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

2024 ANNUAL REPORT

Contents

Corporate Information

Directors

Executive Directors

Mr. Gao Feng (高峰) *(Chairman)*
Mr. Yuan Yuan (袁原)
Mr. Zhang Jiaan (張佳安)
Mr. Yao Jun (姚駿)
Ms. Shen Zhigen (沈志艮)
Ms. Nai Jingjing (佴晶晶)
Mr. Wang Fei (王飛)

Non-executive Director

Ms. Wei Yan (韋燕)

Independent Non-executive Directors

Mr. Lam Ka Tak (林嘉德)
Mr. Zheng Manjun (鄭滿軍)
Mr. Zheng Yu (鄭宇)
Mr. Zhu Bo (朱波)

Supervisors

Ms. Zhan Mingyu (詹明玉)
Mr. Xia Zhonglin (夏忠林)
Ms. Zhu Aizhen (朱愛珍)

Audit Committee

Mr. Lam Ka Tak (林嘉德) *(Chairperson)*
Mr. Zheng Manjun (鄭滿軍)
Mr. Zheng Yu (鄭宇)
Mr. Zhu Bo (朱波)
Ms. Wei Yan (韋燕)

Nomination Committee

Mr. Zheng Manjun (鄭滿軍) *(Chairperson)*
Mr. Lam Ka Tak (林嘉德)
Mr. Zheng Yu (鄭宇)
Mr. Zhu Bo (朱波)
Ms. Wei Yan (韋燕)

Remuneration Committee

Mr. Zheng Yu (鄭宇) *(Chairperson)*
Mr. Lam Ka Tak (林嘉德)
Mr. Zheng Manjun (鄭滿軍)
Mr. Zhu Bo (朱波)
Ms. Wei Yan (韋燕)

Authorised Representatives

Mr. Gao Feng (高峰)
Mr. Hui Hung Kwan (許鴻群)

Joint Company Secretaries

Ms. Xu Chunling (徐春玲)
Mr. Hui Hung Kwan (許鴻群) *(an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants)*

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

Compliance Adviser

Red Solar Capital Limited
402B, 4/F, China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

Hong Kong Legal Adviser

DeHeng Law Offices (Hong Kong) LLP
28/F, Henley Building
5 Queen's Road Central
Central
Hong Kong

Room 3507, 35/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

PRC Legal Adviser

Beijing DHH Law Firm
12/F, Tower C
Beijing Yintai Centre
No. 2 Jianguomenwai Avenue
Chaoyang District
Beijing, PRC

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

28/F, Henley Building
5 Queen's Road Central
Hong Kong

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

Corporate Information

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

Company Website

www.hxsupermarket.cn

Stock Code

2625

Listing Date

31 March 2025

Definitions

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

"AGM"	the forthcoming annual general meeting of the Company to be held on 3 June 2025
"Articles" or "Articles of Association"	the articles of association of our Company adopted on 12 March 2025 with effect on the Listing Date, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Auditor"	KPMG, the external auditor of the Company
"Board" or "Board of Directors"	board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in of Appendix C1 to the Listing Rules
"Chairman"	chairman of the Board
"China" or "PRC"	the People's Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
"Company" or "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, whose H Shares are listed on the Stock Exchange on 31 March 2025 (stock code: 2625)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the context of this annual report, refers to the controlling shareholders of our Company, namely, Mr. Gao Feng (高峰), Ruichuanda Investment, Mr. Yuan Yuan (袁原) and Mr. Zhang Jiaan (張佳安)
"Director(s)"	director(s) of the Company

Definitions

"Global Offering"	an offering of 53,562,000 H Shares, comprising a final Hong Kong public offering of 8,892,000 H Shares and a final international public offering of 44,670,000 H Shares
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and our subsidiaries
"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 subscribed for and traded in Hong Kong dollars and listed and traded on the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$" or "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"Latest Practicable Date"	22 April 2025, being the latest practicable date prior to the publication of this annual report for ascertaining certain information contained herein
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	31 March 2025, the date on which the H Shares of the Company were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of the Company dated 21 March 2025
"Remuneration Committee"	the remuneration committee of the Board

"Reporting Period"	the year ended 31 December 2024
"RMB"	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 Feng (高峰), and is one of our Controlling Shareholders
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with nominal value of RMB1.00 each, including our domestic unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of the Supervisory Committee of the Company
"Supervisory Committee"	the supervisory committee of our Company
"%"	per cent

* *For identification purpose only*

Financial Highlights

	Year ended 31 December			
	2024	2023	2022	2021
		(RMB in thousands)		
Revenue	**1,350,925**	1,401,972	1,328,685	1,432,193
Gross profit	**289,101**	301,376	302,138	282,685
Profit before taxation	**62,345**	70,058	68,487	47,696
Profit for the year	**43,975**	51,602	51,065	35,080
Profitability				
Gross profit margin	**21.4%**	21.5%	22.7%	19.7%
Net profit margin	**3.3%**	3.7%	3.8%	2.4%

	As at 31 December			
	2024	2023	2022	2021
		(RMB in thousands)		
Non-current assets	**399,108**	377,772	397,990	412,336
Current assets	**1,056,580**	1,029,364	933,549	764,664
Current liabilities	**774,555**	819,983	796,414	683,875
Non-current liabilities	**140,223**	93,812	88,345	95,614
Net current assets	**282,025**	209,381	137,135	80,789
Net assets	**540,910**	493,341	446,780	397,511

Chairman's Statement

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2024 for our Shareholders' review.

Financial Review

During the Reporting Period, the Group recorded revenue of approximately RMB1,350.9 million, representing a decrease of approximately 3.64% or approximately RMB51.1 million as compared to approximately RMB1,402.0 million for the year ended 31 December 2023, as such decrease was mainly attributable to the decline in revenue from general sales, partially offset by the increase in revenue from wholesale. Revenue from general sales of the Group amounted to approximately RMB505.8 million during the Reporting Period, representing a decrease of approximately 18.0% or approximately RMB111.0 million as compared to approximately RMB616.8 million for the year ended 31 December 2023. Revenue from wholesale of the Group amounted to approximately RMB729.8 million during the Reporting Period, representing an increase of approximately 7.39% or approximately RMB50.2 million as compared to approximately RMB679.6 million for the year ended 31 December 2023. During the Reporting Period, profit for the year of the Group was approximately RMB44.0 million, representing a decrease of approximately 14.73% as compared to approximately RMB51.6 million for the year ended 31 December 2023. Basic and diluted earnings per share were RMB0.27 for the Reporting Period, as compared to RMB0.31 for the year ended 31 December 2023.

Operation Review

The Group is a wholesaler of grain and oil headquartered in Yangzhou, with retail operations of supermarket and convenience stores focusing on the central region of Jiangsu Province under the brand "宏信龍" (Hongxinlong). 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. 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 31 December 2024, the Group operated 52 supermarkets and 109 convenience stores in Jiangsu Province, including 49 supermarkets and 108 convenience stores in Yangzhou City and 3 supermarkets and 1 convenience store in Taizhou City. 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 identification purpose only*

Chairman's Statement

Outlook for 2025

The Group will continue to plow its resources into the retail market in the Yangtze River Delta region and steadily advance the development strategy and business layout of the Company. Looking into 2025, we plan to implement the following strategies, which we believe will strengthen our market position, increase our market share and capture the growth opportunities in China's retail industry:

- Expand our market share and the number of retail stores;
- Increase our warehousing capacity by establishing new distribution centres;
- Expand our meal processing capacity by establishing new central kitchens; and
- Enhance our ERP and infrastructure systems to improve operational efficiency.

Acknowledgement

On behalf of the Board, I would like to express my heartfelt gratitude to our Shareholders. We also like to extend our sincere appreciation to all Directors, Supervisors, senior management and colleagues for their dedication and relentless efforts. We will endeavour to seize market opportunities to achieve sustainable growth in our existing businesses and actively seek new growth drivers to deliver greater returns to our Shareholders.

Mr. Gao Feng
Chairman

Jiangsu, China, 30 April 2025

Management Discussion and Analysis

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.

* *For identification purpose only*

Management Discussion and Analysis

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 the 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 Latest Practicable Date.

Market and Industry Overview

China's economy continued its recovery in 2023, with gross domestic product (GDP) growing 5.2% and per capita disposable income rising, supporting consumer spending, particularly on food and household goods. The retail landscape is increasingly shaped by omni-channel strategies, with online retail's share growing (32.7% in 2023) while offline channels adapt.

China's chain supermarket market experienced a decline (-1.28% compound annual growth rate (CAGR) during the period from 2017 to 2023) due to competition from e-commerce and evolving formats, but a modest recovery is projected (1.43% CAGR for the period from 2024 to 2027). Notably, large supermarkets face contraction, whereas small and medium-sized supermarkets demonstrate resilience and growth potential, driven by convenience and focus on fresh products. This trend is pronounced in Jiangsu, where retail sales of small and medium-sized chain supermarkets saw strong growth (15.7% CAGR during the period from 2017 to 2023) with positive forecasts (8.7% CAGR for the period from 2024 to 2027). In Yangzhou, this segment grew at 14.6% CAGR during the period from 2017 to 2023 and is projected to grow at 4.7% CAGR for the period from 2024 to 2027.

The convenience store market exhibits strong growth nationally (14.3% CAGR during the period from 2017 to 2023) and in Yangzhou (14.3% CAGR during the period from 2017 to 2023), fuelled by demand for convenience and digital integration, with continued expansion forecast (9.0% and 8.0% CAGR for the period from 2024 to 2027, respectively). Conversely, the department store sector faces ongoing decline nationally and regionally.

Key opportunities lie in China's large consumer base, urbanisation, rising demand for quality and fresh goods, and technological integration (omni-channel). Challenges include intense market competition, particularly from e-commerce, shifting consumer preferences, and managing operational costs like labour and rent, despite some easing in commercial property rents. The outlook for regional small and medium-sized supermarkets and convenience stores remains positive, leveraging local presence and convenience.

Results of Operations

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 wholesale 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 wholesale 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. 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.

Management Discussion and Analysis

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. 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 wholesale.

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 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	
	2024	2023
	RMB'000	RMB'000
Profit for the year	**43,975**	51,602
Adjusted:		
Listing expenses	**7,276**	3,449
Adjusted net profit (Non-IFRS measure) for the year	**51,251**	55,051
Adjusted net profit margin (Non-IFRS measure)	**3.8%**	3.9%

Management Discussion and Analysis

Description of Selected Items of Consolidated Statement of Financial Position

Current assets and current liabilities

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current assets		
Inventories	**330,062**	266,267
Trade and bills receivables	**190,007**	213,779
Prepayments, deposits and other receivables	**318,053**	313,092
Restricted deposits	**1,600**	–
Cash and cash equivalents	**216,858**	236,226
	1,056,580	1,029,364
Current liabilities		
Bank loans and other borrowings	**409,688**	462,799
Lease liabilities	**24,720**	23,561
Trade payables	**110,285**	160,721
Other payables and accruals	**88,524**	45,755
Contract liabilities	**120,913**	112,120
Taxation payable	**20,425**	15,027
	774,555	819,983
Net current assets	**282,025**	209,381

Cash flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Operating profit before changes in working capital	**153,471**	163,623
Changes in working capital	**1,884**	(75,001)
Cash generated from operations	**155,355**	88,622
Income tax paid	**(15,270)**	(19,403)
Net cash generated from operating activities	**140,085**	69,219
Net cash used in investing activities	**(64,238)**	(34,536)
Net cash generated from/(used in) financing activities	**(95,800)**	35,729
Net increase/(decrease) in cash and cash equivalents	**(19,953)**	70,412
Effect of foreign exchange rate changes	**585**	327
Cash and cash equivalents at beginning of year	**236,226**	165,487
Cash and cash equivalents at end of year	**216,858**	236,226

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.

Management Discussion and Analysis

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. 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	
	2024 **(days)**	2023 (days)
Average inventory turnover days[1]	**102.5**	97.9

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 wholesale 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 wholesale for sale orders to be fulfilled 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	
	2024 **(days)**	2023 (days)
Average turnover days of trade and bills receivables(1)	**54.5**	53.9

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	
	2024	2023
	(days)	(days)
Average turnover days of trade payables[1]	**46.6**	58.3

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.

Liquidity and Capital Resources

We primarily financed our operations by cash generated from operating activities and bank loans and other borrowings. As at 31 December 2024, we had cash and cash equivalents of approximately RMB216.9 million. Going forward, we intend to finance our operations by cash generated from operating activities, bank loans and other 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 31 December 2024, the sum of long-term bank loans and other borrowings amounted to RMB58.8 million, with rate of 4.35% per annum, which should be repaid within 2 years to 5 years. While the sum of short-term bank loans and other borrowings amounted to RMB409.7 million, with the maturity of one year or less and the interest rates ranging from 3.45% to 4.35% per annum. As at 31 December 2024, we had unutilised banking facilities of approximately RMB76.0 million. The bank loans and other borrowings are denominated in RMB. Our Group has complied with the financial covenants of its borrowing for the year ended 31 December 2024. Our Company did not utilise any financial instrument for hedging. Our Group has maintained sufficient liquidity to satisfy its day-to-day management and capital expenditure requirements and is able to control its internal operating cash flows.

We have adopted a treasury and investment policy which sets out overall principles as well as detailed approval processes of our investment activities. Such activities include, among other things, wealth management product, short or long-term loans, investments in subsidiaries, and other equity investments.

Our Shareholder meeting, Board and general manager are responsible for our treasury and investment management. Within their respective responsibilities, each of them can make or veto investment decisions. Our plans of investments, detailing the time, amount, method, and responsible personnel are required to be reviewed and approved by the general manager, the Board, or Shareholders' meeting. Our investments are also audited by our internal audit department which reported to the Board in the annual internal audit report.

The H Shares have been listed on the Stock Exchange since the Listing Date. There has been no change in the capital structure of the Company since the Listing Date and up to the Latest Practicable Date. The capital of the Company comprises ordinary shares of the Company including H Shares and Domestic Unlisted Shares.

Capital Expenditures

During the Reporting Period, the Group's capital expenditures amounted to RMB68.8 million, which primarily consist of purchase of property, plant and equipment. We funded our capital expenditure requirements during the Reporting Period mainly from cash generated from operating activities. We intend to fund our future capital expenditures and long-term investments with our existing cash balance, bank and other borrowings and the proceeds from the Global Offering. We may reallocate the funds to be utilised on capital expenditures and long-term investments based on our ongoing business needs.

Indebtedness

Our indebtedness comprised bank loans and other borrowings and lease liabilities. The following table sets forth our indebtedness as at the dates indicated:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current liabilities		
Bank loans and other borrowings	**58,829**	12,552
Lease liabilities	**75,901**	76,533
	134,730	89,085
Current liabilities		
Bank loans and other borrowings	**409,688**	462,799
Lease liabilities	**24,720**	23,561
	434,408	486,360
Total	**569,138**	575,445

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 year ended 31 December	
	2024	2023
Gross profit margin[1]	**21.4%**	21.5%
Net profit margin[2]	**3.3%**	3.7%
Return on equity[3]	**8.1%**	10.5%
Return on assets[4]	**3.0%**	3.7%
Current ratio[5]	**1.4**	1.3
Quick ratio[6]	**0.9**	0.9
Gearing ratio[7]	**65.1%**	68.8%
Interest coverage ratio[8]	**3.8**	4.5

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 26 to the consolidated financial statements in this annual report for the details of the risks to which we are exposed to.

Employees and Remuneration Policies

As at 31 December 2024: we had a total of 1,554 employees, all of them are based in Jiangsu Province.

The following table sets forth a breakdown of our employees categorised by function as of 31 December 2024.

	No. of employees
Management	13
Administrative	90
Financial and Information Technology	43
Marketing	24
Procurement	25
Logistics	74
Operational	1,285
Total	1,554

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 section headed "Business – Non-compliance" in the Prospectus, 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 (as defined in the Prospectus) 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 up to the Latest Practicable Date, and have not experienced any significant difficulties in recruiting or retaining qualified staff.

