use of its shares for carrying out an employee stock ownership plan or equity incentive plan; (4) request from shareholders who object to a resolution of a shareholders' general meeting on merger or division of the company to acquire their shares by the company; (5) use of shares for conversion of convertible corporate bonds issued by the listed company; and (6) it is necessary for a listed company to maintain its company value and protect its shareholders' equity. A resolution of a shareholders' general meeting is required for the repurchase of shares by a company under either of the circumstances stipulated in item (1) or item (2) above; for a company's repurchase of shares under any of the circumstances stipulated in item (3), item (5) or item (6) above, a resolution of a meeting of the Board of Directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the Company's Articles of Association or as authorized by the shareholders' general meeting.

The shares acquired by the company according to the above provisions under the circumstance stipulated in item (1) hereof a company shall be deregistered within 10 days from the date of acquisition of shares; the shares shall be transferred or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (2) or item (4); and the shares in the company held in total by the company after the repurchase of shares under any of the circumstances stipulated in item (3), item (5) or item (6) shall not exceed 10% of the Company's total issued shares, and shall be transferred or deregistered within three years.

A listed company acquires its own shares shall perform their obligation of information disclosure according to the provisions of the PRC Securities Law. A listed company acquires its own shares under any of the circumstances stipulated in item (3), item (5) and item (6) hereof, shall be carried out trading in public and centralized manner.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on the Stock Exchange established in accordance with laws or by any other means as required by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Following the transfer of registered shares, the company shall enter the names and domiciles of the transferee into its share register. Change of the register of members described in the preceding paragraph shall not be registered within 20 days before the convening of a shareholders' general meeting or five days prior to the base date on which the company decides to distribute dividends. However, where there are separate provisions by law on the alternation of registration in the register of members of listed companies, those provisions shall prevail. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Pursuant to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on the Stock Exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on the Stock Exchange, nor within six months after they leave their positions in the company. The Articles of Association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Pursuant to the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, the shareholders of its domestic unlisted shares applying to convert its domestic unlisted shares into overseas listed shares and listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and appoint the domestic company to file with the CSRC.

Shareholders

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include the rights: (1) to be legally entitled to assets income, participate in significant decision-making and select management personnel; (2) to petition the people's court to revoke any resolution of a shareholders' meeting, a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, administrative regulations or the articles of association of the company, or any resolution the contents of which is in violation of the laws, administrative regulations or the articles of association of the company, provided that such petition shall be submitted to the people's court within 60 days of the passing of such resolution; (3) to transfer his/her shares legally; (4) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights; (5) to inspect the articles of association of the company, share register, counterfoil of company debentures, the minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory committee and the financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (6) to receive dividends in respect of the number of shares held; (7) to participate in the distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (8) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association of the company.

The obligations of shareholders include the obligation to abide by the articles of association of the company, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's responsibilities in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association of the company.

Pursuant to the Overseas Listing Trial Measures, a domestic company offering and listing overseas shall file with the CSRC as per requirement of this Measures, submit relevant materials that contain a filing report and a legal opinion, and provide truthful, accurate and complete information on the shareholders, etc..

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' general meeting may exercise its powers: (1) to decide on the company's operational policies and investment plans; (2) to elect or replace the directors and supervisors who are not representatives of the employees and to decide on the matters relating to the remuneration of directors and supervisors; (3) to consider and approve the reports of the board of directors; (4) to consider and approve the reports of the supervisory committee or the reports of the supervisors; (5) to consider and approve the company's annual financial budget proposals and final account proposals; (6) to consider and approve the company's profit distribution and loss recovery proposals; (7) to decide on any increase or reduction of the company's registered capital; (8) to decide on the issue of corporate bonds; (9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (10) to amend the articles of association of the company; and (11) to exercise any other authority stipulated in the articles of association of the company.

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, a shareholders' general meeting is required to be held once a year within six months after the end of the previous accounting year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following: (1) the number of directors is less than the number required by the law or less than two-thirds of the number specified in the articles of association of the company; (2) the total outstanding losses of the company amounted to one-third of the company's total paid-in share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (4) the board of directors deems necessary; (5) the supervisory committee so proposes; or (6) any other circumstances as provided for in the articles of associations of the company.

A shareholders' general meeting is convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his or her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or is not performing his or her duties, a director jointly recommended by more than half of directors shall preside over the meeting. If the board of directors is unable to or fails to perform its duty of convening the shareholders' general meeting, the Supervisory Committee shall convene and preside over such meeting in a timely manner; if the Supervisory Committee fails to convene and preside over such meeting, shareholders who individually or jointly hold more than 10% of the company's shares for more than 90 consecutive days may independently convene and preside over such meeting.

In accordance with the PRC Company Law, a notice stating the time and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting if the shareholders' general meeting is convened. Notice of the extraordinary general meeting shall be given to all shareholders 15 days before the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders who individually or jointly hold more than three percent of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the shareholders' general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the shareholders' general meeting, and the proposal shall provide clear agenda and specific matters on which resolutions are to be made. The shareholders' general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who attend the shareholders' general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

According to the PRC Company Law, shareholders present at shareholders' general meeting shall have one vote for each share they hold, save that the Company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting pursuant to the provisions of the articles of association of the company or a resolution of the shareholders' general meeting. Under the accumulative voting system, when the shareholders' general meeting elects directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

Under the PRC Company Law, the passing of any resolution at the general meeting requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the general meeting except in cases of proposed amendments to a Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the general meeting. Where the PRC Company Law and the Articles of Association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the Company and the other matters must be approved by way of resolution of the general meeting, the Board of Directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting. Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A company shall have a board, which shall consist of 5 to 19 members. Members of the Board of Directors may include staff representatives, who shall be democratically elected by the Company's staff at a staff representative assembly, general staff meeting or otherwise. The term of office of the directors shall be provided for by the Articles of Association, but each term of office shall not exceed three years. A director may seek reelection upon expiry of the said term. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the Board of Directors may exercise the following powers:

(1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(2) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(3) to decide on the Company's operational plans and investment proposals;

(4) to formulate proposal for the Company's annual financial budgets and final accounts;

(5) to formulate the Company's proposals for profit distribution and for recovery of losses;

(6) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;

(7) to formulate proposals for the merger, division, dissolution of the Company or change in the form of the Company;

(8) to decide on the setup of the Company's internal management organs;

(9) to decide on appointment or dismissal the manager of the Company and his/her remuneration matters, and as nominated by the manager, to decide on appointment or dismissal the Company's deputy general manager and financial officer and his/her remuneration matters;

(10) to formulate the Company's basic management system; and

(11) other authority stipulated in the Articles of Association.

Meetings of the Board of Directors shall be convened at least twice a year. Notice of meeting shall be given to all Directors and Supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors or the Supervisory Committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The Board of Directors may otherwise determine the method of giving notice and notice period for convening an interim meeting of the board of directors. Meeting of the Board of Directors shall be held only if more than one half of the Directors are present. Resolutions of the Board of Directors shall be passed by more than one half of all Directors. Resolutions of the Board shall be passed on a one person one vote basis. The Directors shall attend a board meeting in person. If a director is unable to attend for any reason, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf. The Board of Directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the Board of Directors violates any laws, administrative regulations or the Articles of Association or resolutions of the general meeting, and as a result of which the Company sustains serious losses, the directors participating in the resolution are liable to compensate the Company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a Director of the Company: (1) devoid of or with restricted civil conduct ability; (2) within five years after serving sentence for embezzlement, bribery, infringement or misappropriation of property, or for jeopardizing socialist market economic order, or within five years after serving sentence and being deprived of political rights for crime; (3) within three years after insolvency and liquidation of such Company or enterprise where the person acted as a directors, factory manager or business manager and has been held accountable for the insolvency; (4) within three years after company or enterprise the person acted as legal representative is revoked business license and ordered to shut down for violating law on which the person is held accountable; and (5) liable to large amount of unliquidated mature debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election, appointment or designation shall be invalid. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the Company.

Under the PRC Company Law, the Board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Committee

The company shall have a Supervisory Committee composed of not less than three members. The Supervisory Committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the Company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the Articles of Association. Representatives of the Company's staff at the Supervisory Committee shall be democratically elected by the Company's staff at the staff representative assembly, general staff meeting or otherwise. The Supervisory Committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the Supervisory Committee shall be elected by more than half of all the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the Supervisory Committee shall convene and preside over supervisory committee meetings. Where the chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, the vice chairman of the Supervisory Committee shall convene and preside over supervisory committee meetings. Where the vice chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over supervisory committee meetings.