Pledge of Assets

As at 31 December 2024, the Group pledged (i) land use rights with net book value of RMB28.2 million, (ii) plants and buildings with net book value of RMB30.3 million, and (iii) machinery and equipment, office and other equipment, and motor vehicles with net book value of RMB5.7 million for the Group's bank loans and other borrowings of RMB412.3 million. These borrowings are for general business operation purposes. For further details, please refer to Note 19 to the consolidated financial statements in this annual report.

Contingent Liabilities

As at 31 December 2024, we did not have any contingent liabilities.

Share Pledge

During the Reporting Period, there was no pledge by our Controlling Shareholders of their interests in the Shares to secure the Company's debts or to secure guarantees or other support of its obligation before the Listing.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, as at 31 December 2024, we did not have plans for material investments and capital assets.

Exposure to Fluctuations in Foreign Exchange Rates

Our Group primarily generate all of its revenue in the PRC. Majorities of our Group's assets, liabilities and cash flows were denominated in RMB and part of the Group's assets were denominated in HK$. During the year ended 31 December 2024, the depreciation of RMB against HK$ had no significant impact from translation as the reporting currency of our Group was RMB. Apart from that, the management of our Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on our Group's financial position nor performance given that the functional currency of the Group was RMB. During the year ended 31 December 2024, our Group did not engage in any hedging activities and our Group had no intention to carry out any hedging activities in the near future. The management of our Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Significant Investment and Material Event During the Reporting Period

Our Group did not make any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 31 December 2024) during the year ended 31 December 2024.

Events Subsequent to the Reporting Period

Save as disclosed in Note 30 to the consolidated financial statements in this annual report, our Group is not aware of any significant events which could have a material impact on our operating and financial performance after the Reporting Period.

Biographies of Directors, Supervisors and Senior Management

Directors

Our Board currently consists of 12 Directors, of which seven are executive Directors, one is non-executive Director and four are independent non-executive Directors.

Executive Directors

Mr. Gao Feng (高峰), aged 65, is the chairman of the Board 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 joined 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 has over 40 years of experience in the supermarket and supply chain businesses.

In June 1994, Mr. Gao joined our Group and served as the general manager of Jiangsu Hongxin Trading Co., Ltd.* (江蘇宏信商貿股份有限公司) ("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.

Biographies of Directors, Supervisors and Senior Management

Mr. Yuan Yuan (袁原), 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.

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.

Biographies of Directors, Supervisors and Senior Management

Mr. Zhang Jiaan (張佳安) (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 has over 30 years of experience in the supermarket and supply chain businesses.

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.

Biographies of Directors, Supervisors and Senior Management

Mr. Yao Jun (姚駿), 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) (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.

Biographies of Directors, Supervisors and Senior Management

Ms. Nai Jingjing (佴晶晶), 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), 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.

Biographies of Directors, Supervisors and Senior Management

Non-executive Director

Ms. Wei Yan (韋燕), 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), 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.

Biographies of Directors, Supervisors and Senior Management

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
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), 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), 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), 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.

Biographies of Directors, Supervisors and Senior Management

Confirmation of Independence from Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Supervisors

Our Supervisory Committee currently consists of three Supervisors. The Supervisors include two Shareholders' representative Supervisors and one employee Supervisor. The Shareholders' representative Supervisors and the employee Supervisor are elected at the Shareholders' meetings and the staff representative assembly, respectively, for a term of three years, subject to re-election upon their retirement or resignation. The functions and duties of the Supervisory Committee include reviewing financial reports and business reports prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

Ms. Zhan Mingyu (詹明玉) (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.

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.

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), 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.

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), 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

Our Senior management consists of Mr. Zhang Jiaan (張佳安), Mr. Yao Jun (姚駿), Ms. Shen Zhigen (沈志艮) and Mr. Xiao Zhiping (肖志平). For the biographical details of Mr. Zhang, Mr. Yao and Ms. Shen, please see the subsection headed "Directors – Executive Directors" in this section.

Mr. Xiao Zhiping (肖志平), 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.

Biographies of Directors, Supervisors and Senior Management

Joint Company Secretaries

Ms. Xu Chunling (徐春玲), 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), 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

Period	Company name, stock code and venue of listing	Position
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
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.

Biographies of Directors, Supervisors and Senior Management

Other Information

Save as otherwise disclosed above, each of our Directors, Supervisors and members of senior management has not been a director of any public company whose securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

None of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

None of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Except as disclosed above, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and no other matters are required to be brought to the attention of Shareholders as of the Latest Practicable Date.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 5 June 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Save as disclosed in this annual report, there has been no change in the Directors, the Supervisors and the senior management of the Company since the Listing Date and up to the date of this annual report.

* *For identification purpose only*

Report of Directors

The Board of the Company is pleased to present this report of the Directors with the consolidated financial statements of the Group for the year ended 31 December 2024.

Global Offering

On 31 March 2025, the H Shares of the Company were listed on the Main Board of the Stock Exchange in a global offering of 53,562,000 H Shares, comprising a Hong Kong public offering of 8,892,000 H Shares and an international offering of 44,670,000 H Shares (as adjusted in the Company's allotment results announcement dated 28 March 2025). The H Shares were issued and subscribed to Hong Kong and overseas investors at an Offer Price of HK$2.50 per H Share (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, the Stock Exchange transaction fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015%) by way of an initial public offering. The exercise period for the over-allotment option has not lapsed as at the Latest Practicable Date.

For details of the Global Offering, please refer to the Prospectus and the allotment results announcement of the Company dated 28 March 2025.

Use of Proceeds from the Global Offering

The net proceeds from the Global Offering (after deducting the underwriting fees and commissions and estimated expenses payable by us in connection with the Listing) amounted to approximately HK$92.55 million. There is no change to the intended use of net proceeds and the expected implementation timetable as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

As at the Latest Practicable Date, the Company had not utilised any net proceeds from the Global Offering. The following table sets out breakdown of the use of net proceeds from the Global Offering.

Use of net proceeds	Percentage of net proceeds	Estimated net proceeds allocated as disclosed in the Prospectus (approximate HK$ million)	Allocated net proceeds from the Global Offering (Note) (approximate HK$ million)	Net proceeds utilised since the Listing and up to the Latest Practicable Date (approximate HK$ million)	Expected timeline of full utilisation of net proceeds	Remaining amount as at the Latest Practicable Date (approximate HK$ million)
To open new retail stores	30.9%	32.5	28.6	–	By 31 March 2026	28.6
(i) Store renovation	9.2%	9.7	8.5	–	By 31 March 2026	8.5
(ii) Purchase of shelves	8.9%	9.4	8.3	–	By 31 March 2026	8.3
(iii) Purchase of cold storage facilities, lightings, air-conditioning, CCTV surveillance system and POS system	8.4%	8.8	7.7	–	By 31 March 2026	7.7
(iv) Installation of fire safety system	4.4%	4.6	4.1	–	By 31 March 2026	4.1
To establish a new distribution centre	41.2%	43.3	38.1	–	By 31 March 2026	38.1
(i) Acquisition of a parcel of land located in Jiangdu District, Jiangsu Province, the PRC	14.8%	15.6	13.7	–	By 31 March 2026	13.7
(ii) Construction of the new distribution centre	18.3%	19.2	16.9	–	By 31 March 2026	16.9
(iii) Acquisition of shelves, lightings and ancillary facilities and installing fire safety system	8.1%	8.5	7.5	–	By 31 March 2026	7.5
To establish a new central kitchen	26.8%	28.1	24.8	–	By 31 March 2026	24.8
(i) Construction of the new central kitchen	5.0%	5.2	4.6	–	By 31 March 2026	4.6
(ii) Acquisition of machines and equipment	10.0%	10.5	9.3	–	By 31 March 2026	9.3
(iii) Acquisition and installation of fire safety system, ventilation system, cold storage facilities, utilities, air-conditioning, CCTV surveillance system and ancillary facilities	10.3%	10.8	9.5	–	By 31 March 2026	9.5
(iv) Acquisition of additional vehicles for the delivery of meals	1.5%	1.6	1.4	–	By 31 March 2026	1.4
To enhance our ERP system and infrastructure systems	1.1%	1.2	1.0	–	By 31 March 2026	1.0

Note: Assuming the over-allotment option is not exercised as the exercise period for the over-allotment option has not lapsed as at the Latest Practicable Date.

For further details, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Principal Activities

Our Group is principally engaged in the operation of retail stores and shopping malls in areas around Yangzhou, Jiangsu, sales of goods to wholesale customers and supply and sales of meals.

There were no significant changes in the nature of our Group's principal activities during the Reporting Period. Please refer to Note 12 to the consolidated financial statements in this annual report for details of the principal activities of the principal subsidiaries of our Group. An analysis of our Group's revenue, other income and gains for the Reporting Period by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Notes 4 and 5 to the consolidated financial statements in this annual report.

Business Review

A review of the Group's business during the Reporting Period is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. The review and discussion form part of this Directors' report.

Principal Risks and Uncertainties

Our business and operation are subject to the following principal risks and uncertainties.

- our business might be adversely affected if we could not identify and secure desirable locations for our retail stores;
- our success depends on our ability to respond effectively to changes in customer preferences and needs;
- we may not be able to successfully compete with online stores;
- we have thin profit margins and we may not be able to sustain our historical profitability and working capital position;
- we rely on the performance of our retail stores and malls which can be adversely affected by factors which might be beyond our control; and
- we may be subject to food safety issue, product liability claims or product recalls relating to defective products sold by us.

Report of Directors

Results of Operations

The results of the Group for the Reporting Period are set out in the Consolidated Statements of Profit or Loss and the Consolidated Statements of Profit or Loss and Other Comprehensive Income on pages 125 and 126 of this annual report.

Four-year Financial Summary

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out on page 8 of this annual report. This summary does not form part of the audited consolidated financial statements.

Dividend Policy and Final Dividend

The Board may, from time to time, propose the payment of dividends, if conditions warrant, for the Company's shares listed on the Stock Exchange, pursuant to the following Dividend Policy.

The determination of whether to propose or declare dividends, and the amount of any such dividends, rests entirely at the absolute discretion of the Board. In exercising this discretion, the Board will consider various factors, including but not limited to the Company's actual and expected results of operations, its cash flow and financial position, general business conditions and strategies, expected working capital requirements and future expansion plans, any legal, regulatory, and contractual restrictions, and any other factors the Board deems appropriate.

Subject to applicable laws and regulations and the Company's Articles of Association, any dividends proposed or declared by the Board may take the form of interim dividends, final dividends, special dividends, or any other distribution of net profits the Board deems appropriate.

Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

During the Reporting Period, none of the Shareholders has waived or agreed to waive any dividends. Having due regard to the long-term interests of the Shareholders and the Company, the Board did not recommend any payment of dividends for the Reporting Period.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Company and the Group for the Reporting Period are set out in Note 11 to the consolidated financial statements of this annual report.

Closure of Register of Members

The AGM will be held on 3 June 2025. A notice convening the AGM will be published and despatched to the Shareholders in due course in the manner prescribed by the Listing Rules. In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 29 May 2025 to Tuesday, 3 June 2025 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders should lodge all completed transfer documents accompanies by the relevant share certificates to Computershare Hong Kong Investor Services Limited, the H Share Registrar of the Company at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 28 May 2025 for handling registration procedures.

Compliance with Laws and Regulations

To the best of the Directors' knowledge, information and belief, save as disclosed in the section headed "Business – Non-compliance" in the Prospectus, our Group has, in all material aspects, complied with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.

The Central Kitchen Relocation Plan

As disclosed in the Prospectus, our Group identified non-compliance incidents related to our inability to obtain land use right certificates for certain defective land of approximately 68 mu and consequently, property ownership certificates for properties situated thereon. This was primarily due to changes in government land quota policies after the initial land acquisition agreement in 2010. Our Muyuan Central Kitchen (as defined in the Prospectus), a processing and distribution centre for meal supply, is located within these properties. Although competent authorities provided confirmations allowing continued use and stating no penalties would be imposed, our Group formulated a relocation plan (the "Central Kitchen Relocation Plan") in respect of our Muyuan Central Kitchen.

Pursuant to the timeline for the Central Kitchen Relocation Plan as set out in the Prospectus, key activities, including finalising equipment procurement, site finishing, equipment installation, testing, and inspections, were scheduled for completion in the first quarter of 2025, whereas the physical relocation of the Muyuan Central Kitchen was planned for the second quarter of 2025. The entire process, from commencement to full operation of the new facility, was estimated to take nine to twelve months, with the actual operational downtime during relocation expected to be around one month. The estimated cost was projected to be between RMB2 million and RMB3 million. For further details, please refer to the section headed "Business – Non-compliance – (1) Failure to obtain certain land use right certificates and property ownership certificates" in the Prospectus.

As at the Latest Practicable Date, the Central Kitchen Relocation Plan has progressed as follows:

- the preparatory works, including the finalisation of equipment procurement, site finishing, installation, testing, and inspections, were substantially completed during the first quarter of 2025; and

- the physical relocation of the Muyuan Central Kitchen is scheduled for the second quarter of 2025 as originally planned.

The relocation has proceeded according to plan and is not expected to have a material adverse impact on the Group's ongoing operations beyond the planned transition period.

The Gongnong Road Defective Properties

The Gongnong Road Defective Parts (as defined in the Prospectus) comprise approximately 2,500 sq.m. within a building used by Hongxin Trading. These areas lack property ownership certificates primarily because the necessary construction permits, planning approvals, and completion acceptance procedures were not obtained for temporary structures added over time. Some of these structures existed before Hongxin Trading acquired the building (injected as capital in 1994), while others were built by our Group around 2002. For the 2002 additions, the contracted construction company failed to secure the required approvals prior to building, and our Group later understood these could not be obtained retrospectively without demolition and rebuilding. These defective parts were mainly used for storage. For further details, please refer to the section headed "Business – Non-compliance – (1) Failure to obtain certain land use right certificates and property ownership certificates" in the Prospectus.

As disclosed in the Prospectus, we planned to relocate the storage activities from the Gongnong Road Defective Parts to other areas within the same building that possess valid property ownership certificates. Following the relocation, the Gongnong Road Defective Parts were intended to become idle properties.

The relocation of storage functions from the Gongnong Road Defective Parts was completed before the Listing Date. Consequently, the Gongnong Road Defective Parts have become idle properties, and no operational activities are being conducted within these specific areas.

Environmental Policies and Performance

Our Group is highly aware of the importance of environment protection and has not noted any material in compliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment. We strive to comply with applicable rules, laws, regulations and industry standards on workplace safety and environmental matters.

During the Reporting Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental laws or regulations.

Further details are set out in the "Environmental, Social and Governance Report" of this annual report.

Share Capital

As at the Latest Practicable Date, the total Share Capital of our Company was RMB214,246,910, divided into 214,246,910 Shares of nominal value RMB1.0 each including 214,246,910 H Shares and nil Domestic Unlisted Shares.

Details of movements in the share capital of our Company for the Reporting Period are set out in Note 25 to the consolidated financial statements of this annual report.

Debenture Issued

Our Group did not issue any debenture during the Reporting Period (2023: nil).

Reserves

Details of movements in the reserves of our Company for the Reporting Period are set out in Note 25 to the consolidated financial statements of this annual report.

Distributable Reserves

As at 31 December 2024, our Company had retained profits of RMB100.7 million. The retained profits are reserves available for distribution to our Shareholders.

Purchase, Redemption or Sale of the Listed Securities

During the Reporting Period and up to the Latest Practicable Date, neither our Company nor any of our subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Pre-emptive Rights

Our Company had no arrangement for pre-emptive rights and share options during the Reporting Period. Neither the Articles of Association nor the PRC laws stipulates that our Company shall give priority to existing Shareholders in offering new shares in proportion to the shareholdings.

Report of Directors

Directors and Supervisors

Our Board currently consists of 12 Directors, of which seven are executive Directors, one is a non-executive Director, and four are independent non-executive Directors.

Executive Directors

Mr. Gao Feng (高峰) *(Chairman)*
Mr. Yuan Yuan (袁原)
Mr. Zhang Jiaan (張佳安)
Mr. Yao Jun (姚駿)
Ms. Shen Zhigen (沈志艮)
Ms. Nai Jingjing (佴晶晶)
Mr. Wang Fei (王飛)

Non-executive Director

Ms. Wei Yan (韋燕)

Independent non-executive Directors

Mr. Lam Ka Tak (林嘉德)
Mr. Zheng Manjun (鄭滿軍)
Mr. Zheng Yu (鄭宇)
Mr. Zhu Bo (朱波)

Our Supervisory Committee currently consists of three Supervisors. The Supervisors include two Shareholders' representative Supervisors and one employee Supervisor.