The supervisors serve three-year terms. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' general meetings;

(3) when the acts of a director or senior management are detrimental to the company's interests, to require the director and senior management to correct these relevant acts;

(4) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' general meetings;

(6) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(7) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board of directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Pursuant to the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who is responsible to the board of directors, may exercise his/her functions and powers:

(1) to preside over the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(2) to arrange for the implementation of the company's annual operation plans and investment proposals;

(3) to formulate proposals for the establishment of the company's internal management organs;

(4) to formulate the fundamental management system of the company;

(5) to formulate the company's specific rules and regulations;

(6) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(8) to exercise any other authority granted by the board of directors.

Other provisions in the Articles of Association on the manager's functions and powers shall also be complied with. The manager shall be present at meetings of the board of directors.

According to the relevant provisions of the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the Articles of Association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

In the meantime, directors and senior management are prohibited from:

(1) misappropriating company funds;

(2) depositing company funds into accounts under their own names or the names of other individuals;

(3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

(4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;

(5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(6) accept commissions from transactions between others and the company for their own benefits;

(7) unauthorized divulgence of confidential information of the company; and

(8) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish with relevant facts and information to the board of supervisors without obstructing the exercise of functions and powers by the board of supervisors or supervisors.

Where the directors and senior management violate laws, administrative regulations or the articles of association in performance of duties to the company, thereby causing damages to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. Where the supervisors violate the laws, administrative regulations or the articles of association in performance of duties resulting in any loss to the company, the aforementioned shareholder(s) may request in writing that the board of directors institute litigation at a people's court. Upon receipt of shareholders' written request stipulated in the preceding paragraph, if the board of supervisors or the board of directors refuses to file a lawsuit or does not file a lawsuit within 30 days from receipt of such request, or in the event of emergency where the interest of the company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own name for the interest of the company. For other parties who infringe the lawful interests of the company resulting in loss to the company, the aforementioned shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association, damaging interests of shareholders, the shareholders may file a lawsuit with the people's court.

The Overseas Listing Trial Measures stipulates that the filling materials for overseas listing of domestic enterprises shall be true, accurate and complete, and shall not contain false records, misleading statements or material omissions. Domestic enterprises and their controlling shareholders, de facto controllers, directors, supervisors and senior management shall fulfill their obligations of information disclosure in accordance with the law, be honest, trustworthy, diligent and responsible and ensure that the filling materials are true, accurate and complete.

Finance and accounting

According to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments of the State Council. A company shall prepare its financial reports at the end of each accounting year which shall be audited by accounting firm according to law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund. However, when the cumulative amount of the reserve fund has reached more than 50% of the PRC company's registered capital, it may no longer be allocated. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make up the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its after-tax profits, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its after-tax profits to the discretionary common reserve fund. After the company has made up its losses and made allocations to its discretionary common reserve fund, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholder's general meeting or the board of directors before losses have been made up and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

Proceeds from shares issued by a company at a price above their nominal value and other revenues required by the financial departments of the State Council to be stated as capital reserve shall be accounted for as the capital reserve fund of the company. The common reserve fund of a company shall be applied to make up the company's losses, expand its production and operations or convert it into an increase in its capital. The capital reserve fund, however, shall not be used to make up the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Dismissal of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the auditing of the company shall be determined by shareholders at a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or misrepresentation of information.

The Overseas Listing Trial Measures require that securities companies and law firms should conduct adequate verification of the filing materials of overseas listed enterprises.

Profit Distribution

According to PRC Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is provided. At the same time, the Overseas Listing Trial Measures stipulate that domestic enterprises may raise funds and pay dividends in foreign currencies or RMB for overseas listings.

Amendment to Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting.

Dissolution and Liquidation

Pursuant to PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) upon expiry of term of business stipulated in the Articles of Association or occurrence of other circumstances of dissolution stipulated in the Articles of Association;

(2) the shareholders' general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(5) where the company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of the shareholders if the company continues its existence and the situation cannot be resolved by other means, the company is dissolved by a people's court in response to the request of shareholders representing 10% or more of the voting rights of all shareholders of the company.

In the event of paragraph (1) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs and commence the liquidation. The liquidation committee shall be composed of Directors or persons determined by a general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(1) to verify the Company's assets and to prepare a balance sheet and an inventory of assets;

(2) to inform creditors by notice or announcement;

(3) to deal with and settle any outstanding business of relevant company;

(4) to pay all outstanding taxes and the taxes arising during the liquidation process;

(5) to settle claims and debts;

(6) to handle the company's remaining assets after its debts have been paid off; and

(7) to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

The creditors shall explain matters relating to their claims and provide evidential documents. The liquidation committee shall register the creditor's claims. In the claims declaration period, the liquidation committee shall not make repayment to the creditors.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance fees and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue its existence during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation of the company, the liquidation team shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation and the company registration authority to apply for cancelation of the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default. Furthermore, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the relevant laws on corporate bankruptcy.

Overseas Listing

According to the Overseas Listing Trial Measures, the securities refer to stocks, depositary receipts, and corporate bonds that can be converted into stocks or other securities of an equity nature that are directly or indirectly offered and listed overseas by domestic companies. The direct overseas offering and listing of domestic companies refer to such overseas offering and listing of a joint stock limited company incorporated in the territory of PRC. The indirect overseas offering and listing of domestic companies refer to such overseas offering and listing made in the name of an offshore entity but based on the equity, assets, earnings, or other similar rights of a domestic company that operates its main business domestically.

The Overseas Listing Trial Measures also provide the conditions for overseas offering and listing. An overseas offering and listing are prohibited under any of the following circumstances:

(1) the listing and financing fall under specific prohibiting in the laws, administrative regulations, and relevant national provisions;

(2) the overseas offering and listing may constitute endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law;

(3) the domestic company and its controlling shareholder(s), actual controllers, have a criminal record in recent three years for corruption, bribery, encroachment of assets, misappropriation of assets, or disruption of socialist market economy order;

(4) the domestic company is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached;

(5) there are material ownership disputes over the equities held by the controlling shareholders or the shareholders whose actions are controlled by the controlling shareholders or actual controllers.

In addition, under the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted.

In the event of the occurrence of any of the following material events after the overseas offering and listing, the PRC domestic companies shall make a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant event:

(1) change in controlling rights;

(2) being subject to investigation, punishment, or other measures by overseas securities regulatory authorities or the relevant competent authorities;

(3) changing the listing status or transferring the listing board;

(4) voluntary or compulsory termination of a listing.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises, which was issued by the CSRC, MOF, the National Administration of State Secrets Protection and the National Archives Administration on 24 February 2023 and implemented since 31 March 2023, a domestic enterprise that provides or through its overseas listed entity, publicly discloses or provides to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any document and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and files with the secrecy administrative department at the same level. A domestic enterprise that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfill due procedures in compliance with applicable national regulations.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies other than in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating, and supervising all securities-related institutions in the PRC, and administering CSRC. The CSRC is the regulatory executive body of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On 22 April 1993, the State Council promulgated the *Provisional Regulations Concerning the Issue and Trading of Shares* (《股票發行與交易管理暫行條例》) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing, and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

The PRC Securities Law took effect on 1 July 1999, and was revised as of 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014, and 28 December 2019, respectively. The latest revised PRC Securities Law took effect on 1 March 2020. The PRC Securities Law is the first national securities law in the PRC, comprehensively regulating activities in the PRC securities market. It is divided into 14 chapters and 226 articles, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies, and the responsibilities of the securities registration and settlement institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises issuing shares overseas directly or indirectly or listing their shares overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign-issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Arbitration and Enforcement of Arbitral Awards

The *Arbitration Law of the PRC* (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the SCNPC on 31 August 1994, which became effective on 1 September 1995, and was amended on 27 August 2009, and 1 September 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties had entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the making of an award on matters beyond the scope of the arbitration agreement, or the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the *Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (the "**New York Convention**") adopted on 10 June 1958, pursuant to a resolution passed by the SCNPC on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the SCNPC declared that (1) the PRC would only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (2) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On 18 June 1999, the Supreme People's Court of the PRC adopted the *Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administrative Region* (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on 1 February 2000. The Supreme People's Court of China issued the *Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region* (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) on 26 November 2020, which went into effect on 27 November 2020. The arrangements reflect the spirit of the New York Convention. Pursuant to the arrangements, awards made by PRC arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in mainland China. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

Shanghai-Hong Kong Stock Connect

On 10 April 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "**HKSFC**") issued the Joint Announcement of CSRC and HKSFC – *Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented* and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange (hereinafter referred to as "**SSE**"), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "**CSDCC**") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000 in total. On 10 November 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on 17 November 2014. On 30 September 2016, CSRC issued the *Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link* which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND THE PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are based on the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing in accordance with the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Share Capital

The Company Law does not provide for authorised share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our Shareholders' general meeting and file with the relevant PRC governmental and regulatory authorities. The Hong Kong laws does not provide for authorized share capital either. The share capital of a company incorporated in Hong Kong would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes the company's share capital. The directors of a company incorporated in Hong Kong may, with the prior approval of the shareholders if required, issue new shares of the company.

Under the PRC Securities Law, an application for listing shall comply with the listing rules of the stock exchange. Hong Kong laws do not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

According to the Company Law, shareholders may provide capital contribution in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong laws.

Restrictions on Shareholding and Transfer of Shares

Under the PRC law, the Domestic Unlisted Shares, which are denominated and subscribed for in Renminbi, can only be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency, may only be subscribed for, and traded by, investors from countries and regions outside the PRC or other qualified PRC institutional investors. If the H Shares are eligible securities under the Southbound Trading Link, they are also available for subscription and trading by domestic investors in the PRC pursuant to the rules and restrictions of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

According to the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association of a company may set other restrictive requirements on the transfer of a company's shares held by, its directors, supervisors and senior management of the company. There are no such restrictions on shareholdings and transfers of shares under Hong Kong laws apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our Controlling Shareholders to the Stock Exchange.

Notice of General Meeting

According to the Company Law, notice of annual general meeting must be given not less than 20 days before the meeting, while notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company has bearer shares, a public announcement of a general meeting must be made at least 30 days prior to the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual general meeting is 21 days.

Quorum for General Meetings

The Company Law does not specify any quorum requirement for a general meeting.

Under the Hong Kong laws, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide or the company has only one member, in which case the quorum is one.

Voting at General Meetings

According to the Company Law, the passing of any resolution requires more than half of the votes held by the shareholders present in person or by proxy. Amendments to the articles of association, change of corporate form, increase or decrease of registered capital and merger, division or dissolution must be approved by shareholders or proxies representing more than two-thirds of the voting rights being present in shareholders' general meeting.

Under the Hong Kong laws, (1) an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a shareholders' general meeting and (2) a special resolution is passed by not less than three-fourths of affirmative votes cast by members present in person or by proxy at a shareholders' general meeting.

Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (1) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation; (2) with the consent in writing of shareholders of at least three-fourths of the total voting rights of shareholders of the relevant class or (3) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Supervisory Committee

According to the Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong laws permit minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

According to the Company Law, if the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. If the supervisors violate the relevant provisions of the Company Law, the above shareholders may request in writing the board of directors to initiate litigation at the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

Protection of Minorities

The Company Law provides that any shareholders holding 10% or more of the voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and the company continues to suffer serious losses and no other alternatives can resolve.

Under the Hong Kong laws, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

Financial Disclosure

According to the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' general meeting. In addition, a joint stock limited company of which the public offering Shares are offered must publish its financial report. The Hong Kong laws require a company incorporated in Hong Kong to send to every shareholder a copy of its financial report, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the Company Law, a company shall at the end of each accounting year prepare a financial report which shall be audited by the accounting firm in accordance with the laws.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under the Hong Kong laws.

Receiving Agents

According to the Hong Kong laws, dividends once declared by the Board will become debts payable to shareholders. Under the Hong Kong laws, the limitation period for an action to demand repayment of a debt is six years, whereas the Civil Code of the PRC (《中華人民共和國民法典》) provides that the limitation period for an action to be taken is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

According to the Company Law, the merger, demerger, dissolution or change to the forms of a joint stock limited company has to be approved by shareholders at general meeting.

Statutory Deductions

According to the Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it distributes any profits after taxation. When the aggregate amount of the company's statutory reserve fund reaches 50% of the company's registered capital, the company may no longer make allocations from the statutory reserve fund. After a company has made an allocation to its statutory reserve fund from its after-tax profit, it may make an allocation to its discretionary reserve fund from its after-tax profit upon a resolution approved at the shareholders' general meeting. There are no such requirements under Hong Kong laws.

Remedies of Company

According to the Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages.

The Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong laws (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividend

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company shall not exercise its powers to forfeit any unclaimed dividend after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Company Law, directors, supervisors, managers and other senior management personnel of a company have the duty of loyalty and diligence to the company. Such persons shall abide by the articles of association of the company, perform their duties honestly and diligently, safeguard the interests of the company, and shall not use their position and authority in the company for their personal gain.

Closure of Register of Members

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 20 days before the date of a general meeting or within five days before the base date set for the purpose of distribution of dividends.

This Appendix contains a summary of the principal provisions of the Articles of Association adopted by the Company on 10 May 2024, which will become effective on the date on which the H Shares are listed on the Hong Kong Stock Exchange. The main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association of the Company, and therefore it may not contain all the information that is important for potential investors.

SHARES AND REGISTERED CAPITAL

Shares of the Company shall take the form of share certificates. The shares issued by the Company shall be denominated in RMB. The par value per share is RMB1.00.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the same rights.

Shares of the same class issued at the same time shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares for which it or he or she subscribes for.

INCREASE, DECREASE AND REPURCHASE OF SHARES

Capital Increase

The Company may, based on its business and development needs and in accordance with the laws, regulations and the securities regulatory rules of the place where the Company's shares are listed, increase its capital in the following ways, subject to separate resolutions of the shareholders' meeting:

1. Public offering of shares;

2. Non-public issuance of shares;

3. Distributing bonus shares to its existing shareholders;

4. Conversion of capital reserve into share capital;

5. Other means as is stipulated by laws, administrative regulations, or as approved by securities regulatory rules of the place where the Company's shares are listed and relevant regulatory authorities.

Capital Reduction

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, the Hong Kong Listing Rules and other relevant regulations and the Articles of Association.

When the company needs to reduce its registered capital, it should prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within ten days from the date of the resolution on the registered capital reduction and shall publish an announcement on the newspaper(s) or the National Enterprise Credit Information Publicity System within 30 days. A creditor has the right, within 30 days from the receipt of such notice; or, for creditors who do not receive the notice, within 45 days from the date of the announcement, to request the Company to pay its debts or to provide corresponding guarantee for such debts.

The registered capital of the Company after its reduction shall not be less than the statutory minimum amount. In addition, if the Company increases or reduces registered capital, it shall complete the registration for changes with the company registration authorities pursuant to the laws.

Buy-back of Share

The Company shall not buy back its shares, except in one of the following circumstances:

1. reducing the registered capital of the Company;

2. merging with another company that holds shares in the Company;

3. using shares for employee stock ownership plan or equity incentives;

4. shareholders who object to resolutions of the shareholders' meeting on merger or division of the Company requesting the Company to buy back their shares;

5. to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

6. where it is necessary for the Company to preserve its value and shareholders' interest.

The Company may repurchase its shares through public centralised trading or other methods recognised by laws, administrative regulations, the CSRC and the stock exchange where the Company's shares are listed, and shall comply with applicable laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed. Where the Company acquires its own shares due to the circumstances stipulated in item 3, 5 or 6 above, it should be made by public and centralized transaction.

Where the Company repurchases its shares under the circumstances set out in items 1 and 2 above, a resolution shall be passed at the shareholders' meeting of the Company. Where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6 above, a resolution may be passed at a Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or as authorised by the shareholders' meeting. Where the securities regulatory rules of the place where the shares of the Company are listed provide otherwise, such provisions shall prevail, provided that such provisions are not in violation of the Company Law, the Securities Law, the Administrative Measures and the Guidelines for the Articles of Association of Listed Companies.

Where the Company repurchases its shares under the circumstances set out in item 1 above, such shares shall be cancelled within 10 days from the date of repurchase; where the Company repurchases its shares under the circumstances set out in items 2 and 4, such shares shall be transferred or cancelled within 6 months; where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or cancelled within 3 years.

A holding subsidiary of the Company shall not acquire shares issued by the Company. If a holding subsidiary of the Company holds shares of the Company due to a merger, exercise of a pledge, or other reasons, it shall not exercise the voting rights corresponding to the shares held and shall promptly dispose of the shares of the related company.