Supervisors

Ms. Zhan Mingyu (詹明玉)
Mr. Xia Zhonglin (夏忠林)
Ms. Zhu Aizhen (朱愛珍)

Biographical details of the Directors, Supervisors and the senior management of our Company are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report.

Change in Information of Directors, Supervisors and Senior Management

On 10 May 2024, Ms. Wei Yan (韋燕) has been appointed as a non-executive Director. In compliance with the Rule 3.09D of the Listing Rules, Ms. Wei has obtained the legal advice on 5 June 2024 and confirmed she understood her obligations as a director of the Company.

On 10 May 2024, each of Mr. Lam Ka Tak (林嘉德), Mr. Zheng Manjun (鄭滿軍), Mr. Zheng Yu (鄭宇) and Mr. Zhu Bo (朱波) has been appointed as an independent non-executive Director and effective from the Listing Date. In compliance with the Rule 3.09D of the Listing Rules, each of Mr. Lam Ka Tak (林嘉德), Mr. Zheng Manjun (鄭滿軍), Mr. Zheng Yu (鄭宇) and Mr. Zhu Bo (朱波) has obtained the legal advice on 5 June 2024 and confirmed he understood his obligations as a director of the Company.

After making specific enquiry by the Company and confirmed by the Directors and the Supervisors, save as disclosed in this annual report, there is no change to any information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Listing Date and up to the date of this annual report.

Confirmation of Independence from the Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent during the Reporting Period.

Service Contracts of Directors and Supervisors

We have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

Details of the remuneration of our Directors and Supervisors for the Reporting Period are set out in Note 8 to the consolidated financial statements of this annual report.

Interests of Directors and Supervisors in Transactions, Arrangements or Contracts of Significance

None of the Directors or Supervisors nor any entity connected with the Directors or Supervisors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the Reporting Period.

Report of Directors

Directors' Interests in Competing Business

During the Reporting Period, neither our Controlling Shareholders nor any of our Directors are considered to have interests in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Compensation 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. Details of the emoluments of our Directors, the Supervisors and senior management and emoluments of the five highest paid individuals in the Group are set out in Notes 8 and 9 to the consolidated financial statements of this annual report.

During the Reporting Period, no emoluments were paid by the Group to any Director, Supervisor or senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors, Supervisors or senior management has waived any emoluments during the Reporting Period.

Save as disclosed above, no other payments have been made or are payable, during the Reporting Period, by our Group to or on behalf of any of our Directors, the Supervisors or senior management.

Continuing Disclosure Obligation Pursuant to the Listing Rules

Our Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of our Company were entered into or existed for the Reporting Period.

Convertible Bonds

During the Reporting Period, our Group has not issued any convertible bonds.

Equity-linked Agreement

To the best knowledge of our Directors, save as disclosed in this annual report and the Prospectus, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period and up to the Latest Practicable Date.

Material Legal Proceedings

During the Reporting Period and up to the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

Loans and Other Borrowings

Details of bank loans or other borrowings of our Company and our subsidiaries for the Reporting Period are set out in Note 19 to the consolidated financial statements in this annual report.

As at 31 December 2024, our Group had not made any loan or provided any guarantee for loan, directly or indirectly, to our Directors and senior management of our Company, or their respective connected persons.

Interests and Short Position of each of our Directors, Supervisors and Chief Executives in Shares, Underlying Shares and Debentures

As our Company has not been listed on the main board of the Stock Exchange as at 31 December 2024, Divisions 7 and 8 of Part XV and section 352 of the SFO are not applicable to our Directors, Supervisors and chief executives of our Company as at 31 December 2024.

As at the Latest Practicable Date, the interests and short positions of our Directors, the Supervisors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in our Company

Name of Director, Supervisor or chief executive	Nature of interest[1]	Number of Shares	Approximate percentage of shareholding interest (%)
Mr. Gao[2]	Beneficial owner, interest in controlled corporation, interest of concert parties	66,674,976	31.11
Mr. Yuan[3]	Beneficial owner, interest of concert parties	66,674,976	31.11
Mr. Zhang[4]	Beneficial owner, interest of concert parties	66,674,976	31.11
Mr. Yao Jun (姚駿先生)[5]	Beneficial owner	500,000	0.23
Ms. Shen Zhigen (沈志艮女士)[6]	Beneficial owner	600,000	0.28
Ms. Zhan Mingyu (詹明玉女士)[7]	Beneficial owner	2,700,000	1.26
Mr. Xia Zhonglin (夏忠林先生)[8]	Beneficial owner	550,000	0.26
Ms. Zhu Aizhen (朱愛珍女士)[9]	Beneficial owner	200,000	0.09

Notes:

1. All interests stated are long positions.

2. 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.

3. 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.

4. 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.

5. Mr. Yao Jun (姚駿先生) is an executive Director and a deputy general manager of our Company.

6. Ms. Shen Zhigen (沈志良女士) is an executive Director, a deputy general manager and financial controller of our Company.

7. Ms. Zhan Mingyu (詹明玉女士) is the chairman of our Supervisory Committee, and a shareholder Supervisor.

8. Mr. Xia Zhonglin (夏忠林先生) is a shareholder Supervisor and the group purchase department manager.

9. Ms. Zhu Aizhen (朱愛珍女士) is an employee Supervisor, and the store manager of Jianying store.

Save as disclosed above, as at the Latest Practicable Date, none of our Directors, Supervisors or the chief executives of our Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) that was required 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 short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by our Company under Section 352 of the SFO, or as otherwise notified to the our Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, except Mr. Gao Feng, the chairman of our Board and an executive Director who is a director of Ruichuanda Investment, none of the Directors or the Supervisors was a director or an employee of a company which had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests and Short Position of each of Substantial Shareholders and Other Persons in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, to the best knowledge of our Directors, the following persons (other than a Director, Supervisor or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares[(1),(2)]	Approximate percentage of interest in our Company (%)
Mr. Gao[(3)]	Beneficial owner, interest in controlled corporation, interest of concert parties	66,674,976	31.11
Ruichuanda Investment[(3)]	Beneficial owner, interest of concert parties	66,674,976	31.11
Ms. Leng Yuemei (冷月梅女士) ("Ms. Leng")[(4)]	Interest of spouse	66,674,976	31.11
Mr. Yuan[(5)]	Beneficial owner, interest of concert parties	66,674,976	31.11
Ms. Gu Xia (古霞女士) ("Ms. Gu")[(6)]	Interest of spouse	66,674,976	31.11
Mr. Zhang[(7)]	Beneficial owner, interest of concert parties	66,674,976	31.11
Ms. Wang Xia (王霞女士) ("Ms. Wang")[(8)]	Interest of spouse	66,674,976	31.11
Jiequan Fund[(9)]	Beneficial owner	21,558,441	10.07
NSM Fund[(9)]	Interest in controlled corporation	21,558,441	10.07

Name of Shareholder	Nature of Interest	Number of Shares[(1),(2)]	Approximate percentage of interest in our Company (%)
NSM Industry Development[(9)]	Interest in controlled corporation	21,558,441	10.07
China S&M[(9)]	Interest in controlled corporation	21,558,441	10.07
Suhe Digital[(9)]	Interest in controlled corporation	21,558,441	10.07
Houji PE[(9)]	Interest in controlled corporation	21,558,441	10.07
Houji Investment[(9)]	Interest in controlled corporation	21,558,441	10.07
Wang Xiaoming[(9)]	Interest in controlled corporation	21,558,441	10.07
Jiangsu Equity Investment[(9)]	Interest in controlled corporation	21,558,441	10.07
NSM Enterprise Management[(9)]	Interest in controlled corporation	21,558,441	10.07
Suhe Investment[(9)]	Interest in controlled corporation	21,558,441	10.07
Beijing Zhonghe[(9)]	Interest in controlled corporation	21,558,441	10.07
Jiangdu Fund[(10)]	Beneficial owner	16,393,442	7.65
Cinda Capital[(10)]	Interest in controlled corporation	16,393,442	7.65
Mr. Xu Shihe (許世和先生) ("Mr. Xu")	Beneficial owner	10,870,051	5.07
Ms. Yu Qin (禹琴女士) ("Ms. Yu")[(11)]	Interest of spouse	10,870,051	5.07

Notes:

1. All interests stated are long positions.

2. 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.

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. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

Key Relationship with Stakeholders

Our Group recognises that various stakeholders including customers, suppliers, employees and other business associates are key to our Group's success. Our Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationships with them.

Major Customers and Suppliers

Major Customers

For the year ended 31 December 2024, revenue from our five largest customers contributed approximately 32.0% (2023: 31.9%) of our Group's total revenue while our largest customer contributed approximately 12.2% (2023: 16.2%) of our Group's revenue during the year.

Major Suppliers

For the year ended 31 December 2024, purchases from our five largest suppliers contributed approximately 40.9% (2023: 42.4%) of our Group's total cost of procurement while our largest supplier contributed approximately 14.0% (2023: 25.5%) of our Group's cost of procurement during the year.

For the year ended 31 December 2024, none of our Directors or any of their close associates or any Shareholders (which to the knowledge of our Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of our Group.

Taxation

Tax position of our Company during the year ended 31 December 2024 is set forth in Note 24 to the consolidated financial statements of this annual report.

Tax Relief and Exemption

Our Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the H Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the H Shares, they are advised to consult their professional advisers.

Retirement and Employee Benefits Scheme

During the Reporting Period, details of the retirement benefit scheme are set out in Notes 2 and 6 to the consolidated financial statements of this annual report.

Connected/Related Party Transaction

Details of the Group's related-party transactions during the Reporting Period are set out in Note 28 to the consolidated financial statements of this annual report. For the year ended 31 December 2024, there was no related party transaction or continuing related party transaction set out in Note 28 to the consolidated financial statements which constitutes disclosable connected transaction or disclosable continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

Contract of Significance with Controlling Shareholders

During the year ended 31 December 2024, none of our Company or any of our subsidiaries entered into any contract of significance with the Controlling Shareholders or any of its subsidiaries, and there is no contract of significance in relation to provision of services by the Controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

Sufficiency of Public Float

Based on information publicly available to our Company and to the best knowledge of our Directors, at least 25% of our Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public since the Listing Date and up to the Latest Practicable Date.

Permitted Indemnity Provisions

The Company has maintained directors' liability insurance to protect the Directors of the Company against any potential losses arising from his/her actual or alleged misconduct.

Donations

During the Reporting Period, we did not make any charitable and other donations.

Audit Committee

The Board has established an Audit Committee, which comprises four independent non-executive Directors, namely, Mr. Lam Ka Tak (林嘉德) (chairperson of the Audit Committee), Mr. Zheng Manjun (鄭滿軍), Mr. Zheng Yu (鄭宇) and Mr. Zhu Bo (朱波), and one non-executive Director, namely, Ms. Wei Yan (韋燕). The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has, together with the management of our Company and the Auditor, reviewed the applicable accounting principles, standards and practices adopted by our Group as well as the consolidated financial statements of our Group for the year ended 31 December 2024 and the disclosure in this annual report.

Report of Directors

Corporate Governance

Our Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Our Company has adopted the code provisions of the CG Code as its own code of corporate governance.

As the H Shares had not yet been listed on the Stock Exchange during the Reporting Period, the CG Code was not applicable to our Company during the Reporting Period. During the period from the Listing Date to the Latest Practicable Date, our Company has complied with all the principles and applicable code provisions under the CG Code.

Our Directors will review the corporate governance policies and compliance with the CG Code each financial year and apply the "comply or explain" principle in the "Corporate Governance Report" included in this annual report.

Auditor

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and audited by KPMG who will retire at the forthcoming AGM of the Company and, being eligible, offer themselves for reappointment.

The Company issued H Shares and its H Shares were listed on the Main Board of the Stock Exchange on 31 March 2025, and there has been no change in auditor since the Listing Date and up to the Latest Practicable Date.

By order of the Board
Mr. Gao Feng
Executive Director and Chairman of the Board

Jiangsu, PRC, 30 April 2025

* *For identification purpose only*

Report of the Supervisory Committee

During the Reporting Period, all members of the Supervisory Committee have complied with the principle of integrity and earnestly performed their supervisory duties in accordance with the relevant regulations set out in the PRC Company Law, the Articles of Association and Rules of Procedure of the Supervisory Committee to protect the interests of the Shareholders and the Company.

Works of the Supervisory Committee during the Reporting Period

For the year ended 31 December 2024, the Supervisory Committee held two meetings and considered two resolutions. All supervisors attended the meetings in person to discuss and consider the resolution regarding the Election of the Chairman Approved of the Sixth Session of the Board of Supervisors of the Company and the resolution regarding the "2023 Work Report of the Supervisory Committee". All Supervisors voted in favor of these resolutions.

Comments of the Supervisory Committee on Certain Matters of the Company in 2024

During the Reporting Period, the members of the Supervisory Committee adhered to the principles of fidelity and accountability to all Shareholders and duly performed their duties and works according to the relevant laws and regulations. The Supervisory Committees worked actively, supervised the regulatory compliance and operation, financial condition, use of proceeds and internal control, etc. of our Company through attending Shareholders' general meetings and Board meetings as nonvoting delegates and onsite inspections.

The Supervisory Committee has arrived at the following opinions:

(1) During the Reporting Period, the Board of Directors conscientiously performed the rights and obligations conferred by the PRC Company Law and the Articles of Association, made timely decisions on major matters such as operation plans and conscientiously implemented the resolutions of the General Meeting and the Board of Directors. The senior management operated in accordance with the law and in a standardised manner. The Directors and senior management were able to perform their obligations in good faith, and there were no violations of the law, the Articles of Association or acts detrimental to the interests of Shareholders.

(2) During the Reporting Period, the Supervisory Committee supervised and inspected the financial system and financial position of the Company and considered that the Company's financial system was sound, its financial operations were standardised and its financial position was good, and that the Company's annual audit report and the independent auditor's report truly, accurately and completely reflected the financial position, results of operations and cash flows of the Company.

(3) During the Reporting Period, the Supervisory Committee supervised the procedures for convening general meetings and board meetings and the resolutions of the Company in accordance with the PRC Company Law and the Articles of Association. The Supervisory Committee is of the view that the decision-making procedures of the Company have complied with the relevant provisions of the PRC Company Law and the Articles of Association.

In the coming year, the Supervisory Committee will continue to play the role of supervising and monitoring with an aim to protect the interests of all Shareholders and the Company.

Zhan Mingyu
Chairman of the Supervisory Committee

Jiangsu, PRC, 30 April 2025

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2024.

Compliance with the CG Code

Our Company is committed to achieving high standards of corporate governance with the aim of safeguarding the interests of our Shareholders. The Company has adopted the code provisions of the CG Code as its own code of corporate governance.

As the H Shares had not yet been listed on the Stock Exchange during the Reporting Period, the CG Code was not applicable to the Company during the Reporting Period. Throughout the period from the Listing Date to the Latest Practicable Date, the Company has complied with all relevant principles and applicable code provisions under the CG Code.

The Board will review the corporate governance policies and compliance with the CG Code and other applicable legal and regulatory requirements at least annually in order to maintain a high standard of corporate governance of the Company and make appropriate changes if considered necessary.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules to regulate all dealings by the Directors, the Supervisors and relevant employees of securities in the Company and other matters covered by the Model Code since the Listing Date. As the H Shares had not yet been listed on the Stock Exchange during the Reporting Period, the Model Code was not applicable to the Company during the Reporting Period. Having made specific enquiry with all the Directors and Supervisors, all the Directors and Supervisors confirmed that they have strictly complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions during the period from the Listing Date to the Latest Practicable Date.

The Board of Directors

Responsibilities

Our Company is guided by an effective Board of Directors, which holds ultimate responsibility for leadership, control, and steering the Company towards success through strategic direction and supervision. All Board decisions are made objectively and prioritise the Company's best interests.

The Board's composition reflects a balance of skills, experience, and diverse perspectives tailored to our business needs. It includes both Executive Directors and Non-executive Directors (including Independent non-executive Directors), ensuring a strong independent element capable of exercising objective judgment. The Board regularly reviews the contributions and time commitment expected from each Director to effectively fulfill their duties.