Transfer and Pledge of Shares

Shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company. Shares issued by the Company prior to the public offering of shares shall not be transferred within one year from the date on which the Company's shares are listed and traded on the Hong Kong Stock Exchange.

Directors, supervisors and senior management of the Company shall declare to the Company their shareholdings in the Company and any changes thereof, and shall not transfer more than 25% of the total number of shares of the Company held by them each year during their terms of office; the shares of the Company held by them shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The above personnel shall not transfer the shares of the Company held by them within half a year after they leave the Company.

If the Company's shareholders holding 5% (excluding the recognized clearing houses or their agents as defined in the relevant ordinances in force under the laws of Hong Kong from time to time) or above shares of the Company, Directors, Supervisors, senior management officers sell shares or other securities with an equity nature within six months after buying the same or buy shares or securities within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Board shall recover such earnings. However, the restriction shall not be applicable to any sale of shares by a securities company holding 5% or above of the Company's shares as a result of its purchase and underwriting of the untaken shares after offering and other circumstances stipulated by CSRC.

The shares or other securities with an equity nature held by Directors, Supervisors, senior management officers and natural person shareholders referred to in the preceding paragraph include the shares or other securities with an equity nature held by their spouses, parents, children, and any of the above which is held by using others' accounts.

If the Company's Board does not comply with the provision of the first paragraph of this Article, the shareholders can request the Board to do so within 30 days. If the Board does not enforce such right within the aforesaid period, the shareholders are entitled to commence litigations in the people's court in their own names for the interests of the Company.

If the Company's Board does not enforce the provision of the first paragraph of this Article, the responsible Directors shall assume joint and severally liable in accordance with the laws.

The Company does not accept its own shares as the collateral of pledge.

REGISTER OF MEMBERS

The Company shall establish a register of shareholders in accordance with the evidentiary documents provided by the securities registration authority, and such register of members shall be the sufficient evidence substantiating that the shareholders hold the shares of the Company. Shareholders enjoy rights and undertake obligations according to the class and percentage of shares they hold. Shareholders of the same class shall enjoy the same rights and bear the same obligations.

The Company shall enter into a share custody agreement with the share registrar, regularly enquire the information of substantial shareholders and the changes in shareholdings (including pledge of equity interests) of substantial shareholders, and keep abreast of the shareholding structure of the Company.

When the Company convenes a shareholders' meeting, distributes dividends, conducts liquidation or engages in other activities that require the confirmation of the identity of shareholders, the Board or the convener of the shareholders' meeting shall determine the record date in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed. Shareholders whose names appear on the register of shareholders after the close of trading on the record date shall be the shareholders entitled to relevant interests.

Rights and Obligations of Shareholders

Shareholders of the Company shall enjoy the following rights:

1. to have the right to speak and vote at shareholders' meetings, unless required to abstain from voting on specific matters pursuant to the regulations of the Hong Kong Listing Rules;

2. to receive dividends and other distributions in proportion to the number of shares held;

3. to request, summon, preside over, attend or appoint a proxy to attend shareholders' meetings, and to exercise the corresponding voting rights;

4. to supervise the operation of the Company, making suggestions or enquiries;

5. to transfer, give or pledge the shares held by them in accordance with the laws, administrative regulations and the Articles of Association;

6. to review and copy the Articles of Association, the register of members (the Company may suspend the processing of shareholder registration procedures in accordance with Section 632 of the Companies Ordinance (Chapter 622) of the Laws of Hong Kong), minutes of the shareholders' meetings, resolutions of the Board meetings, resolutions of the Board of Supervisors meetings and financial and accounting reports;

7. in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;

8. to request the Company to buy back the shares of shareholders objecting to resolutions of the shareholders' meeting concerning merger or division of the Company;

9. other rights stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Shareholders of the Company shall assume the following obligations:

1. to abide by laws, administrative regulations and the Articles of Association;

2. to pay subscription monies according to the number of shares subscribed and the method of subscription;

3. not to make divestment unless in the circumstances stipulated by laws and regulations;

4. not to abuse the rights of shareholders to damage the interests of the Company or that of other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

5. other obligations imposed by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law. Shareholders of the Company who abuse the independent status of the Company as a legal person and the limited liability of shareholders to evade debts and seriously damage the interests of the creditors of the Company shall bear joint and several liabilities for the debts of the Company.

RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

The controlling shareholders and de facto controllers of the Company shall not use their connected relations to damage the interests of the Company. If the violation causes losses to the Company, it shall be liable for compensation.

The controlling shareholders and de facto controllers of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholder shall exercise its rights as a capital contributor in strict compliance with the laws. The controlling shareholder shall not damage the legitimate rights and interests of the Company and public shareholders by means of profit distribution, asset restructuring, external investment, fund appropriation, loan guarantee, etc., and shall not use its controlling status to damage the interests of the Company and public shareholders.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

General Provisions of Shareholders' Meetings

The shareholders' meeting is the organ of authority of the Company and shall exercise the following functions and powers:

1. to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

2. to consider and approve the reports of the Board;

3. to consider and approve the report of the Board of Supervisors;

4. to consider and approve the Company's profit distribution plans and loss recovery plans;

5. to resolve on the increase or reduction of the registered capital of the Company;

6. to resolve on the issue of corporate bonds;

7. to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;

8. amendments to the Articles of Association;

9. to resolve on the appointment and dismissal of the accounting firm of the Company;

10. to consider and approve the guarantee matters stipulated in Article 45 of the Articles of Association;

11. to consider the purchase or disposal of material assets within one year with an amount exceeding 30% of the latest audited total assets of the Company;

12. to consider and approve the change in use of proceeds;

13. to consider share incentive schemes and employee share ownership schemes;

14. to consider other matters required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association to be decided by the shareholders' meeting.

Except as otherwise provided in the Articles of Association, the above-mentioned powers of shareholders' meeting shall not be exercised by the Board or other institutions or individuals by way of authorization. In addition to the above matters, the shareholders' meeting may authorise or entrust the Board and/or its authorised persons to handle the matters authorised or entrusted by it without violating the laws and regulations and the mandatory provisions of the relevant laws, regulations and regulatory rules of the place where the Company's shares are listed.

Shareholders' meetings are divided into annual meetings and extraordinary meetings. The annual meeting shall be convened once a year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary meeting within two months from the date of occurrence of any of the following circumstances:

1. the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;

2. when the unrecovered losses of the Company amount to one-third of the total amount of its share capital;

3. when shareholders individually or jointly holding 10% or more of the Company's shares so request;

4. when deemed necessary by the Board;

5. when proposed by the Board of Supervisors;

6. other circumstances stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Summoning of Shareholders' Meetings

Shareholders' meetings shall be summoned by the Board. The publication of the notice of the shareholders' meeting shall comply with the relevant laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

The independent non-executive Directors are entitled to propose to the Board to convene an extraordinary meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether or not to convene the extraordinary meeting within 10 days after receiving the proposal from the independent non-executive Directors.

If the Board agrees to convene the extraordinary meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene the extraordinary meeting, it shall explain the reasons and make an announcement.

The Board of Supervisors shall have the right to propose to the Board to convene an extraordinary meeting in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Any changes to the original proposal made in the notice shall be approved by the Board of Supervisors.

If the Board does not agree to convene the extraordinary meeting or fails to give a reply within 10 days after receiving the proposal, the Board shall be deemed to be unable or fail to perform the duty of convening the shareholders' meeting, and the Board of Supervisors may summon and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to request the Board of Directors in writing to convene an extraordinary meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether to convene the extraordinary meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change to the original request made in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree to convene an extraordinary meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to propose to the Board of Supervisors to convene an extraordinary meeting, and such proposal shall be made in writing. The Board of Supervisors shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether to convene the extraordinary meeting or not within 10 days after receipt of the proposal.

If the Board of Supervisors agrees to convene the extraordinary meeting, it shall issue a notice of meeting within 5 days upon receipt of the request. Any changes to the original request in the notice shall be approved by the relevant shareholders.

If the Board of Supervisors fails to issue the notice of the meeting within the prescribed period, it shall be deemed that the Board of Supervisors will not convene and preside over the shareholders' meeting, and shareholders individually or jointly holding 10% or more of the Company's shares for more than 90 consecutive days may summon and preside over the meeting by themselves.

Proposals at Shareholders' Meetings

The content of the proposals shall fall within the scope of powers of the shareholders' meeting, set out clear issues and specific matters on which resolutions are to be made, and meet the relevant provisions of laws, administrative regulations and the Articles of Association.

When the Company convenes a shareholders' meeting, the Board, the Board of Supervisors and shareholders individually or jointly holding more than 1% of the Company's shares shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 1% or more of the Company's shares may submit ad hoc proposals in writing to the convener 10 days before a shareholders' meeting is convened. The convener shall issue a supplementary notice of the general meeting within two days upon receipt of the proposal to announce the contents of the provisional proposal. If the shareholders' meeting is postponed due to the issuance of a supplementary notice of the shareholders' meeting pursuant to the securities regulatory rules of the place where the Company's shares are listed, the shareholders' meeting shall be postponed pursuant to the securities regulatory rules of the place where the Company's shares are listed.

Except as provided in the preceding paragraph or the securities regulatory rules of the place where the Company's shares are listed, the convener shall not amend the proposals set out in the notice of the shareholders' meeting or add any new proposals after issuing the notice of the shareholders' meeting.

Notice of Shareholders' Meeting

The convener shall notify all shareholders by way of announcement 21 days before the annual meeting and shall notify all shareholders by way of announcement 15 days before the extraordinary meeting.

The notice of the shareholders' meeting shall be in writing and include the following contents:

1. the time, venue, and duration of the meeting;

2. the matters and proposals to be discussed at the meeting;

3. a prominent statement stating that all Shareholders entitled to attend the shareholders' meetings and appoint proxy by written to attend and vote on his/her behalf, and such proxy need not be a shareholder of the Company;

4. the shareholding registration date of shareholders entitled to attend the shareholders' meeting;

5. the name and phone number of the contact person in connection with the meeting;

6. the voting time and voting procedures through the internet or other means;

7. other matters required to be disclosed by laws, administrative regulations, departmental rules, or the Hong Kong Listing Rules.

Notices or supplementary notices of shareholders' meetings shall adequately and completely disclose all the specific contents of all proposals. Where the opinions of an independent non-executive director are required on the matters to be discussed, such opinions and reasons thereof shall be disclosed when the notices or supplementary notices of shareholders' meetings are issued.

Convening of Shareholders' Meetings

All shareholders registered on the record date or their proxies are entitled to attend the shareholders' meeting. They shall exercise their voting rights in accordance with the relevant laws, regulations and the Articles of Association.

Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account cards. Proxies of individual shareholders shall produce their valid identity cards and the power of attorney of the shareholder.

Shareholder that is a legal person may be represented at the meeting by its legal representative or a proxy appointed by it to exercise its rights. If a legal representative attends the meeting, he/she should produce his/her identity card and valid proof that he/she is a legal representative; if a proxy attends the meeting, the proxy should produce his/her identity card and documents proving that he/she has been appointed by such legal person.

Shareholder that is organized by non-legal person, the person in charge of the organization or a proxy authorized by the person in charge shall attend the meeting. Such person in charge of the organization attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the person in charge. Proxies authorized to attend the meeting shall present their personal identity cards or the authorization letter legally issued by the person in charge of the organization.

The proxy form shall contain a statement that whether in the absence of instructions from the shareholder the proxy may vote as he/she thinks fit.

If the proxy form is signed by a person authorised by the principal, the power of attorney or other authorization documents shall be notarized. The instrument appointing a proxy, the notarized power of attorney or other authorization documents shall be placed at the domicile of the Company or at such other place as specified in the notice convening the meeting.

If the principal is a legal person, its legal representative or such person as is authorised by resolution of its board of directors or other governing body to act as its representative may attend the shareholders' meeting of the Company and exercise the shareholder's rights.

A shareholders' meeting shall be chaired by the chairman of the Board of Directors. In the event that the chairman of the Board of Directors is unable to or fails to perform his duties, the vice chairman shall chair the meeting. In the event that the chairman and the vice chairman of the Board of Directors is unable to perform his duties, a director jointly elected by more than half of the directors shall chair the meeting.

A shareholders' meeting convened by the Board of Supervisors on its own shall be chaired by the chairman of the Board of Supervisors. In the event that the chairman of the Board of Supervisors is unable to or fails to perform his duties, a supervisor jointly elected by more than half of the supervisors of the Company shall chair the meeting.

The shareholders' meeting convened by Shareholders on their own initiative shall be presided over by the representative nominated by the convener.

If the host of the shareholders' meeting breaches the procedural rules, which makes it unable to proceed the shareholders' meeting, subject to consents of over half of shareholders with voting rights attending the shareholders' meeting, the shareholders' meeting may nominate a person to act as the host of the meeting and such meeting may continue.

Resolutions of Shareholders' Meetings

Resolutions of the shareholders' meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing over half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by ordinary resolutions at a shareholders' meeting:

1. work reports of the Board and the Board of Supervisors;

2. profit distribution plans and loss recovery plans formulated by the Board;

3. appointment and removal of members of the Board and the Board of Supervisors, their remuneration and method of payment;

4. annual reports of the Company;

5. hiring, dismissal, or non-renewal of the engagement of an accounting firm and its compensation;

6. matters other than those required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be adopted by special resolution.

The following matters shall be approved by special resolutions at a shareholders' meeting:

1. increase or reduction of the registered capital of the Company;

2. division, division, merger, dissolution and liquidation of the Company;

3. amendments to the Articles of Association;

4. purchase or disposal of material assets or provision of guarantee by the Company within 1 year with an amount exceeding 30% of the latest audited total assets of the Company;

5. share incentive scheme;

6. issue corporate bonds;

7. other matters stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, and other matters considered by the shareholders' meeting, by way of ordinary resolution, to have a material impact on the Company and need to be approved by special resolution.

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall have one vote.

The separate votes should be counted for the votes of small and medium-sized investors, when the shareholders' meeting is reviewing the major matter that affects the interests of small and medium-sized investors. The results of the separate vote counting should be promptly and publicly disclosed. In addition, the Company must allow shareholders holding a minority interest to convene a special general meeting of shareholders and to include resolutions on the meeting agenda. Based on the principle of one vote per share, the minimum level of shareholders' support required to convene a meeting shall not be higher than 10% of the voting rights attached to the Company's capital shares (excluding treasury shares).

No voting rights shall attach to the shares held by the Company, and such shares shall not be counted among the total number of voting shares present at a shareholders' meeting.

The connected/related shareholders shall not participate in voting, with its number of shares with voting rights represented by them not to be counted in the total number of valid votes, when the shareholders' meeting is reviewing the relevant connected/related transaction; the announcement of the resolution of the shareholders' meeting shall fully disclose the votes of the non-connected/non-related shareholders.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced by the shareholders' meeting, and may be removed by the shareholders' meeting before the expiry of their terms of office. The term of office of the Directors shall be 3 years, and they are subject to re-election upon expiry.

The term of office of the Directors shall commence from the date of their appointment until the expiry of the term of the current session of the Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected.

The general manager or any other senior management members may hold the position of director concurrently, provided that the total number of directors who hold the position of general manager or any other senior management members concurrently and directors who are employee representatives shall not exceed half of the total number of directors of the Company.

Directors have a series of loyal and diligent obligations towards the Company.

Board of Directors

The Company shall have a board of directors which shall be accountable to the general meeting. The Board shall consist of 12 directors, including one chairman and one vice chairman. The number of independent non-executive Directors shall not be less than three and shall represent more than one-third of the total number of Directors. At least one independent non-executive director must possess the appropriate professional qualifications or expertise in accounting or related financial management. Independent non-executive directors should have sufficient business or professional experience to effectively perform their duties and ensure that the interests of all shareholders are fully represented. At least one independent non-executive director must reside in Hong Kong.

The Board shall exercise the following powers:

1. to summon shareholders' meetings and report its work to the meetings;

2. to implement the resolutions of the shareholders' meeting;

3. to determine on the Company's business plans and investment plans;

4. to formulate the Company's profit distribution plans and loss recovery plans;

5. to formulate proposals for the increase or reduction of the Company's registered capital, the issue of bonds or other securities and listing plans;

6. to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution and change of corporate form of the Company;

7. to decide on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management, connected transactions, external donations and other matters within the scope authorised by the shareholders' meeting;

8. to decide on the establishment of the Company's internal management structure;

9. to decide on the appointment or dismissal of the Company's general manager, secretary to the Board and other senior management, and decide on their remuneration, rewards and punishments; to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management based on the nomination of the general manager, and decide on their remuneration, rewards and punishments;

10. to formulate the basic management system of the Company;

11. to formulate proposals for any amendment to the Articles of Association;

12. to manage the information disclosure of the Company;

13. to propose to the shareholders' meeting the appointment or replacement of the accounting firm that audits the Company;

14. to listen to the work report of the general manager of the Company and inspect the work of the general manager;

15. other functions and powers conferred by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The Board of Directors of the Company shall establish special committees, including the audit committee, the nomination committee, and the remuneration committee (collectively referred to as the "**special committees**"), and other committees as necessary. The special committees shall be accountable to the Board of Directors and perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. The proposals of the committees shall be submitted to the Board of Directors for approval. All members of the special committees shall be directors, among which the majority of the members of audit committee, nomination committee, and remuneration committee shall be independent non-executive directors, and their conveners shall be an independent non-executive director. The convener of the audit committee must be an accounting professional. The Board of Directors is responsible for formulating the rules of the special committees to regulate their operation.