Corporate Governance Report

The Company maintains a clear separation of responsibilities among the Board, senior management, and the Supervisory Committee.

The Board is responsible for overseeing the Company's management and operations. Its responsibilities include determining business strategies and investment plans, implementing shareholder resolutions, and ensuring compliance with the Articles of Association and relevant laws, including Listing Rules. In making strategic decisions, the Board represents the long-term interests of the Company and its Shareholders. It also oversees the effective utilisation of corporate resources, delegates authority appropriately to senior management, and maintains effective supervision, thereby maintaining a clear separation between the Board's governance role and executive functions.

To oversee specific aspects of the Company's affairs, the Board has established three Board committees, namely the Audit Committee, Remuneration Committee, and the Nomination Committee (collectively, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

The Company also has a Supervisory Committee which 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. The Supervisory Committee provides independent oversight and monitors the effectiveness and conduct of both the Board of Directors and the Company's senior management team. Separately, the senior management team, operating under the Board's direction, executes Board-approved decisions and oversees the daily operational activities of the business. This team remains accountable for its performance and reporting to the Board.

Every Director is committed to carrying out his or her duty in good faith and in compliance with applicable laws and regulations, to act honestly with due diligence, skill, and care, and to act always in the best interests of the Company and its Shareholders.

The Company has arranged appropriate coverage for Directors' and officers' liabilities arising from legal actions against its Directors and senior management related to corporate activities.

Board Composition

As at the Listing Date, and up to the Latest Practicable Date, the Board consists of 12 Directors, including seven executive Directors (namely, Mr. Gao Feng (Chairman), Mr. Yuan Yuan, Mr. Zhang Jiaan, Mr. Yao Jun, Ms. Shen Zhigen, Ms. Nai Jingjing and Mr. Wang Fei), one non-executive Director (namely, Ms. Wei Yan), and four independent non-executive Directors (namely, Mr. Lam Ka Tak, Mr. Zheng Manjun, Mr. Zheng Yu and Mr. Zhu Bo). As far as the Company is aware, there is neither financial, business, family or material/related relationship among members of the Board, nor significant relationships between its Directors, Supervisors or senior management that need to be disclosed.

The biographies of the Directors, Supervisors and senior management are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report.

Save as disclosed in this annual report, there is no change in Directors, Supervisors and senior management of the Company since the Listing Date and up to the date of this annual report.

Independent Non-executive Directors

Since the Listing Date and up to the Latest Practicable Date, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise. Furthermore, the Company has also complied with Rule 3.10A of the Listing Rules, requiring independent non-executive directors to constitute at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Independent Views and Inputs

To ensure independent perspectives are available to the Board, the Company has put in place a framework which includes:

(i) maintaining at least one-third of Board members are independent non-executive Directors;

(ii) ensure that independent non-executive Directors possess professional knowledge and broad experience;

(iii) no independent non-executive Director has served our Company for more than nine years;

(iv) no independent non-executive Director holds more than six listed company directorships at a time to make sure that each of the independent non-executive Directors is able to dedicate sufficient time to make contributions to the Board; and

(v) each independent non-executive Director shall serve an annual confirmation of his/her independence to our Company.

The implementation and effectiveness of the relevant framework have been reviewed by our Board and will continue to be reviewed annually.

Board Diversity Policy and Workforce

Our Company is committed to fostering a culture of diversity, recognising that a diverse Board is essential for enhancing the effectiveness of our Board and achieving its strategic objectives. To this end, our Company has adopted a board diversity policy (the "Board Diversity Policy") outlining its objective and approach.

When considering Board composition, our Company takes into account a wide range of factors to achieve board diversity, including but not limited to professional experience, skills, knowledge, age, gender, education, cultural background and length of service. Promoting gender diversity is an active part of this process at all levels. Pursuant to the Board Diversity Policy, we aim to maintain at least 10% female representation in our Board.

Potential Board candidates are identified and selected based on merit and their potential contribution, with due regard given to the Board Diversity Policy and our Company's specific operational needs at the time. To enhance corporate governance effectiveness and increase the proportion of female members over time, our Company actively works to promote gender diversity. This includes actively identifying and selecting female individuals with a diverse range of skills, experience and knowledge, maintaining a list of such potential candidates for Board appointment which will be periodically reviewed by our Nomination Committee, and ensuring 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.

The Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the CG Code and for ensuring Board diversity. It will review the Board Diversity Policy from time to time to ensure its continued effectiveness, including assessing annually the board's diversity profile and gender balance, reviewing the list of potential female Board candidates, monitoring progress towards achieving the objectives, and making recommendations on suitable candidates for Board appointments.

Our Board will also conduct an annual review on the implementation and effectiveness of the Board Diversity Policy. We will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

As at the Latest Practicable Date, our Board comprised nine male members and three female members. 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 (representing 25%), we consider that the composition of our Board satisfies our Board Diversity Policy, including the objective to maintain at least 10% female representation.

Furthermore, as at 31 December 2024, approximately 86.7% of our Group's employees (including senior management) were female. Consequently, our Company considers that gender diversity has also been achieved within its workforce.

Continuous Professional Development

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2024 and prior to the Listing, all Directors have participated in continuous professional development by attending training courses or external seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board. Relevant reading materials, such as legal and regulatory updates, were also provided to Directors for their information.

The record of continuous professional development received by Directors during the Reporting Period, and prior to the Listing relating to directors' duties and regulatory and business developments, is summarised below:

Name of Directors	**Nature of Continuous Professional Development**
Executive Directors:	
Mr. Gao Feng *(Chairman)*	A/B
Mr. Yuan Yuan	A/B
Mr. Zhang Jiaan	A/B
Mr. Yao Jun	A/B
Ms. Shen Zhigen	A/B
Ms. Nai Jingjing	A/B
Mr. Wang Fei	A/B
Non-executive Director:	
Ms. Wei Yan	A/B
Independent Non-executive Directors:	
Mr. Lam Ka Tak	A/B
Mr. Zheng Manjun	A/B
Mr. Zheng Yu	A/B
Mr. Zhu Bo	A/B

Notes:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant materials including legal and regulatory updates, newspapers, journals, magazines and relevant publications

Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to Article 101 of the Articles of Association, the term of office of the Directors shall be 3 years, and they are subject to re-election upon expiry. Directors shall be elected or replaced by the Shareholders' meeting, and may be removed by the general meeting before the expiry of his/her term of office. The term of office of the Directors shall be calculated from the date of their assumption of office to the expiry of the current term of office of the Board. If a Director's term of office expires without timely re-election, the original Director shall still perform the duties of a director in accordance with the laws, administrative regulations, departmental rules and regulations and these Articles of Association until the re-elected Director assumes office. The manager or other senior management personnel may concurrently serve as a Director, provided that the total number of Directors who also hold the position of manager or other senior management personnel and Directors who are employee representatives shall not exceed one-half of the total number of Directors of the Company.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for making recommendations to the Board on the appointment and re-appointment of Directors.

Save as disclosed above, our Company did not sign any relevant unexpired service contract which is not determinable within a year without payment of any compensation, other than statutory compensation.

Board Meetings and General Meetings

The Board meets regularly to discuss and formulate the overall strategy, operations and financial performance of the Group. Board meetings are held at least two times a year and written notices of Board meetings are given to the Directors ten (10) days before the convening of the meeting in accordance with Article 119 of the Articles of Association, in order to give all Directors the opportunity to put matters for discussion on the agenda of regular meetings of the Board.

At Board meetings, the senior management of the Company shall provide timely reports on the Company's business activities and development to all Directors on a timely basis. The executive Directors shall also regularly communicate with the non-executive Directors (including independent non-executive Directors) on the Company's latest operations. If any Director or his/her associate (as defined under the Listing Rules) has related relationships with or interests in any proposed resolution to be considered at a Board meeting, such Director shall abstain from voting on such resolution.

Shareholders' meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year within six months after the end of the previous accounting year. The convener shall notify all Shareholders in writing or otherwise 21 days before the annual shareholders' meeting and shall notify all Shareholders in writing or otherwise 15 days before the extraordinary shareholders' meeting in accordance with Article 59 of the Articles of Association.

Since the Listing Date, no general meeting has been held and therefore no Director attended the general meeting. The forthcoming AGM will be held on 3 June 2025. The notice of the AGM will be sent to the Shareholders on or around 8 May 2025 in the manner prescribed by the Listing Rules.

As the H Shares had not yet been listed on the Stock Exchange during the Reporting Period, the requirement of the CG Code which stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present was not applicable. Similarly, the attendance record of the Directors at Board meetings and general meetings within the relevant reporting period will be disclosed in accordance with the Listing Rules in subsequent annual reports of the Company.

During the period from the Listing Date and up to the date of this annual report, the Board held one board meeting to, among other things, approve the Company's audited consolidated results for the year ended 31 December 2024, this annual report and the Environmental, Social and Governance Report, and other matters. The attendance records of Board meeting are set out below:

Name of Directors	**Attendance/ No. of Meetings held**
Executive Directors:	
Mr. Gao Feng *(Chairman)*	1/1
Mr. Yuan Yuan	1/1
Mr. Zhang Jiaan	1/1
Mr. Yao Jun	1/1
Ms. Shen Zhigen	1/1
Ms. Nai Jingjing	1/1
Mr. Wang Fei	1/1
Non-executive Director:	
Ms. Wei Yan	1/1
Independent Non-executive Directors:	
Mr. Lam Ka Tak	1/1
Mr. Zheng Manjun	1/1
Mr. Zheng Yu	1/1
Mr. Zhu Bo	1/1

Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. From the Listing Date and up to the Latest Practicable Date, the Board confirms that it has:

(a) developed and reviewed the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) reviewed and monitored the training and continuous professional development of the Directors and senior management;

(c) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developed, reviewed and monitored the code of conduct and compliance manual applicable to the Group's employees and directors; and

(e) reviewed the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

Board Committees

The Board has established three Board Committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. All Board Committees are established with specific terms of reference which deal clearly with their authority and duties. The terms of reference of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules and the CG Code. The Audit Committee comprises five members, including four independent non-executive Directors, Mr. Lam Ka Tak, Mr. Zheng Manjun, Mr. Zheng Yu, Mr. Zhu Bo, and one non-executive Director, Ms. Wei Yan. The Audit Committee is chaired by Mr. Lam Ka Tak.

The primary duties of the Audit Committee include, but not limited to (i) making recommendation to the Board in respect of the appointment or change of external auditors, and monitoring the independence of external auditors and reviewing their performance annually; (ii) examining the financial policies, internal audit systems, internal control systems and risk management systems of the Company and provide opinions and recommendations for improvements; (iii) reviewing the financial information of our Company, reviewing financial reports and statements of our Company and giving comments on relevant matters; and (iv) reviewing the implementation and effectiveness of internal control; (v) coordinating the communication between the internal audit department and external audit firm; and (vi) dealing with other matters that are authorized by the Board or involved in relevant laws and regulations. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the period from the Listing Date and up to the date of this annual report, the Audit Committee held one meeting to, among others, review the Company's audited consolidated results for the year ended 31 December 2024 and confirmed that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also reviewed and discussed the risk management and internal control measures and systems of the Company, the effectiveness of the Company's internal audit function, financial reporting and the appointment of the Auditor. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the Auditor.

During the period from the Listing Date and up to the date of this annual report, the attendance records for the Audit Committee meeting are set out below:

Name of Directors	**Attendance/ No. of Meetings held**
Mr. Lam Ka Tak	1/1
Mr. Zheng Manjun	1/1
Mr. Zheng Yu	1/1
Mr. Zhu Bo	1/1
Ms. Wei Yan	1/1

Nomination Committee

The Nomination Committee was established by our Company with written terms of reference in compliance with the CG Code. The Nomination Committee comprises five members, including four independent non-executive Directors, Mr. Lam Ka Tak, Mr. Zheng Manjun, Mr. Zheng Yu, Mr. Zhu Bo, and one non-executive Director, Ms. Wei Yan. The Nomination Committee is chaired by Mr. Zheng Manjun.

The primary duties of the Nomination Committee include, but not limited to (i) considering and drawing up the criteria and procedures for selecting directors and senior management, and making recommendations thereon to the Board. Factors to be considered include but are not limited to cultural and educational background and work experience; (ii) identifying candidates suitably qualified to become directors and make nominations to the Board, and reviewing and making recommendations on candidates for directors of our Company (in particular the chairman of the Board); (iii) assessing and reviewing the independence of independent non-executive Directors; (iv) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategies; and (v) dealing with other matters that are authorized by our Board. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the CG Code. Our Nomination Committee will review the Board Diversity Policy (including gender ratio) from time to time as well as the progress of achieving relevant goals to ensure its continued effectiveness. For details of our Board Diversity Policy please refer to the subsection headed "The Board of Directors – Board Diversity Policy and Workforce" in this Corporate Governance Report.

The Company has also adopted specific procedures for nominating and electing Directors. The policy outlines the criteria and procedures for selection and performance evaluation and provides guidance to the Board on the nomination and appointment of Directors. The Board believes that a clear selection process facilitates corporate governance, ensures the continuity and leadership of the Board, and enhances the overall efficiency and diversity of the Board.

The Nomination Committee is responsible for identifying suitably qualified candidates as Directors and making nominations to the Board. In evaluating suitable candidates, the Nomination Committee will consider the established selection criteria which include factors such as cultural or educational background and work experience, and how the candidate complements the Board's structure, size, and composition (including skills, knowledge, and experience). The Nomination Committee shall make its recommendations on Director candidates to the Board for consideration and approval. While the Nomination Committee makes recommendations, the Board holds the responsibility for approving these nominations before they are submitted to the Shareholders' general meeting for election.

During a period from the Listing Date and up to the date of this annual report, the Nomination Committee held one meeting, during which the Nomination Committee has, among others, assessed the independence of independent non-executive Directors, reviewed the profile of proposed Director and senior management candidates and examined the structure, composition and diversity of the Board. The Nomination Committee considered that the Board currently maintains an appropriate diversity balance and has not set any measurable objective implementing the Board diversity policy.

During the period from the Listing Date and up to the date of this annual report, the attendance records for the Nomination Committee meeting are set out below:

Name of Directors	Attendance/ No. of Meetings held
Mr. Zheng Manjun	1/1
Mr. Lam Ka Tak	1/1
Mr. Zheng Yu	1/1
Mr. Zhu Bo	1/1
Ms. Wei Yan	1/1

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee currently comprises five members, including four independent non-executive Directors, Mr. Lam Ka Tak, Mr. Zheng Manjun, Mr. Zheng Yu, Mr. Zhu Bo, and one non-executive Director, Ms. Wei Yan. The Remuneration Committee is chaired by Mr. Zheng Yu.

The primary duties of the Remuneration Committee include, but not limited to (i) formulating the appraisal standards and conducting appraisal for the directors, supervisors and senior management of the Company, and giving comments and suggestions, and responsible for setting up and reviewing the remuneration policy and plans for the same; (ii) examining the performance of duties by the directors and senior management of the Company, conducting annual performance appraisals of them, and formulating annual incentives schemes which shall be submitted to the Board for approval and implement; (iii) supervising the implementation of the remuneration policies of the Company; (iv) making recommendations to the Board on the determination of the remuneration packages of individual executive directors, supervisors and senior management, including benefits in kind, pension rights and compensation amounts (including compensation payable for loss or termination of office or appointment), and making recommendations to the Board on the remuneration of non-executive directors; and (v) dealing with other matters that are authorized by the Board. The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During a period from the Listing Date and up to the date of this annual report, the Remuneration Committee held one meeting, during which the Remuneration Committee has, among others, reviewed the Company's remuneration policy and structure, assessed the performance of Directors and the senior management of the Company, and reviewed matters related to the remuneration packages and service contracts of individual executive directors, supervisors and senior management and made recommendations to the Board.

During the period from the Listing Date and up to the date of this annual report, the attendance records for the Remuneration Committee meetings are set out below:

Name of Directors	Attendance/ No. of Meetings held
Mr. Zheng Yu	1/1
Mr. Lam Ka Tak	1/1
Mr. Zheng Manjun	1/1
Mr. Zhu Bo	1/1
Ms. Wei Yan	1/1

Remuneration of Directors, Supervisors and Senior Management

The remuneration payable to members of senior management by band for the Reporting Period is set out below:

Band of remuneration (RMB)	Number of individuals
Nil to RMB1,000,000	4

Further details of the remuneration of the Directors, Supervisors and the five highest paid employees required to be disclosed under Appendix D2 of the Listing Rules have been set out in Notes 8 and 9 to the consolidated financial statements in this annual report.

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of its loss and cash flows for the year ended 31 December 2024.

The Directors have prepared the financial statements of the Group on a going concern basis, and have selected appropriate accounting policies, applied them consistently, and included the applicable disclosures required under the Listing Rules and relevant statutory requirements. The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The management provides the Board with the necessary explanations and information to enable the Board to carry out an informed assessment of the Company's financial statements, before they are put to the Board for approval. The Company has also provided all members of the Board with monthly updates on its performance, position and prospects.

The external Auditor's statement about reporting responsibility is set out on pages 123 and 124 of this annual report.

Supervisors and Supervisory Committee

As of 31 December 2024, and up to the Latest Practicable Date, our Supervisory Committee consists of three Supervisors, including two shareholder Supervisors, namely Ms. Zhan Mingyu and Mr. Xia Zhonglin, and one employee Supervisor, namely Ms. Zhu Aizhen. The shareholder Supervisors are elected at the Shareholders' meetings, while the employee Supervisor is elected by our employees. The Supervisory Committee is chaired by Ms. Zhan Mingyu. The biographies of the Supervisors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report.

In fulfilling its accountability to the Company and its Shareholders, the Supervisory Committee independently and effectively performed its supervision and inspection functions. This involved overseeing the Company's operations, management, decision-making, and financial health, as well as ensuring Directors and Senior Management fulfilled their duty of care and diligence.

Throughout the period from the Listing Date to the Latest Practicable Date, all members of the Supervisory Committee have complied with the principle of integrity and earnestly performed their supervisory duties in accordance with the relevant regulations set out in the PRC Company Law, the Articles of Association and Rules of Procedures for the Supervisory Committee of the Company to protect the interests of the Shareholders and the Company.

Internal Control and Risk Management

The Company has always focused on building robust internal rules and an internal control framework. The continuous and effective implementation and improvement of various internal systems provides a solid foundation for the development of the Company. The Company has also established risk management systems consisting of relevant policies and procedures that 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 environmental protection, production safety and anti-bribery.

The Board acknowledges its responsibility for maintaining an adequate risk management system and reviewing its effectiveness on an ongoing basis and annual basis. Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our internal control system. The Board monitors and reviews the effectiveness of these systems annually, in compliance with paragraph D.2 of the CG Code, to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting. The Board also identifies and manages the major risks which may affect the performance of the Group, and reviews and updates the system annually. Meanwhile, the Audit Committee assists the Board in fulfilling its oversight and corporate governance roles regarding the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions. Separately, the management and employees of the Company will consult with an external legal counsel concerning legal risks and compliance matters, as appropriate.

The Company's risk management process begins with identifying risks related to our corporate strategy and business operation. We have in place risk management policies to assess the probability and potential impact of our risks, and then actively develop corresponding mitigation strategies and plans. We also provide training to our employees to ensure that all employees are aware of their responsibilities in managing risks.

In addition to the Group's internal reviews of risk management and internal controls, the external Auditor will also assess the adequacy and effectiveness of certain key controls as part of their statutory audits. When appropriate, the external Auditor's recommendations shall be adopted, and enhancements to the risk management and internal control systems will be made.

Internal Audit

Our Company's internal audit function regularly monitors key controls and procedures to provide assurance to management and the Board that the internal control system is operating effectively. The Audit Committee oversees the internal audit function. Based on an audit plan approved by the Audit Committee, internal audits review the Group's significant operational, financial, compliance, and risk management controls. Through these audits, the internal audit team identifies control deficiencies and weaknesses and proposes recommendations for improvement. Findings and deficiencies are communicated to management, who is responsible for ensuring timely rectification, and reported to the Audit Committee. The internal audit team subsequently performs follow-up reviews to verify that remedial actions have been implemented.

Internal Control System and Review of Effectiveness of Risk Management and the Internal Control System

A summary of the Group's internal control policies, measures and procedures in place is set out below.

- The Board has delegated to the Audit Committee the responsibility for reviewing and supervising the financial reporting process and internal control system of the Company on an ongoing basis, and for reviewing the effectiveness of these systems annually in compliance with paragraph D.2 of the CG Code. The review covers all significant controls, including financial, operational, and compliance controls.

- The Company has adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, disclosable and connected transactions and disclosure of information.

- The Company has adopted various measures regarding conflicts of interest in our operations, enabling us to identify, monitor and review transactions with potential conflicts of interest, and take corresponding actions.

- The Company has provided and will regularly provide anti-corruption and anti-bribery compliance training to our senior management and employees to enhance their knowledge of and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks.

- The Company has engaged Red Solar Capital Limited as its compliance adviser to provide advice to its Directors and management team until the end of the first full financial year after the Listing regarding matters relating to the Listing Rules. The Company's compliance adviser is expected to ensure that the use of proceeds complies with the disclosure in the Prospectus, as well as to provide support and advice regarding the requirements of relevant regulatory authorities in a timely fashion.

- The Company will also consult its legal advisor(s) on a regular basis for advice on relevant laws and regulations to increase compliance awareness and to keep the Company abreast of relevant regulatory developments.

Procedures and Internal Controls for Handling and Releasing Inside Information

The Group is aware of its obligation under relevant sections of the SFO and the Listing Rules. Pursuant to the requirements of applicable laws and regulations, the Listing Rules, the Articles of Association, as well as the practical conditions of our Company, and with approval from the Board, our Company has implemented procedures and internal controls for the handling and dissemination of inside information, which include:

- established its own procedures to preserve the confidentiality of the Group's price-sensitive and/or inside information;
- communicating such procedures to relevant personnel, including all Directors, senior management and employees who are likely to have access to price-sensitive and/or inside information, and regularly remind them of compliance with such procedures;
- maintain strict confidentiality of inside information prior to public disclosure. If the Board believes the necessary degree of confidentiality cannot be maintained or may have been breached, the Company must immediately disclose the Inside Information to the public;
- the Company must, as soon as reasonably practicable after any inside information comes to its knowledge or if a false market may be established, disclose the Inside Information to the public, unless the information falls within any of the safe harbours provided in the SFO;
- inside information will be announced promptly through the websites of the Stock Exchange and the Company.

During the period from the Listing Date to the Latest Practicable Date, our Company has strictly complied with the requirements of applicable laws and regulations, the Listing Rules, the Articles of Association and the policy on information disclosure management of our Company without any false statements, misleading statements or material omissions, to ensure investors will be able to receive the disclosed information fairly, timely and effectively.

Anti-corruption and Whistleblowing Policy

In compliance with code provision D.2.6 of the CG Code, the Board adopted a formal whistleblowing policy, which provides clear channels and guidance for employees of the Group and relevant third parties (such as customers, suppliers, creditors, and debtors) to raise concerns about possible improprieties, in confidence and without fear of reprisals.

The Group strictly adheres to laws and regulations relating to anti-corruption, such as the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong). A zero-tolerance approach is maintained towards any form of corruption, bribery, extortion, fraud, and money laundering, irrespective of the area or country of operation. All employees are expected to discharge their duties with integrity and self-discipline, abstaining from any activities that may exploit their positions against the Group's interests. Furthermore, when cooperating with external parties, the Group implements proper internal controls, including tendering processes, to prevent potential corruption threats.

The Audit Committee regularly reviews the Company's anti-corruption and whistleblowing policies, ensuring that proper arrangements are in place for the fair and independent investigation of reported matters and for appropriate follow-up action.

During the Reporting Period, no legal cases regarding corrupt practices were brought against the Group or its employees. There were no suspected enquiries or reported cases involving fraud against the Group. The Group was also not aware of any material non-compliance with the relevant laws and regulations concerning bribery, extortion, fraud, and money laundering. To reinforce understanding, training materials covering the Group's standards on business ethics were distributed to the Board and employees during the year.

The Group remains committed to continuously reviewing and improving its internal controls and corporate governance practices to maintain high standards of ethics and integrity in all business operations.

Effectiveness of Risk Management and Internal Control

For the year ended 31 December 2024 and up to the Latest Practicable Date, the Board reviewed the effectiveness of the Group's risk management and internal control systems. Following discussions with management and evaluation by the Audit Committee, the Board concluded that these systems were effective and adequate, achieving their objectives without any known material defects during the period.

Dividend Policy

The Board may, from time to time, propose the payment of dividends, if conditions warrant, for the Company's shares listed on the Stock Exchange, pursuant to the following Dividend Policy.

The determination of whether to propose or declare dividends, and the amount of any such dividends, rests entirely at the absolute discretion of the Board. In exercising this discretion, the Board will consider various factors, including but not limited to the Company's actual and expected results of operations, its cash flow and financial position, general business conditions and strategies, expected working capital requirements and future expansion plans, any legal, regulatory, and contractual restrictions, and any other factors the Board deems appropriate.

Subject to applicable laws and regulations and the Company's Articles of Association, any dividends proposed or declared by the Board may take the form of interim dividends, final dividends, special dividends, or any other distribution of net profits the Board deems appropriate.

Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

Auditor's Remuneration

The remuneration paid and payable to KPMG, the external auditor of the Company, in respect of audit services and non-audit services (mainly listing services) for the year ended 31 December 2024, amounted to approximately RMB1.6 million and RMB1.6 million, respectively.

Joint Company Secretaries

Ms. Xu Chunling (徐春玲) has served as the secretary to the Board since May 2024. She is responsible for the overall information disclosure and investor relations of the Company. Please refer to the subsection titled "Joint Company Secretaries – Ms. Xu Chunling" within the "Biographies of Directors, Supervisors and Senior Management" section of this annual report for her biography.

To uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engaged Mr. Hui Hung Kwan (許鴻群) to assist Ms. Xu Chunling. Mr. Hui is 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. Mr. Hui is primarily responsible for performing company secretarial matters. Ms. Xu has also been designated as the primary contact person at the Company to work and communicate with Mr. Hui regarding the Company's corporate governance, secretarial, and administrative matters.

Ms. Xu Chunling and Mr. Hui Hung Kwan have confirmed that they each received at least 15 hours of relevant professional training during the year ended 31 December 2024, thereby complying with Rule 3.29 of the Listing Rules.

Shareholders Communication and Investor Relations

The Company considers effective communication with Shareholders essential for enhancing investor relations and fostering a comprehensive understanding of the Company's business, performance, and strategies. We are committed to the timely and non-selective disclosure of information to enable Shareholders and potential investors to make informed decisions. To support this, the Company adheres to a Shareholders' Communication Policy designed to establish a constructive two-way communication.

Various communication channels are in place to keep Shareholders informed. These include the regular publication of interim and annual reports, announcements, and circulars. The annual general meetings, and other general meetings as required, also serve as important forums for direct interaction between Shareholders and the Board of Directors. The Chairman of the Company, along with the chairmen of the Board Committees, will attend the annual general meetings to address Shareholder inquiries. Furthermore, the Company ensures its external auditors are present at the annual general meetings. Meanwhile, up-to-date information regarding the Company's operations, financial results, corporate governance practices, and other relevant developments is maintained on the Company's website, which serves as a key information hub. The effectiveness of these communication channels is regularly reviewed by the Board and management. They confirmed the channels were effective throughout the period from the Listing Date up to the Latest Practicable Date.

Shareholders' Rights

The Company is committed to safeguarding Shareholders' interests and rights. To ensure transparency and focused decision-making at general meetings, a separate resolution is proposed for each separate issue. In accordance with Listing Rules, all resolutions put to the vote of a meeting shall be decided by way of a poll, and the poll results are published on the websites of the Company and the Stock Exchange promptly after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Pursuant to article 53 of the Articles of Association, Shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to request the Board in writing to convene an extraordinary shareholders' meeting. The Board shall, in accordance with the laws, administrative regulations, the securities listing rules of the place where the shares of the Company are listed, and these Articles of Association, give a written reply on whether to convene the extraordinary shareholders' meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary shareholders' meeting, a notice of such meeting shall be issued within five days after the Board passes the resolution to do so. 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 shareholders' 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 in writing to convene an extraordinary shareholders' meeting. The Board of Supervisors shall, in accordance with the laws, administrative regulations, the securities listing rules of the place where the shares of the Company are listed, and these Articles of Association, give a written reply on whether it agrees to convene the extraordinary shareholders' meeting within 10 days after receipt of the proposal.

Pursuant to Article 58 of the Articles of Association, when the Company convenes a shareholders' meeting, the 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 shareholders' meeting within two days upon receipt of the proposal to announce the contents of the provisional proposal.

Pursuant to Articles 59 and 60 of the Articles of Association, the convener shall notify all shareholders in writing or otherwise 21 days before the annual shareholders' meeting and shall notify all shareholders in writing or otherwise 15 days before the extraordinary shareholders' meeting. The notice of the shareholders' meeting shall include, among other things, the time, venue, and duration of the meeting, and the matters and proposals to be discussed at the meeting.

Enquiries to the Board and Contact Details

For enquiries about shareholdings, share registration and related matters, Shareholders shall direct their enquiries to the H Share Registrar and the contact details are set out as follows:

Computershare Hong Kong Investor Services Limited

Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Telephone: (852) 2862 8555

For any other enquiries to be brought to the attention of the Board, Shareholders shall send their written enquiries to the Company either via mail to the Company's principal office in Hong Kong or the registered office or via email, attention to the joint company secretary. The contact details of the Company are set out as follows:

Registered office in the PRC: Shao Bo Town Industrial Park Logistics Park Jiangdu District, Yangzhou City, Jiangsu Province, PRC

Principal place of business in Hong Kong: 28/F, Henley Building, No. 5 Queen's Road Central, Hong Kong

Email: ir@jshxl.cn

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Change in Constitutional Documents

The Company has adopted the Articles of Association on 12 March 2025, which has been effective since the Listing Date. No changes were made to the Articles of Association since the Listing Date and up to the Latest Practicable Date.

The latest version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

Environmental, Social and Governance Report

1. About this Report

Jiangsu Horizon Chain Supermarket Company Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), is pleased to prepare and publish its first Environmental, Social and Governance ("ESG") report (the "ESG Report") to highlight our efforts in promoting sustainable development. The Group will continue to formulate more advanced ESG strategies to drive sustainability, strengthen relationships with stakeholders, and mitigate risks.

1.1. Scope of the Report

This ESG Report covers the period from 1 January 2024 to 31 December 2024 (the "Year"). The Group operates an omni-channel sales model that integrates online and offline channels, including physical stores and e-commerce platforms, and engages in both wholesale and retail businesses. Its principal places of operation include chain supermarkets, convenience stores and department stores. This ESG Report outlines the Group's environmental and social performance and covers its core business operations in Jiangsu Province of the People's Republic of China (the "PRC").

1.2. Reporting Standards

This ESG Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix C2 to the Main Board Listing Rules published by The Stock Exchange of Hong Kong Limited ("HKEx").

1.3. Reporting Principles

This Report has been prepared based on the principles of "Materiality", "Quantitative", "Balance" and "Consistency".

Materiality

This Report identifies key issues relevant to various stakeholders through a systematic materiality assessment process.

Quantitative

This Report discloses quantitative environmental and social key performance indicators ("KPIs"), with the standards, methodologies, references and conversion factors clearly stated to enable stakeholders to fully understand the ESG performance of the Group.

Balance

The Group has strived to present a fair and transparent account of its sustainability performance across various aspects when preparing this Report.

Consistency

Consistent reporting and calculation methodologies have been adopted wherever possible to allow for year-on-year comparison of ESG performance. KPI intensities are calculated based on RMB million of revenue. Where there are any changes in methodology, such changes will be explained and disclosed in the relevant sections of this Report.

2. Board Governance

2.1. Role of the Board in ESG-Related Issues

The Board is directly and collectively responsible for supervision and oversight of the execution of ESG and climate-related matters and ESG performance. In order to effectively and independently assess ESG-related risks, the Group engaged an independent ESG consultancy during the Year to assist in evaluating ESG-related risks, reviewing the existing strategies, objectives and policies, and conducting a materiality assessment. The chairman of the Board is responsible for reviewing and approving ESG-related policies and conclusions.