Matters beyond the scope of authorization of the shareholders' meeting shall be submitted to the meeting for consideration.

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, other than provisions which (a) authorize the Board to formulate proposals for the issue of bonds or other securities and listing plans; and (b) require the issue of corporate bonds to be approved by the Shareholders in Shareholders' general meeting by way of a special resolution.

General Manager and Other Senior Management Personnel

The Company shall have one general manager and may have several deputy general managers according to the actual situation to be appointed or dismissed by the Board of Directors.

The Company's general manager, deputy general manager, chief financial officer, and the secretary to the Board of Directors shall be the Company's senior management personnel.

The general manager shall be accountable to the Board and exercise the following powers:

1. to be in charge of the production, operation and management of the Company, organise the implementation of the resolutions of the Board and report to the Board;

2. to organise the implementation of the Company's annual business plan and investment plan;

3. to draft plans for the establishment of the Company's internal management structure;

4. to draft the basic management system of the Company;

5. to formulate the specific rules and regulations of the Company;

6. to propose to the Board to appoint or dismiss deputy general managers and financial controller of the Company;

7. to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

8. to exercise other powers conferred by the Articles of Association or the Board.

The general manager is to attend board meetings.

Secretary to the Board

The Company shall have a secretary to the Board, who shall be responsible for the preparation of the shareholders' meetings and Board meetings of the Company, keeping of documents, management of shareholders' information of the Company and handling matters such as information disclosure.

The secretary to the Board shall comply with the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.

BOARD OF SUPERVISORS

The term of office of a supervisor shall be three years. A supervisor may serve consecutive terms if re-elected.

Any directors, general managers and other senior management personnel shall not act concurrently as supervisors.

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of three Supervisors and shall have one chairman. The Board of Supervisors may have the vice chairman. The chairman and the vice chairman of the Board of Supervisors shall be elected by over half of all Supervisors.

The chairman of the Board of Supervisors shall convene and preside over the meetings of Board of Supervisors; where the chairman of the Board of Supervisors cannot or does not fulfil the duty thereof, the vice chairman of the Board of Supervisors shall convene and preside over the meetings of Board of Supervisors; where the vice chairman of the Board of Supervisors cannot or does not fulfil the duty thereof, over half of the Supervisors may jointly elect a Supervisor to convene and preside over the meetings of Board of Supervisors.

The board of supervisors shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third. The employee representatives of the Board of Supervisors shall be democratically elected by the Company's employees at the employee representative assembly, employee meeting or otherwise.

The Board of Supervisors exercises the following powers:

1. it shall review the regular reports of the Company prepared by the Board and to provide written review opinions;

2. to examine the financial affairs of the Company;

3. to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' meetings;

4. to demand rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;

5. to propose the convening of extraordinary meetings and to summon and preside over shareholders' meetings when the Board fails to perform the duty of summoning and presiding over shareholders' meetings under the Company Law;

6. to submit proposals to the shareholders' meeting;

7. to initiate proceedings against directors and senior management in accordance with the Company Law;

8. to investigate any irregularities identified in the operation of the Company; if necessary, to engage professional institutions such as accounting firms and law firms to assist its work at the expense of the Company;

9. other powers as stipulated by laws, administrative regulations, departmental rules, and the Articles of Association.

Meetings of the Board of Supervisors shall be convened at least every six months. Extraordinary meetings of the Board of Supervisors can be convened by the supervisors.

Resolutions of the Board of Supervisors shall be passed by over half of all the supervisors.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial Accounting System and Profit Distribution

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirements of the relevant state authorities.

The Company shall publish its annual financial report within 4 months after the end of each financial year, and shall publish the interim financial report within 2 months after the end of the first six months of each financial year. The Company shall submit, disclose, and/or provide to the shareholders the annual reports, interim reports, preliminary performance announcements, and other documents in accordance with the securities regulatory rules of the place where the Company's Shares are listed. The aforesaid annual financial reports and interim financial reports of the Company are prepared in accordance with the relevant laws, administrative regulations, the requirements of the CSRC and the stock exchanges where the Company's shares are listed.

When distributing the profit after tax for a year, the Company shall set aside 10% of its profit after tax for the statutory reserve. The Company shall no longer be required to make allocations to its statutory reserve once the aggregate amount of such reserve reaches at least 50% of its registered capital. If the Company's statutory reserve is insufficient to make up losses from previous years, the Company shall use its profits from the current year to make up such losses before making the allocation to its statutory reserve in accordance with the preceding paragraph.

After making the allocation from its after-tax profits to its statutory reserve fund, the Company may also, subject to a resolution of the shareholders' meeting, make an allocation from its after-tax profits to the discretionary reserve fund.

After the Company has made up its losses and made allocations to its reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association. If the Company distributes profits to its shareholders in violation of the Company Law and the provisions of the Articles of Association, the shareholders shall return the profits distributed in violation of the provisions to the Company; if the Company suffers losses as a result, the shareholders, directors, supervisors, and senior management personnel responsible shall bear compensation liability.

The shares of the Company held by the Company is not entitled for profit distribution.

Audit

The Company shall implement internal audit system and employ full-time audit personnel to carry out internal audit and supervision on the Company's financial revenue and expenditure and economic activities.

The Company shall appoint an independent accounting firm that complies with the provisions of the Securities Law and the securities regulatory rules of the place where the Company's shares are listed to audit its accounting statements, verify its net assets and provide other relevant advisory services, and the term of appointment of the accounting firm is 1 year and can be renewed.

The appointment of the accounting firm of the Company shall be determined by the shareholders' meeting, and the Board shall not appoint an accounting firm before the decision of the shareholders' meeting. The audit fees of the accounting firm shall be determined by ordinary resolutions at the shareholders' meeting.

NOTICES

A notice of the Company shall be given in the following manner:

1. by hand;

2. by mail;

3. by way of announcement;

4. by way of fax or e-mail;

5. by publishing on the websites designated by the Company and the Hong Kong Stock Exchange, subject to the laws, administrative regulations and the listing rules of the stock exchange where the Company's shares are listed;

6. other means stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Subject to the securities regulation rules of the place where the Company's shares are listed, where a notice of the Company is published by way of announcement, the said notice shall be deemed as received by all relevant persons once it is published.

Dissolution and Liquidation of the Company

The Company shall be dissolved for the following reasons:

1. the term of its operations as is stipulated in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;

2. the shareholders' meeting resolves to dissolve the Company;

3. dissolution is necessary due to merger or division of the Company;

4. the Company's business licence is revoked, the Company is ordered to close down or be revoked in accordance with the law;

5. where the Company encounters serious difficulties in its operation and management and its continuous existence will cause significant losses to the interests of shareholders, and such difficulties cannot be resolved through other means, shareholders holding more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

Where the Company is dissolved pursuant to items 1, 2, 4 and 5 above, liquidation shall be conducted. The directors of the Company are the obligors of the liquidation and shall establish the liquidation committee within 15 days after the occurrence of the cause of dissolution, and commence the liquidation. The liquidation committee shall be composed of directors, unless the shareholders' meeting resolves to appoint others. If the obligors of the liquidation fail to perform their liquidation duties in a timely manner, causing losses to the company or its creditors, they shall be liable for compensation. If the Company fails to establish a liquidation committee within the time limit or fails to carry out liquidation after the establishment of the liquidation committee as required by the preceding clause, the interested parties may apply to the people's court to designate relevant personnel to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice.

During the period of the claim, the creditor shall explain all matters relevant to the creditor's rights he/she has claimed and provided relevant evidential documents. The liquidation committee shall register the creditor's rights.

In the creditor's rights declaration period, the liquidation committee shall not make repayment to the creditors.

Upon disposal of the Company's property and preparation of the balance sheet and inventory of properties, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' meeting or a People's Court for endorsement.

The properties of the Company shall be used respectively for payment of liquidation expenses, employees' wages, social security expenditures, statutory compensations, tax in arrears and the Company's debts; the residual properties thereafter shall be distributed in accordance with the shareholding percentages of the shareholders.

During the liquidation, the Company shall continue to exist, but may not engage in any business activities unrelated to the liquidation.

The Company's properties shall not be distributed to shareholders before making repayment pursuant to the provisions of the preceding paragraphs.

If the liquidation committee discovers that the Company's assets are insufficient to repay its debts after cleaning up the Company's assets and preparing a balance sheet and an inventory of assets, it shall apply to the People's Court for a declaration of insolvency in accordance with the law.

After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the People's Court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders' meeting or the People's Court for confirmation, and shall submit the same to the company registration authority, apply for cancellation of the company's registration.

AMENDMENTS TO THE ARTICLES

The Company shall amend the Articles of Association in any of the following circumstances:

1. after the amendments are made to the Company Law or relevant laws, administrative regulations, departmental rules, the provisions of the Articles of Association are in conflict with the amended laws, administrative regulations, departmental rules;

2. there is a change in the Company's situation, which is inconsistent with the matters recorded in the Articles of Association;

3. the shareholders' meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the shareholders' meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was established in the PRC as a limited liability company on 19 October 2005 and was converted into a joint stock company with limited liability on 30 September 2007. Our registered office is located at Shao Bo Town Industrial Park Logistics Park, Jiangdu District, Yangzhou City, Jiangsu Province, the PRC.

We have established a place of business in Hong Kong at Room 2109, 21st Floor, C C Wu Building, 302–308 Hennessy Road, Wanchai, Hong Kong and has registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 4 July 2023. JBL & Co. has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is Room 2107–9, 21st Floor, C C Wu Building, 302–308 Hennessy Road, Wanchai, Hong Kong.

As our Company was established in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this prospectus respectively.

B. Changes in the Share Capital of Our Company

Save as disclosed in "History and Development", there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

Upon completion of the Global Offering, but without taking into account any exercise of the Over-allotment Option, our registered share capital will increase from RMB160,684,910 to RMB214,246,910, comprising nil Domestic Unlisted Shares and 214,246,910 H Shares fully paid up, representing approximately nil and 100% of our total issued share capital, respectively.

C. Shareholders' Resolutions of our Company

Pursuant to the Shareholders' meeting held on 10 May 2024, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Stock Exchange; and

(b) authorisation of our Board and its authorised persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Pursuant to the Shareholders' meeting held on 13 June 2024, the following resolution, among others, were duly passed: the number of H Shares to be issued before the exercise of the Over-allotment Option shall not exceed 15% of the enlarged share capital of our Company upon completion of the Global Offering and granting the Underwriters the Over-allotment Option of no more than 15% of the above number of H Shares to be issued.

Pursuant to the Shareholders' meeting held on 12 March 2025, the following resolutions, among others, were duly passed subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

D. Changes in the Share Capital of Our Subsidiaries

Save as disclosed in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

E. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, see "Appendix V – Summary of the Articles of Association".

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus, which are or may be material:

(a) the supplemental agreement (關於《江蘇宏信超市連鎖股份有限公司增資協議》之補充協議) dated 23 August 2023 and entered into among Yangzhou Jiangdu District Major Projects Special Investment Fund Co., Ltd.* (揚州市江都區重大項目專項投資基金有限公司) ("**Jiangdu Fund**"), Gao Feng (高峰) and our Company, pursuant to which the parties agreed that, among others, all special rights granted to Jiangdu Fund were terminated on the date of the supplemental agreement;

(b) the second supplemental agreement (關於《江蘇省疌泉供銷合作產業發展基金(有限合夥)與江蘇宏信超市連鎖股份有限公司股份認購及增資協議》之補充協議二) dated 18 September 2023 and entered into among Jiangsu Jiequan Supply and Marketing

Cooperative Industrial Development Fund (Limited Partnership)* (江蘇省疌泉供銷合作產業發展基金(有限合夥)) ("**Jiequan Fund**"), our Company, Gao Feng (高峰), Jiangsu Ruichuanda Investment Co., Ltd.* (江蘇瑞川達投資有限公司) and Yangzhou Xianda Toyota Automobile Sales and Service Co., Ltd.* (揚州仙達豐田汽車銷售服務有限公司), pursuant to which the parties agreed that, among others, all special rights granted to Jiequan Fund shall be terminated on the date of submission of a listing application by our Company to the Stock Exchange, the SFC or the CSRC;

(c) the tobacco business cooperation agreement (關於江蘇宏信超市連鎖股份有限公司煙草零售業務的合作協議) dated 6 June 2024 and entered into between our Company and Jiangsu Hongxinlong Supermarket Chain Co., Ltd.* (江蘇宏信龍連鎖超市有限公司) in relation to, among others, the transfer of tobacco product inventory assets relating to the business of tobacco product sales of our Group at a consideration of RMB21,366,628.67;

(d) the cornerstone investment agreement dated 20 March 2025 and entered into among our Company, Top Legend SPC, Red Solar Capital Limited and CMBC Securities Company Limited with respect to a subscription of the H Shares at the Offer Price in the maximum gross amount of US$5 million;

(e) the Deed of Indemnity;

(f) the Deed of Non-competition; and

(g) the Hong Kong Underwriting Agreement.

B. Our Material Intellectual Property Rights

Trademarks

As at the Latest Practicable Date, our Group has registered the following key trademarks which are material to the business of our Group:

No.	Trademark	Place of registration	Registration number	Class(es)	Expiry date	Name of registered proprietor
1.	宏信龍	Hong Kong	306280632	35	26 June 2033	Our Company
2.	龙合易购 www.554488.com	The PRC	17758205	35	13 October 2026	Our Company
3.		The PRC	17757148	35	13 October 2026	Our Company
4.	宏信龍	The PRC	8541948	16	13 August 2031	Our Company
5.	宏信龍	The PRC	8538644	30	20 August 2031	Our Company
6.	宏信龍	The PRC	6918105	35	6 August 2030	Our Company
7.	宏信	The PRC	41871191	35	6 December 2032	Hongxin Trading
8.	JDSC	The PRC	4883925	41	27 April 2029	Hongxin Trading
9.	JDSC	The PRC	4883924	43	13 May 2029	Hongxin Trading
10.	JDSC	The PRC	4883923	44	13 May 2029	Hongxin Trading

No.	Trademark	Place of registration	Registration number	Class(es)	Expiry date	Name of registered proprietor
11.		The PRC	7034991	35	13 October 2030	Hongxin Trading
12.	好來寶	The PRC	3799938	19	6 August 2026	Hongxin Trading
13.	HORIMBER	The PRC	3799937	19	6 August 2026	Hongxin Trading

Software copyrights

As at the Latest Practicable Date, our Group has registered the following software copyrights which are material to the business of our Group:

No.	Software name	Registration number	Date of initial publication	Term of protection	Name of registered proprietor
1.	Hongxinlong E-commerce Logistics Management System Software (Abbreviated: Hongxinlong E-commerce Logistics Management System) V1.0* (宏信龍電商物流管理系統軟件(簡稱：宏信龍電商物流管理系統)V1.0)	2018SR787894	20 July 2017	20 July 2067	Our Company
2.	Hongxinlong Cloud Kitchen Cloud Store System Software (Abbreviated: Hongxinlong Cloud Kitchen Cloud Store System) V1.0* (宏信龍雲廚雲店系統軟件(簡稱：宏信龍雲廚雲店系統)V1.0)	2018SR944525	15 October 2018	15 October 2068	Our Company
3.	Hongxinlong Lifestyle Service Software V1.0.01* (宏信龍生活館服務軟件V1.0.01)	2021SR1086520	6 January 2014	6 January 2064	Our Company

Domain Names

As at the Latest Practicable Date, our Group has registered the following key domain name which is material to the business of our Group:

Domain name	Expiry date	Name of registered proprietor
hxsupermarket.cn	21 May 2026	Our Company

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

We have entered into a service contract or a letter of appointment with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws of regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above and as required by the Articles, none of our Directors or Supervisors has or is proposed to have a contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

B. Remuneration of Directors and Supervisors

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and Note 8 to the Accountants' Report, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of FY2021, FY2022, FY2023 and 9M2024.