The Board is fully informed through various channels of the results of the assessment of ESG-related risks, the results of the review of existing strategies, objectives and policies, and the results of the materiality assessment. Under the supervision of the Board, the Group actively identifies and monitors short-, medium- and long-term environmental, social and climate-related risks and opportunities, and endeavours to integrate these issues into its business, strategic and financial planning. For example, the Group has continued its efforts to reduce energy consumption and minimise greenhouse gas emissions through energy-saving upgrades.

The Board has effectively delegated authority to the management and relevant departments to develop and implement ESG policies. 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 management and relevant departments will also make a report on ESG performance at Board meetings. In addition, the Group assesses its overall ESG-related performance at least once a year through the preparation of ESG reports.

The Group has established an ESG Committee comprising three members appointed by the Board. These three members will be drawn respectively from the logistics, human resources and operations departments. One member from the logistics department shall serve as the chairperson of the Committee. Each member shall serve a three-year term and may be reappointed by the Board upon expiry of such term.

2.2. Role of the Management in ESG-related Issues

The management will continue to monitor emerging market trends in relation to ESG matters that may affect the Company's business operations, and adjust its business operations in a timely manner to ensure the Company's activities remain aligned with the latest international developments in ESG-related issues

The management has established communication channels between the Company and its key stakeholders (e.g. investors, governments, the public, employees, etc.), and conducts regular reviews to ensure effective communication with stakeholders. In addition, the management reviews the progress of the Company in achieving its established ESG targets and indicators, implements policies to enhance ESG performance, and reports ESG performance to the Board.

The management has formulated policies to allocate ESG-related duties and responsibilities to various departments, and set targets such as reducing carbon emissions, enhancing resource conservation and promoting environmental protection. These targets are designed to leverage the professional expertise of each department and to achieve optimal outcomes through various initiatives.

The management will evaluate the effectiveness of ESG-related tasks based on updates from departments. Furthermore, the management communicates such information and progress to the Board through regular Board meetings, investor meetings, monthly meetings, thematic reports and social media platforms.

2.3. Stakeholder Engagement

The Group recognises that gaining an in-depth understanding of stakeholders' opinions and expectations is essential for effective ESG management. Through the establishment of diverse and effective communication channels, the Group actively responds to stakeholders' expectations and concerns regarding environmental, social and governance risks. The Group formulates strategic policies with clear direction to address stakeholders' feedback and respond to emerging challenges.

Stakeholders	Expectations and Demands	Communication and Response Methods
Government and Regulatory Authorities	• Compliance with national policies and laws • Promotion of local economic development • Contribution to local employment • Timely and full tax payment	• Regular information reporting • Regular communication with regulatory authorities • Thematic reports • Inspections and supervision
Shareholders	• Returns • Compliance operations • Enhancement of corporate value • Transparent information and efficient communication	• General meetings • Company announcements and circulars • Email, telephone communication and corporate website • Thematic reports • On-site visits
Business partners	• Operation with integrity • Fair competition • Fulfilment of contractual obligations • Mutual benefits and win-win cooperation	• Review and evaluation meeting • Business communication • Seminars and discussions • Engagement and cooperation
Customers	• Quality products and services • Health and safety • Fulfilment of contractual obligations • Operation with integrity	• Customer service centres and hotlines • Customer satisfaction surveys • Customer communication meetings • Social media platforms

Stakeholders	Expectations and Demands	Communication and Response Methods
Environmental Regulatory Authorities	• Emission compliance • Energy conservation and emission reduction • Ecological conservation • Rational water usage	• Communication with local environmental authorities • Communication with local communities • Submission of reports • Research and inspections
Industry	• Formulation of industry standards • Enhancement of industrial development	• Communication with local labour departments • Participation in industry forums
Employees	• Protection of rights and interests • Occupational health and safety • Remuneration and Benefits • Career development • Humanity cares	• Employee communication meetings • Internal publications and intranet • Employee mailbox • Training and workshop • Employee activities
Community and the public	• Improvement of community environment • Participation in public welfare initiatives • Transparency in information disclosure	• Corporate website • Company announcements • Media interviews

2.4. Materiality Assessment

The Group has identified material environmental, social and climate-related issues that are highly relevant to its business through multiple channels, including the judgement of the Group's management and materiality map analyses provided by reputable external institutions, which includes the ESG Industry Materiality Map provided by Morgan Stanley Capital International ("MSCI") and Sustainability Accounting Standards Board ("SASB"). These environmental, social and climate-related issues may present various risks and opportunities to the Group and may affect the Group in different ways.

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 MSCI and SASB and comparative industry analysis, the Group identified a series of sustainability issues relevant to our environment and social impact and performance.

- ***Step 2. Ranking of material issues***

  The Group prepared questionnaires to conduct the stakeholder survey, and ranked the material issues based on the survey results.

- ***Step 3. Verification and establishment of materiality matrix***

  The Group collected and analysed the survey results and assigned priority levels to the identified issues based on their potential impact. This approach enabled the Group to identify six ESG-related material issues of concern to both stakeholders and the business. The results were reviewed and confirmed by our management and external experts.

Environmental, Social and Governance Report

The potential material ESG issues that have been identified as having possible impact on the Group's business or the interests of its stakeholders are set out below:

Environmental	Employment and Labour Practices	Operational Practices	Community Investment
1. Environmental Compliance	16. Labour Management	24. Operational Compliance	35. Charitable Activities
2. Air Emissions Management	17. Employment Compliance	25. Supply Chain Management	36. Community Development Promotion
3. Vehicle Emissions Management	18. Remuneration and Benefits	26. Procurement Practices	37. Poverty Alleviation
4. Wastewater Management	19. Working Hours and Leave	27. Quality Management	
5. Greenhouse Gas Emissions	20. Diversity and Equal Opportunities	28. Customer Health and Safety	
6. Waste Management	21. Occupational Health and Safety	29. Responsible Marketing and Promotion	
7. Energy Management	22. Training and Development	30. Customer Service Management	
8. Water Resource Usage	23. Prevention of Child Labour and Forced Labour	31. Intellectual Property Protection	
9. Green Office		32. Research and Development	
10. Green Energy Projects		33. Privacy and Data Security	
11. Use of Raw Materials and Packaging Materials		34. Anti-corruption	
12. Soil Pollution Management			
13. Ecological Conservation			
14. Response to Climate Change			
15. Prevention and Response to Environmental Incidents			

These environmental, social and climate-related issues may present various risks and opportunities to the Group and may affect the Group in different ways. The Group has identified six ESG-related material issues that have a significant impact on its business operations and stakeholders, as set out below:

Aspect	Material Issue	Corresponding Section
Environmental	Energy Management	4.2. Energy Management
Environmental	Waste Management	4.3. Waste Management
Employment and Labour Practices	Labour Management	5.1. Labour Management
Operational Practices	Operational Compliance	6. Operational Compliance
Operational Practices	Privacy and Data Security	6.2. Privacy and Data Security
Operational Practices	Supply Chain Management	6.3. Supply Chain Management

3. Environmental Matters

The Group's wholesale operations, retail operations, and supply and sales of meals involve the use of vehicles for goods delivery, store operation (including supermarkets, convenience stores and malls), the handling of product packaging materials, and the preparation of meals. These processes contribute to energy consumption and generate a substantial amount of kitchen waste and packaging waste. If not properly managed, they may pose significant impacts on the environment and natural resources. The Group is fully aware of the importance of the efficient use of resources and is committed to enhancing its operational efficiency to optimise resource allocation and achieve energy conservation and consumption reduction. The Group strictly complies with relevant local environmental laws and regulations, including but not limited to the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on Prevention and Control of Water Pollution", and the"Solid Waste Pollution Prevention and Control Law of the People's Republic of China".

During the Year, the Group was not aware of any material non-compliance relating to environmental issues and has strictly complied with the relevant laws and regulations.

3.1. Emission Control

As the Group's business operations are located in Jiangsu Province, the PRC, it strictly complies with relevant local laws and regulations, including but not limited to the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", and the"Solid Waste Pollution Prevention and Control Law of the People's Republic of China". The Group continues to closely monitor and assess business activities that may potentially impact the environment in order to fulfil its environmental responsibilities and obligations.

The primary source of the Group's air pollutant emissions is the combustion of fuel from the operation of company 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 during the Year.

Air pollutant emissions (kg)	2023	**2024**
Nitrogen Oxides (NO_x)	4,178.33	**3,797.63**
Sulphur Oxides (SO_x)	4.63	**4.40**
Particulate Matter (PM)	325.73	**297.06**

In accordance with "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" ("Appendix II") provided by the HKEx, the Group's greenhouse gas emissions are primarily classified into three scopes: (i) scope 1 includes direct emissions from the combustion of fuels of company 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 Group adopts high energy-efficient lighting, installs independently controlled lighting switches in different illumination zones, and maintains the cleanliness of lighting equipment and lamps to optimise energy efficiency and reduce indirect greenhouse gas emissions resulting from purchased electricity. Meanwhile, the Group encourages employees to use public transport and replaces non-essential overseas business trips with video conferencing to reduce other indirect greenhouse gas emissions. Looking ahead, the Group is considering gradually replacing fuel-powered vehicles with electric vehicles to further lower greenhouse gas emissions. The Group has set a greenhouse gas emission reduction target: using 2023 as the base year, it aims to reduce greenhouse gas emission intensity by 5% by 2028. The following table sets forth the amount of greenhouse gas emissions during the Year:

Greenhouse Gases Emissions	2023	**2024**
Total GHG Emissions (tCO_2e)	12,275	**13,046**
Scope1 – Direct emissions	2,828	**3,333**
Scope2 – Indirect emissions	9,368	**9,634**
Scope3 – Other indirect emissions	79	**79**
Intensity (tCO_2e/RMB million of revenue)	8.27	**8.99**

3.2. Energy Management

The Group's 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. The Group strictly complies with the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), fulfils its energy management responsibilities and implements energy-saving measures to achieve energy conservation and emission reduction targets. The Group has established policies and procedures on resource conservation, including guidelines for electricity usage in offices and retail stores, and optimisation of transportation and delivery routes to reduce vehicle fuel consumption, so as to reduce overall energy consumption and enhance energy management. The Group regularly reviews the energy consumption data and actively seeks for opportunities to optimise energy use and improve energy efficiency. The Group has set an energy-saving target to reduce energy intensity of its own operations by 5% by 2028, with 2023 as the base year. The following table sets forth the relevant energy consumption data during the Year:

Energy Consumption	2023	**2024**
Total Energy Consumption (MWh)	24,215	**24,559**
Direct energy consumption (MWh)	7,391	**7,257**
Indirect energy consumption (MWh)	16,824	**17,302**
Intensity (MWh/RMB million of revenue)	16.32	**16.92**

3.3. Waste Management

The Group strictly complies with the"Solid Waste Pollution Prevention and Control Law of the People's Republic of China" to regulate the management of solid waste and is committed to reducing the generation of waste. The Group categorises waste into non-hazardous waste and hazardous waste. The non-hazardous waste mainly includes daily office waste and product packaging materials. Office waste will be collected and processed in a legal and compliant manner, and waste sorting bins are provided to facilitate the recycling of paper, metal and plastic products. The Group regularly assesses its usage of materials to avoid overstocking. The hazardous waste generated mainly comprises waste light tube, toner cartridge, obsolete computers and lubricant. All hazardous waste is collected and treated by qualified third-party service providers. The Group also cooperates with electronics companies to recycle old computers and other electronic waste, and provides designated bins for collecting discarded batteries to mitigate hazards. As a non-production-oriented enterprise, the Group does not compile separate statistics for packaging materials. Going forward, the Group will enhance its system and include the weight of packaging materials in its statistics. The Group has set our target to reduce the intensity of waste generation by 10% by 2028, with 2023 as the base year. The following table sets forth the waste generation data during the Year:

Waste Generation	2023	**2024**
Hazardous waste generated (tonnes)	0.36	**0.89**
Intensity (kg/RMB million of revenue)	0.24	**0.61**
Non-hazardous waste generated (tonnes)	30.31	**33.73**
Intensity (kg/RMB million of revenue)	20.44	**23.24**

3.4. Water Resource Usage

The water resources consumed by the Group's office premises and physical retail operations primarily originate from municipal water supply, which inevitably results in a small amount of domestic sewage being discharged into the municipal sewage pipe network for treatment. The Group understands the importance of water conservation as water is a precious resource. To this end, the Group has 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. The Group monitors its sewage discharge levels on a periodic basis. During the Year, the Group did not encounter any issues in sourcing applicable water for its daily operations. The following table sets forth the water consumption data during the Year:

Water Consumption	2023	**2024**
Total Water Consumption (m^3)	78,302	**66,239**
Intensity (m^3/RMB million of revenue)	52.79	**45.63**

3.5. Response to Climate Change

The Group recognises that global warming presents a diverse array of risks to its business operations. As part of its proactive approach, the Group diligently identifies and monitors climate-related risks and opportunities that may affect its business, strategy, and financial performance. Under its policies and procedures for responding to climate change, the Group has set its goals to support the national "30•60" carbon peak and neutrality targets through measures including reducing greenhouse gas emissions, ensuring operational stability and safeguarding employee safety.

In terms of 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, and lead to project planning and implementation delays, transportation challenges, disruptions in the supply chain, and negative impacts on the workforce, all of which may ultimately create a cascading effect on our overall business operations. The Group's operating locations are often situated in coastal areas, which may be more vulnerable to extreme weather events. The Group has implemented crisis and emergency management strategies to effectively address climate-related extreme weather events that are becoming increasingly frequent. The Group maintains ongoing property insurance coverage 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, the Group enhances its understanding of the impact of climate-related risks on its business operations. The Group also systematically assesses 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 establishing alternative sources of supply and developing robust contingency plans, the Group is committed to reducing the risk of operational disruption caused by climate-related events and ensuring the continuity of its operations. Additionally, the Group will closely monitor daily observatory predictions and promptly notify its employees and other personnel of any related measures in case of extreme weather.

In terms of 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, the Group may be exposed to litigation risks if it fails 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 operational processes and alterations in the income mix and sources. To effectively manage these transition risks, the Group prioritises the selection of locally sourced products and organic food to minimise carbon emissions during transportation and supply chain. Furthermore, the Group remains committed to closely monitoring national policies and industry regulations as well as consumer preferences. By staying informed of the latest developments in climate-related policies and regulations, the Group can proactively adjust its product strategy to align with evolving market demands and sustainability requirements.

In terms of climate-related opportunities, the Group has observed an increasing demand from customers and a growing regulatory emphasis on the transition to low-carbon products. The Group has increased its investments in sustainable products and brands, including organic food, locally sourced food and other environmentally friendly products to develop and promote low emission products.

4. Social Matters

4.1. Labour Management

Human resources are a vital asset for achieving long-term sustainable development of an enterprise. The Group firmly believes that human resources management is crucial to its business growth. To this end, the Group is committed to promoting fairness and justice in the workplace, providing equal employment opportunities, and implementing diversified measures, including but not limited to recruitment and dismissal, development and training, remuneration and benefits, and occupational health and safety, so as to safeguard employees' rights and interests. The Group places strong emphasis on conducting targeted training based on job requirements and encourages employees to participate in external training, seminars, and sharing sessions to enhance their professional competence.

In terms of employee development, the Group prioritises internal promotion based on employees' skills and performance as a way to motivate and reward diligent contributions. To foster corporate culture and professional development, the Group offers ample career advancement opportunities and clear promotion pathways, recognising and valuing the achievements of outstanding employees. The employment data of the Group for the Year are as follows:

Employment Indicators	2023	**2024**
Total Number of Employees	1,696	**1,554**
By Gender		
Male	227	**207**
Female	1,469	**1,347**
By Employment Type		
Full-time	1,636	**1,503**
Part-time	60	**51**
By Age Group		
Below 30	49	**35**
30–50	1,009	**1,051**
Above 50	638	**468**
By geographical region		
Mainland China	1,696	**1,554**
Hong Kong	0	**0**

Employment Turnover Rate	2023	**2024**
Total	10%	**19%**
By Gender		
Female	11%	**19%**
Male	2%	**16%**
By Age Group		
Below 30	9%	**62%**
30–50	10%	**14%**
Above 50	10%	**23%**
By Geographical Region		
Mainland China	10%	**19%**
Hong Kong	0%	**0%**

4.2. Recruitment and Dismissal

The Group strictly complies with employment-related laws and regulations, including the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Provisions on the Prohibition of Using Child Labour, to safeguard employees' rights, ensure fair and harmonious labour relations, and promote social stability and economic development. The Group is committed to fostering fairness and justice in the workplace, providing equal employment opportunities, and continuously enhancing employee satisfaction.

The Group has established an external recruitment procedure to attract outstanding external talent. The human resources department formulates the Company's annual external recruitment plan based on human resource planning and departmental staffing needs. The plan is subject to approval by the vice president in charge, who also sets out requirements for the quantity and quality of external hires.

The Group has implemented a range of measures to protect employee rights in various aspects, including recruitment, promotion, remuneration, contract termination, equal employment opportunities, diversity, anti-discrimination, working hours and leave, as well as benefits and well-being. The Group is dedicated to ensuring that all employees enjoy equal and unbiased opportunities in recruitment, remuneration, training, and career development. Relevant decisions are made irrespective of age, gender, physical or mental condition, marital status, race, nationality, or any other related factors. Furthermore, upon receiving a resignation application, the relevant department head will conduct an exit interview with the departing employee to understand the reasons for their resignation.

The Group has implemented relevant measures and procedures to strictly prohibit the employment of child labour and forced labour. Before signing a labour contract, the human resources department reviews applicants' identification cards, household registration documents, academic certificates, and other relevant materials to verify their age, identity, academic qualifications, and appearance against the provided documents to prevent the employment of child labour. If any case involving child labour is identified, the Group will immediately terminate the employment relationship. To prevent forced labour, the Group clearly stipulates the workplace, working hours, and job responsibilities in the employment contract. Where employees are required to work overtime due to business needs, the Group will pay overtime wages in accordance with relevant regulations.

4.3. Development and Training

The Group is fully aware that employee progress and development directly influence the Company's future success. As such, the Group is committed to providing employees with comprehensive training and development programmes across multiple areas. The human resources department is responsible for designing suitable annual training programmes for employees, including internal opportunities such as onboarding training and mentorship schemes. Types of employee training include probation-to-regularisation training, promotion training, and specialised position training. In addition, new employees are required to attend training organised by the human resources department before officially commencing their duties, helping them become familiar with the Group's culture, history, current development status, and organisational structure. At the same time, the Group actively promotes external training by encouraging employees to participate in courses and seminars organised by external institutions. By offering diverse training opportunities, the Group places strong emphasis on employee growth and development, thereby contributing to the overall success of the business.

When position vacancies arise, the Group gives priority to internal promotions based on employees' skills and job performance, as a way to encourage and reward outstanding contributions. Through the provision of rich professional development resources and clearly defined career advancement paths, the Group fosters a culture of professionalism and demonstrates its appreciation for employee contributions. The training data of the Group's employees for the Year is as follows:

Average Training Hours per Employee and Percentage of Employees Trained	2023	**2024**
By Gender		
Female	1 (41%)	**1 (23%)**
Male	1 (67%)	**4 (49%)**
By Employee Category		
Senior management	1 (83%)	**6 (77%)**
Technical staff	1 (57%)	**6 (73%)**
Administrative staff	2 (123%)	**7 (85%)**
Production staff	1 (37%)	**1 (20%)**

4.4. Remuneration and Benefits

To continuously enhance performance and retain talent, the Group has established a comprehensive employee appraisal system as an incentive mechanism, and offers competitive remuneration packages based on internal and external salary benchmarks. For general administrative staff, the Group implements a structure of base salary, performance-based salary, and a year-end bonus. For front-line market personnel, a base salary plus commission model is adopted. The Group strictly complies with relevant PRC laws and regulations, including but not limited to the Social Insurance Law of the People's Republic of China, the Labour Law of the People's Republic of China, and the Labour Contract Law of the People's Republic of China.

The Group prioritises employee well-being and is committed to boosting employee motivation by offering diverse benefits such as festival gifts and meal allowances. The Group also ensures that employees are entitled to various types of leave in accordance with the law, including statutory holidays, sick leave, annual leave, marriage leave, maternity leave, paternity leave, and compassionate leave. The Group promotes a corporate culture of work-life balance and fosters a positive and dynamic working environment. Every April, the Group organises staff outings to further enhance employee morale and team cohesion.

4.5. Occupational Health and Safety

The Group places great emphasis on occupational health and safety management and strictly adheres to relevant laws and regulations such as the Work Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases.

The Group has formulated internal policies underscoring the importance of occupational safety and health to ensure that the office and working environments meet or exceed standards set by relevant regulations including the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. For high-risk tasks, the Group has established safe operating procedures and a clear and effective mechanism for reporting hazards, work injuries, and illnesses, and implemented investigation and analysis procedures for all reported workplace hazards. New employees must undergo basic safety training covering company safety regulations and emergency response procedures. In addition, specialised protective training tailored to the potential occupational hazards of each position is provided to enhance employees' self-protection awareness and response capabilities.

The Group has implemented relevant policies and procedures to handle emergencies (e.g., fire or explosion incidents), providing guidance to employees on immediate actions to take in such events to minimise injuries or fatalities. To further improve employees' emergency response capabilities and psychological preparedness, the Group has developed a Firefighting and Emergency Evacuation Drill Plan, under which emergency rescue training and drills are regularly conducted to familiarise employees with evacuation routes and emergency procedures. To reduce the risk of fire, smoking is strictly prohibited in the workplace, and any detected spills or debris are promptly cleaned to prevent slips and falls. Furthermore, to maintain public safety and safeguard company property, the Group has developed an Anti-Terrorism Emergency Response Plan and adopted proactive and effective precautionary measures to minimise casualties and property loss from unforeseen incidents. During the Year, the Group did not record any material non-compliance incidents or accidents related to occupational health and safety. The Group's health and safety data for the Year is as follows:

Workplace Health and Safety	2023	**2024**
Number of work-related fatalities	0	**0**
Number of work-related injuries	11	**6**
Lost working days due to work-related injury	46	**90**

5. Operational Compliance

Given the Group's operations in the retail sector with its complex supply chain system and extensive product range covering customers' daily necessities, regulatory compliance, supply chain compliance, and product quality and safety are critical to the Group. The Group is exposed to risks relating to food safety regulations and environmental compliance throughout its operations. To mitigate such risks, the Group has implemented a stringent food safety management system to ensure product quality and safety. It has also strengthened quality control over product labelling and descriptions and introduced environmental management initiatives covering waste disposal, energy conservation, and chemical management to enhance its industry reputation. Furthermore, to ensure the quality of supermarket merchandise, the Group's procurement department conducts annual reviews of supplier qualifications. The Group also provides training on quality control and compliance management to improve employee awareness in this regard. The Group has established a comprehensive product recall procedure, which sets out the requirements and processes for product returns and exchanges under various circumstances. For customers requesting returns or exchanges, a response is generally provided within the same day. Suppliers are also required to have quality inspection processes and product recall procedures in place. Through these measures, the Group is able to respond promptly and effectively to potential product issues, thereby safeguarding consumer safety and the Company's reputation.

At the same time, the Group strictly complies with, and will continue to comply with, environmental and social regulations in the PRC, to prevent legal violations in business operations, avoid regulatory penalties, and reduce reputational risk arising from adverse media coverage. In addition, a quality management system has been established to manage and track customer feedback and implement responsive measures concerning product quality and safety. All publicly disclosed product sales and marketing information is subject to review to ensure legal compliance and to avoid false or misleading content. The Group also monitors its advertising and product labelling content to guarantee clear and truthful representation. It has formulated specific design standards and guidelines for advertisements and product labels, as well as promotional tag requirements and related notes. Through these measures, the Group effectively mitigates the risk of operational non-compliance. During the Year, the percentage of products recalled due to safety or health reasons, as a proportion of total products sold or delivered, was 0.0043%.

5.1. Anti-Corruption

The Group adheres to the principle of integrity in its operations and strictly complies with relevant national anti-corruption and anti-money laundering laws and regulations, such as the Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, and the Anti-Money Laundering Law of the People's Republic of China. To strengthen these principles, the Group has established anti-corruption and anti-money laundering policies, as well as implemented a confidential whistleblowing system for reporting suspected or potential violations. The Group has set up multiple reporting channels, including a hotline, email, and a physical mailbox, encouraging employees and stakeholders to report any internal misconduct, violations, fraud, or actions that harm the Group's interests and reputation in an orderly manner. In addition, the Group provides anti-corruption and anti-money laundering training to new employees and promotes internal anti-corruption and anti-money laundering policies and relevant legal requirements to enhance integrity awareness. During the Year, the Group had no legal cases involving corruption.

5.2. Privacy and Data Security

Given that the Group's business involves handling brand and customer information, it places a high priority on data security and customer privacy protection. The Group strictly complies with relevant regulations, including the Cybersecurity Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China, Data Security Law of the People's Republic of China, GB/T 22239-2018 Information Security Technology – Baseline for Classified Protection of Cybersecurity , GB/T 35273-2020 Information Security Technology – Personal Information Security Specification, and the Regulations on the Management of Network Data Security.

The Group collects and uses customer information in a responsible and non-discriminatory manner, strictly limiting its use to the purposes outlined in contractual agreements. The Group regularly conducts data and privacy security training for employees to raise awareness of data and privacy protection. Employees are granted access to customer information only when necessary, and the Group continuously implements privacy risk monitoring and testing. Furthermore, the Group enhances the security measures for its company databases to effectively safeguard customer information.

During the Year, the Group did not incur any penalties from regulatory authorities for violations of information security or privacy protection laws. The Group remains committed to compliance with relevant laws and regulations, continuously improving its information security and privacy protection management system through measures such as establishing data classification and grading systems, implementing cybersecurity protections, and conducting compliance training for employees, thereby ensuring the security of customer data and personal privacy rights.

5.3. Supply Chain Management

Efficient supply chain management serves as the cornerstone of successful retail operations of goods. In its supplier selection process, the Group places particular emphasis on suppliers' compliance performance in environmental and social risk management, while taking account for commercial factors such as product quality, delivery efficiency, and production capacity. The Group prioritises partnerships with suppliers holding internationally recognised standard certifications including ISO 50001 (Energy Management System Certification) and ISO 14001 (Environmental Management System Certification), thereby fulfilling its sustainability commitments. The procurement department has implemented a multi-dimensional evaluation mechanism, encompassing supplier profiling, performance assessments, questionnaire surveys, and on-site inspections, with a specific focus on suppliers' performance fulfilment in environmental protection, labour rights safeguards, and business ethics (including anti-bribery and anti-corruption). Only suppliers passing rigorous vetting are included in the list of qualified suppliers. The Group attaches particular importance to establishing long-term strategic partnerships with high-quality suppliers that actively fulfil their social responsibilities, strictly adhere to business ethics, and maintain compliant operations, collectively building a responsible supply chain ecosystem.

In the supplier selection process, the Group is committed to minimising the potential environmental impact of its supply chain. The Group prioritises local suppliers in closer geographical proximity and with greater accessibility to reduce its carbon footprint. Furthermore, the Group favours the procurement of eco-friendly products, such as refillable ballpoint pens and recycled paper, as well as products with high recyclability. The Group also consults relevant market regulators to avoid excessive packaging.

In order to maintain the quality of the suppliers, the Group conducts annual supplier evaluations. Specific employees will be assigned to conduct site visits to suppliers during the evaluation process. Suppliers that do not meet the standards for cooperation will be eliminated from the list of qualified suppliers. Training will be provided to the employees who are responsible for supply chain evaluation to ensure they have adequate professional knowledge to accurately audit the suppliers. The Group's supply chain management objectives are to establish a sustainable, transparent, and ethically compliant supply chain system, ensuring product quality and safety, safeguarding labour rights, enhancing supply chain efficiency, and fostering strong collaborative relationships with suppliers. In 2023 and 2024, the Group had 941 and 1,088 suppliers, respectively. The table below sets out the number of suppliers for the Year:

Number of Suppliers	2023	**2024**
Total Number of Suppliers	941	**1,088**
Eastern China	894	**1,045**
Southern China	23	**20**
Southwest China	2	**2**
Central China	12	**11**
Northwest China	0	**3**
Northern China	6	**5**
Northeast China	4	**2**

5.4. Complaint Handling Process

The Group has established a comprehensive complaint handling system with three complaint channels for customer feedback: on-site complaints, hotline complaints, and WeCom complaints. All customer complaints received are duly recorded and promptly escalated to relevant departments for timely resolution. Management conducts periodic reviews of the complaint handling procedures to confirm their effectiveness in addressing customer complaints. Based on analysis, improvement plans are formulated, and corresponding improvement measures are implemented, with regular follow-ups to ensure the effectiveness and execution of improvement measures. During the Year, the Group received a total of 77 complaints, all of which were properly resolved in compliance with the Customer Complaint Handling Procedure.

5.5. Intellectual Property Protection

The Group fully acknowledges the importance of intellectual property protection and preservation. In demonstrating respect for others and safeguarding intellectual property, the Group strictly complies with relevant laws and regulations, including but not limited to the Patent Law of the PRC (《中華人民共和國專利法》), the Trademark Law of the PRC (《中華人民共和國商標法》), and the Copyright Law of the PRC (《中華人民共和國著作權法》). In addition to complying with relevant laws and regulations, the Group has implemented comprehensive measures to safeguard intellectual property rights by establishing internal policies and procedures to protect its intellectual property assets, including regular audits to identify and address potential infringement risks, as well as providing employee education on the importance of respecting intellectual property rights. Additionally, the Group actively conducts monitoring activities to detect and prevent any unauthorised use or reproduction of its intellectual property. Through cultivating a compliance-oriented culture and maintaining heightened vigilance, the Group demonstrates its steadfast commitment to preserving the integrity of intellectual property in its operations.

6. Community Contribution

The Group is committed to making a positive impact on communities through various charitable initiatives, including supporting orphanages, sponsoring educational programmes, assisting persons with disabilities, and conducting elderly care activities. These efforts not only benefit disadvantaged groups but also foster social cohesion and mutual care within communities. During the Year, the Group contributed a total of RMB73,000 to these public welfare initiatives, demonstrating its unwavering commitment to building a more inclusive and harmonious society.

Appendix I: HKEx ESG Reporting Code Index

ESG Indicator	Description	Section/Remark
A. Environmental		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3. ENVIRONMENTAL MATTERS 3.1. Emission Control 3.3. Waste Management
KPI A1.1	The types of emissions and respective emissions data.	3.1. Emission Control
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1. Emission Control
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3. Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.3. Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	3.1. Emission Control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.3. Waste Management
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3. ENVIRONMENTAL MATTERS 3.2. Energy Management 3.3 Waste Management 3.4. Water Resource Usage

ESG Indicator	Description	Section/Remark
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	3.2. Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.4. Water Resource Usage
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.2. Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	3.4. Water Resource Usage
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.3. Waste Management
General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	3. ENVIRONMENTAL MATTERS
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. ENVIRONMENTAL MATTERS
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.5. Response to Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.5. Response to Climate Change

ESG Indicator	Description	Section/Remark
B. Social		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. SOCIAL MATTERS 4.1. Labour Management 4.2. Recruitment and Dismissal 4.3. Development and Training 4.4. Remuneration and Benefits
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	4.1. Labour Management
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	4.1. Labour Management
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.5. Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.5. Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	4.5. Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.5. Occupational Health and Safety

ESG Indicator	Description	Section/Remark
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3. Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3. Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	4.3. Development and Training
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.2. Recruitment and Dismissal
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.2. Recruitment and Dismissal
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.2. Recruitment and Dismissal
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.3. Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	5.3. Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.3. Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.3. Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.3. Supply Chain Management

ESG Indicator	Description	Section/Remark
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5. OPERATIONAL COMPLIANCE 5.2. Privacy and Data Security 5.4. Complaint Handling Process 5.5. Intellectual Property Protection
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5. OPERATIONAL COMPLIANCE
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	5.4. Complaint Handling Process
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.5. Intellectual Property Protection
KPI B6.4	Description of quality assurance process and recall procedures	5. OPERATIONAL COMPLIANCE
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.2. Privacy and Data Security
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.1. Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.1. Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5.1. Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	5.1. Anti-Corruption

ESG Indicator	Description	Section/Remark
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. COMMUNITY CONTRIBUTION
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. COMMUNITY CONTRIBUTION
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6. COMMUNITY CONTRIBUTION

Independent Auditor's Report

To the shareholders of
Jiangsu Horizon Chain Supermarket Company Limited
(incorporated in People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements 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 ("the Group") set out on pages 125 to 208, which comprise the consolidated statement of financial position as at 31 December 2024, 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 cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accouting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China ("PRC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

* *For identification purpose only*

Key Audit Matter

Key audit matter is the that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue recognition of sales of goods from wholesale and retail operations

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 149 to 152.