4. DISCLOSURE OF INTERESTS

A. Interests of our Directors, Supervisors and Chief Executives of our Company

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of our Directors, Supervisors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Interest in our Company

		Immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option)	
Name of Director, Supervisor or chief executive	**Nature of interest**[1]	**Number of Shares**	**Approximate percentage of shareholding interest**[2] *(%)*
Mr. Gao[3]	Beneficial owner, interest in controlled corporation, interest of concert parties	66,674,976	31.11
Mr. Yuan[4]	Beneficial owner, interest of concert parties	66,674,976	31.11
Mr. Zhang[5]	Beneficial owner, interest of concert parties	66,674,976	31.11

Name of Director, Supervisor or chief executive	Nature of interest[1]	Immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option) Number of Shares	Approximate percentage of shareholding interest[2] *(%)*
Mr. Yao Jun (姚駿先生)[6]	Beneficial owner	500,000	0.23
Ms. Shen Zhigen (沈志艮女士)[7]	Beneficial owner	600,000	0.28
Ms. Zhan Mingyu (詹明玉女士)[8]	Beneficial owner	2,700,000	1.26
Mr. Xia Zhonglin (夏忠林先生)[9]	Beneficial owner	550,000	0.26
Ms. Zhu Aizhen (朱愛珍女士)[10]	Beneficial owner	200,000	0.09

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of 214,246,910 Shares in issue immediately following the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

3. As at the Latest Practicable Date, Mr. Gao directly holds 26,292,302 Shares in our Company. Ruichuanda Investment, a company directly wholly-owned by Mr. Gao, directly holds 21,410,776 Shares in our Company. Under the SFO, the deemed interest of Mr. Gao consists of (i) 47,703,078 Shares in our Company held directly and beneficially, and through Ruichuanda Investment, and (ii) Shares held by other Concert Parties as they are parties acting in concert.

4. As at the Latest Practicable Date, Mr. Yuan directly holds 11,171,898 Shares in our Company. Under the SFO, the deemed interest of Mr. Yuan consists of (i) 11,171,898 Shares in our Company held directly and beneficially, and (ii) Shares held by other Concert Parties as they are parties acting in concert.

5. As at the Latest Practicable Date, Mr. Zhang directly holds 7,800,000 Shares in our Company. Under the SFO, the deemed interest of Mr. Zhang consists of (i) 7,800,000 Shares in our Company held directly and beneficially, and (ii) Shares held by other Concert Parties as they are parties acting in concert.

6. Mr. Yao Jun (姚駿先生) is an executive Director and a deputy general manager of our Company.

7. Ms. Shen Zhigen (沈志艮女士) is an executive Director, a deputy general manager and financial controller of our Company.

8. Ms. Zhan Mingyu (詹明玉女士) is the chairman of our Supervisory Committee, and a shareholder Supervisor.

9. Mr. Xia Zhonglin (夏忠林先生) is a shareholder Supervisor and the group purchase department manager.

10. Ms. Zhu Aizhen (朱愛珍女士) is an employee Supervisor, and the store manager of Jianying store.

B. Interests of Substantial Shareholders

For more details on the persons who will, immediately following the completion of the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly and/or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company or of any member of our Group, please refer to the section headed "Substantial Shareholders" in this prospectus.

C. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or experts (as named under "5. Other Information – G. Qualification of Experts" in this Appendix) has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

5. OTHER INFORMATION

A. Tax and Other Indemnity

The Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis, in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise, taxation resulting from income, profits or gains earned, accrued or received as well as any other claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional and all liabilities incurred by it arising from any material non-compliance committed by any number of our Group on or before the Listing Date.

The Controlling Shareholders are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the consolidated audited accounts of our Company and its subsidiaries as set out in the Accountants' Report in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the Track Record Period (the "**Accounts**");

(b) to the extent that such taxation or amount arises or is incurred as a result of any change in the law having retrospective effect coming into force after the date on which the Global Offering becomes unconditional or to the extent that such taxation or amount arises or is incurred as a result of an increase in rates of taxation after the date on which the Global Offering becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period);

(c) which would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the Global Offering becomes unconditional) without prior written consent or agreement of the Controlling Shareholders; or

(d) to the extent that any provision or reserve made for such taxation or amount in the Accounts is established to be an overprovision or an excessive reserve.

B. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

C. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

D. Sponsor

Red Solar Capital Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letters entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a total fee of HK$4.5 million to act as the sponsor of our Company in connection with the proposed listing on the Stock Exchange.

E. Preliminary Expenses

We have not incurred any material preliminary expense.

F. Promoters

Information of our promoters as at the time of our Company's conversion into a joint stock company in September 2007 is set out in the paragraph headed "History and Development – Our Corporate Development – Our Company – Conversion into a joint stock company and capital increase in September 2007" in this prospectus.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
Red Solar Capital Limited	Licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Beijing DHH Law Firm	PRC legal advisers to our Company as to PRC laws
Loeb & Loeb LLP	U.S. legal advisers to our Company as to the U.S. laws
HCR Co., Ltd.	Independent industry consultant
SHINEWING Risk Services Limited	Internal control consultant
Jiangsu Yilun Construction Engineering Co., Ltd.* (江蘇易侖建設安裝工程有限公司)	Fire safety consultant
Shanghai Yuanning Fire Technology Co., Ltd.* (上海遠寧消防技術有限公司)	Fire safety consultant
Shanghai Biaogu Construction Engineering Testing Technology Co., Ltd.* (上海標崮建設工程檢測技術有限公司)	Construction safety consultant

H. Consents of Experts

Each of the experts named in the paragraph headed "5. Other Information – G. Qualification of Experts" in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

I. Taxation of H Shareholders

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of the Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix III – Taxation and Foreign Exchange".

J. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

K. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in Note 29 to the Accountants' Report.

L. Agency Fees or Commissions Received

Save as disclosed in the section headed "Underwriting" in this prospectus, no commissions, discounts, brokerages, agency fee or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries within the two years immediately preceding the date of this prospectus.

M. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued, or is proposed to be fully or partly paid either for cash or a consideration other than cash; and

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) our Company does not currently intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

N. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company since 30 September 2024 and up to the date of this prospectus.

O. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, a copy of each of the written consents referred to in "Appendix VI – 5. Other Information – H. Consents of Experts", and a certified copy of each of the material contracts referred to in "Appendix VI – 2. Further Information about our Business – A. Summary of our Material Contracts".

DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.hxsupermarket.cn**) up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report from KPMG, the texts of which are set out in Appendix I;

(c) the report from KPMG in relation to unaudited pro forma financial information, the text of which is set out in Appendix IIA;

(d) the audited consolidated financial statements of our Group for FY2021, FY2022, FY2023 and 9M2024;

(e) the legal opinion prepared by Beijing DHH Law Firm, our legal advisers as to PRC laws, in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(f) the legal opinion prepared by Loeb & Loeb LLP, our legal advisers as to the U.S. laws;

(g) the industry report prepared by HCR Co., Ltd.;

(h) the report prepared by SHINEWING Risk Services Limited, our internal control consultant, in relation to the internal control measures of certain food safety issues;

(i) the report issued by Jiangsu Yilun Construction Engineering Co., Ltd.* (江蘇易侖建設安裝工程有限公司), the Fire Safety Consultant, in respect of its findings on the fire safety inspection on certain properties of our Group which had not obtained the relevant Fire Safety Approvals;

(j) the report issued by Shanghai Yuanning Fire Technology Co., Ltd.* (上海遠寧消防技術有限公司), the Second Fire Safety Consultant, in respect of its findings on the fire safety inspection on certain properties of our Group which had not obtained the relevant Fire Safety Approvals;

(k) the report issued by Shanghai Biaogu Construction Engineering Testing Technology Co., Ltd.* (上海標崮建設工程檢測技術有限公司), the Construction Expert, in respect of its findings on the construction safety on certain properties of our Group which had not obtained the relevant Fire Safety Approvals;

(l) the material contracts referred to in the paragraph headed "Appendix VI – 2. Further Information about our Business – A. Summary of our Material Contracts";

(m) the written consents referred to in the paragraph headed "Appendix VI – 5. Other Information – H. Consents of Experts";

(n) the service contracts and letters of appointment referred to in the paragraph headed "Appendix VI – 3. Further Information About Our Directors and Supervisors – A. Particulars of Directors' and Supervisors' Contracts"; and

(o) the PRC Company Law and the Overseas Listing Trial Measures, together with their unofficial English translations.

宏信龍