The Key Audit Matter	How the Matter was Addressed in Our Audit

The Group is 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 the brand "宏信龍" (Hongxinlong).
 	
The Group recognized sales of goods from wholesale and retail operations of RMB1,285,243,000 for the year ended 31 December 2024.
 	
Revenue from sales of goods is recognised when control over the product is transferred to the customer, which is at the point in time when the product is accepted by the customer.
	Our audit procedures to assess the revenue recognition of sales of goods from wholesale and retail operations included the following:
	
	• obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;
	
	• for the wholesale business,
	
	    • inspecting sales contracts on a sample basis to understand the terms of the sales transactions including the terms of delivery and acceptance to assess if the Group's revenue recognition accounting policy was in accordance with the requirements of the prevailing accounting standards;
	
	    • inspecting sales contracts, customer acceptance records and invoices on a sample basis for sales transactions recorded during the year to assess whether the related revenue was recognized in accordance with the Group's revenue recognition accounting policy;
	
	    • on a sample basis, confirming the amount of sales transactions recorded during the year directly with customers;

Key Audit Matter (Continued)

Revenue recognition of sales of goods from wholesale and retail operations (Continued)

The Key Audit Matter	How the Matter was Addressed in Our Audit

We identified the revenue recognition of sales of goods from wholesale and retail operations as a key audit matter because the amount is significant.	• for the retail business,
	    • analysing revenue by store and by month to identify abnormal fluctuations or transactions, enquiring management of the rationale and inspecting underlying documents, if any;
	    • on a sample basis, inspecting bank receipts for sales transactions recorded during the year to assess whether the related revenue was recognized in accordance with the Group’s revenue recognition accounting policy;
	• for revenue transactions recorded before and after the year end date, inspecting, on a sample basis, sales contracts, customer acceptance records and invoices for the wholesale business or bank receipts for the retail business to determine whether the related revenue had been recognized in the appropriate financial year; and
	• inspecting manual adjustments to revenue which met specific risk-based criteria, enquiring of management about the reasons for such adjustments and comparing details of the adjustments with sales contracts, customer acceptance records, invoices and bank receipts invoices and bank receipts.

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Ting Yuen.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 April 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

(Expressed in Renminbi Yuan)

	Notes	Year ended 31 December **2024** **RMB'000**	 2023 RMB'000
Revenue	4	**1,350,925**	1,401,972
Cost of sales		**(1,061,824)**	(1,100,596)
Gross profit		**289,101**	301,376
Other revenue	5(a)	**7,657**	5,355
Other net gain	5(b)	**1,573**	1,244
Selling and distribution costs		**(160,390)**	(162,119)
Administrative and other operating expenses		**(54,425)**	(52,614)
Impairment loss on trade and other receivables	26(a)	**942**	(3,214)
Profit from operations		**84,458**	90,028
Finance income	6(a)	**1,917**	1,573
Finance costs	6(a)	**(24,030)**	(21,543)
Net finance costs		**(22,113)**	(19,970)
Profit before taxation		**62,345**	70,058
Income tax	7	**(18,370)**	(18,456)
Profit for the year		**43,975**	51,602
Attributable to:			
Equity shareholders of the Company		**42,722**	50,088
Non-controlling interests		**1,253**	1,514
Profit for the year		**43,975**	51,602
Earnings per share			
Basic and diluted (RMB)	10	**0.27**	0.31

The notes on pages 133 to 208 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

(Expressed in Renminbi Yuan)

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit for the year	**43,975**	51,602
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)	**4,792**	(6,721)
Related tax	**(1,198)**	1,680
Other comprehensive income for the year	**3,594**	(5,041)
Total comprehensive income for the year	**47,569**	46,561
Attributable to:		
Equity shareholders of the Company	**46,161**	45,265
Non-controlling interests	**1,408**	1,296
Total comprehensive income for the year	**47,569**	46,561

The notes on pages 133 to 208 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2024

(Expressed in Renminbi Yuan)

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	11	**360,127**	344,227
Financial assets at FVOCI	13	**31,710**	28,454
Deferred tax assets	24(b)	**7,271**	5,091
		399,108	377,772
Current assets			
Inventories	14	**330,062**	266,267
Trade and bills receivables	15	**190,007**	213,779
Prepayments, deposits and other receivables	16	**318,053**	313,092
Restricted deposits	17	**1,600**	–
Cash and cash equivalents	18(a)	**216,858**	236,226
		1,056,580	1,029,364
Current liabilities			
Bank loans and other borrowings	19	**409,688**	462,799
Lease liabilities	20	**24,720**	23,561
Trade payables	21	**110,285**	160,721
Other payables and accruals	22	**88,524**	45,755
Contract liabilities	23	**120,913**	112,120
Taxation payable	24(a)	**20,425**	15,027
		774,555	819,983
Net current assets		**282,025**	209,381
Total assets less current liabilities		**681,133**	587,153

Consolidated Statement of Financial Position

As at 31 December 2024

(Expressed in Renminbi Yuan)

		As at 31 December	
	Notes	**2024**	2023
		RMB'000	RMB'000
Non-current liabilities			
Bank loans and other borrowings	19	**58,829**	12,552
Lease liabilities	20	**75,901**	76,533
Deferred tax liabilities	24(b)	**5,493**	4,727
		140,223	93,812
Net assets		**540,910**	493,341
Capital and reserves			
Share capital	25	**160,685**	160,685
Reserves	25	**363,104**	316,943
Total equity attributable to equity shareholders of the Company		**523,789**	477,628
Non-controlling interests		**17,121**	15,713
Total equity		**540,910**	493,341

Approved and authorized for issue by the board of directors on 30 April 2025.

	)	
Gao Feng	)	
	)	*Directors*
Yuan Yuan	)	
	)	

The notes on pages 133 to 208 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 (Note 25(c))	Capital reserve RMB'000 (Note 25(d)(i))	PRC statutory reserve RMB'000 (Note 25(d)(ii))	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 2024:								
Profit for the year	–	–	–	–	42,722	42,722	1,253	43,975
Other comprehensive income	–	–	–	3,439	–	3,439	155	3,594
Total comprehensive income for the year	–	–	–	3,439	42,722	46,161	1,408	47,569
Appropriation of reserve	–	–	3,487	–	(3,487)	–	–	–
Balance at 31 December 2024	**160,685**	**147,996**	**28,891**	**20,072**	**166,145**	**523,789**	**17,121**	**540,910**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

(Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000 (Note 25(c))	Capital reserve RMB'000 (Note 25(d)(i))	PRC statutory reserve RMB'000 (Note 25(d)(ii))	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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

The notes on pages 133 to 208 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2024

(Expressed in Renminbi Yuan)

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from operations	18(b)	**155,355**	88,622
Income tax paid	24(a)	**(15,270)**	(19,403)
Net cash generated from operating activities		**140,085**	69,219
Investing activities			
Payment for the acquisition of property, plant and equipment		**(68,761)**	(40,731)
Proceeds from disposal of property, plant and equipment		**535**	4,115
Payment for purchases of structured deposits and wealth management products		**(507,000)**	(205,000)
Proceeds from disposal of structured deposits and wealth management products		**507,242**	205,260
Proceeds from disposal of financial assets at FVOCI		**1,536**	–
Dividends received		**293**	247
Interest received		**1,917**	1,573
Net cash used in investing activities		**(64,238)**	(34,536)
Financing activities			
Capital element of lease rental paid	18(c)	**(18,536)**	(25,706)
Interest element of lease rental paid	18(c)	**(4,281)**	(4,485)
Proceeds from bank loans and other borrowings	18(c)	**530,416**	595,617
Repayment of bank loans and other borrowings	18(c)	**(583,567)**	(513,042)
Interest paid	18(c)	**(19,832)**	(16,655)
Net cash (used in)/generated from financing activities		**(95,800)**	35,729

Consolidated Cash Flow Statement

For the year ended 31 December 2024

(Expressed in Renminbi Yuan)

	Notes	Year ended 31 December **2024** **RMB'000**	 2023 RMB'000
Net (decrease)/increase in cash and cash equivalents		**(19,953)**	70,412
Cash and cash equivalents at the beginning of the year		**236,226**	165,487
Effect of foreign exchange rate changes		**585**	327
Cash and cash equivalents at the end of the year		**216,858**	236,226

The notes on pages 133 to 208 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan)

1 General Information

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's shares were listed on the Main Board of the Stock Exchange of Hong Kong (the "Listing") on 31 March 2025. The Company and its subsidiaries (together, "the Group") are principally engaged in wholesale of grains and oil with retail operations of supermarket and convenience stores on the central region of Jiangsu Province under the brand "宏信龍" (Hongxinlong).

2 Material Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and the requirements of the Hong Kong Companies Ordinance. These financial statements 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 policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements of the Group for the year ended 31 December 2024 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements 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.

2 Material Accounting Policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements 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 recognized 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 financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The IASB has issued the following new and amended IFRS Accounting Standards that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current ("2020 amendments") and amendments to IAS 1, Presentation of financial statements – Non-current liabilities with covenants ("2022 amendments")*
- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

Apart from the impact of the adoption of the amended IFRS Accounting Standards discussed below, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Material Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

Disclosures – Supplier finance arrangements

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The Group has provided the new disclosures in note 19.

(d) 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 consolidated financial statements 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.

2 Material Accounting Policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) 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 consolidated financial statements 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(i)(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(i)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

2 Material Accounting Policies (Continued)

(f) 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 26(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(s)(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.

2 Material Accounting Policies (Continued)

(f) Other investments in securities (Continued)

(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(s)(vii)).

(g) 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(i)):

– 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(h)).

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.

2 Material Accounting Policies (Continued)

(g) Property, plant and equipment (Continued)

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(i)(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.

(h) 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.

2 Material Accounting Policies (Continued)

(h) Leased assets (Continued)

(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(g) and 2(i)(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(f)(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.

2 Material Accounting Policies (Continued)

(h) Leased assets (Continued)

(i) As a lessee (Continued)

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(s)(v).

2 Material Accounting Policies (Continued)

(i) 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.

2 Material Accounting Policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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.

2 Material Accounting Policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

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.

2 Material Accounting Policies (Continued)

(i) Credit losses and impairment of assets (Continued)

(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 ("CGU"s).

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.

(j) 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.

2 Material Accounting Policies (Continued)

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)(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(l)).

(l) 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(i)(i)).

(m) 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(i)(i)).

(n) 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.

(o) 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(u).

2 Material Accounting Policies (Continued)

(p) 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.

(q) 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.

2 Material Accounting Policies (Continued)

(q) Income tax (Continued)

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.

2 Material Accounting Policies (Continued)

(r) 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.

(s) 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 and accept 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.

2 Material Accounting Policies (Continued)

(s) Revenue and other income (Continued)

(i) Sale of goods (Continued)

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 stores 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 canteens in 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.

2 Material Accounting Policies (Continued)

(s) Revenue and other income (Continued)

(iii) Commission income from concessionaire sales

The Group grants counter suppliers 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 counter suppliers. 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.

2 Material Accounting Policies (Continued)

(s) Revenue and other income (Continued)

(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(i)(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.

(t) 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.

(u) 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.

2 Material Accounting Policies (Continued)

(v) 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.

2 Material Accounting Policies (Continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, 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 26(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 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 the brand "宏信龍" (Hongxinlong).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of goods		
– retail operations		
• general sales	**505,761**	616,813
• bulk sales	**49,669**	38,883
– wholesale	**729,813**	679,641
Subtotal	**1,285,243**	1,335,337
Commission income		
– concessionaire sales	**29,046**	32,894
– supply of goods	**5,899**	6,860
Subtotal	**34,945**	39,754
Supply and sales of meals	**16,877**	15,315
	1,337,065	1,390,406
Revenue from other sources		
Rental income from operating lease	**13,860**	11,566
	1,350,925	1,401,972

4 Revenue and Segment Reporting (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

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 and one customer with whom transactions has exceed 10% of the Group's revenues for the year ended 31 December 2024 and 2023. Details of concentrations of credit risk arising from the customers are set out in Note 26(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 23, 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

(a) Other revenue

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Service income	**6,323**	3,998
Government grants	**1,041**	1,110
Dividends income	**293**	247
	7,657	5,355

The Group received unconditional government grants of RMB293,000 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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net realised gain on structured deposits and wealth management products	**242**	260
Net foreign exchange gain	**1,767**	10
Net (loss)/gain on disposal of property, plant and equipment	**(505)**	28
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	**69**	136
	1,573	1,244

6 Profit before Taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest income from bank deposits	**(1,917)**	(1,573)
Finance income	**(1,917)**	(1,573)
Interest expenses on bank loans and other borrowings	**19,749**	17,058
Interest expenses on lease liabilities	**4,281**	4,485
Finance costs	**24,030**	21,543
Net finance costs	**22,113**	19,970

(b) Staff costs

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, wages and other benefits	**91,850**	95,561
Contribution to defined retirement plans (Note (i))	**9,204**	9,413
	101,054	104,974

6 Profit before Taxation (Continued)

(b) Staff costs (Continued)

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	
	2024	2023
	RMB'000	RMB'000
Cost of inventories recognised as expenses	**1,049,646**	1,089,334
Depreciation charge		
– owned property, plant and equipment	**42,568**	41,689
– right-of-use assets	**28,316**	28,048
Impairment loss on trade and other receivables	**(942)**	3,214
Listing expense	**7,276**	3,449
Auditors' remuneration		
– audit services	**1,600**	–
– other services (Note)	**1,575**	1,050

Note: Other services include RMB1,575,000 (2023: RMB1,050,000) which is also included in the listing expenses disclosed separately above.

7 Income Tax

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current tax		
– Provision for the year	**20,668**	20,210
Deferred tax		
– Origination and reversal of temporary differences (Note 24(b))	**(2,298)**	(1,754)
	18,370	18,456

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.

7 Income Tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before taxation	**62,345**	70,058
Notional tax on profit before taxation, calculated using the PRC statutory tax rate of 25%	**15,586**	17,515
Effect of different tax rates	**–**	(190)
Tax effect of non-deductible expenses	**1,934**	312
Tax effect of non-taxable income	**(73)**	(62)
Tax effect of tax losses not recognised	**939**	755
Tax effect of temporary differences not recognised	**(16)**	126
Actual tax expense	**18,370**	18,456

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 2024	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Gao Feng	–	185	800	–	985
Yuan Yuan	–	152	350	–	502
Zhang Jiaan	–	139	200	19	358
Yao Jun	–	83	90	9	182
Shen Zhigen	–	77	90	–	167
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	–	74	90	–	164
Xia Zhonglin	–	47	5	–	52
Zhu Aizhen	–	76	4	9	89
Total	–	833	1,629	37	2,499

8 Directors' Emoluments (Continued)

For the year ended 31 December 2023	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total 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

In May 2024, Lam Ka Tak, Zheng Manjun, Zheng Yu and Zhu Bo were appointed as independent non-executive directors which have been effective upon the date of Listing.

During the years ended 31 December 2024 and 2023, 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, three (2023: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2023: two) individuals are as follows:

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Salaries, allowance and benefits in kind	**259**	264
Discretionary bonuses	**530**	550
Retirement scheme contributions	**–**	9
	789	823

The emoluments of the two (2023: two) individuals who are not director and with the highest emoluments are within the following bands:

	Year ended 31 December	
	2024 **Number of individuals**	2023 Number of individuals
HK$		
Nil–1,000,000	**2**	2

During the years ended 31 December 2024 and 2023, no amounts were paid or payable by the Group to the above non-director highest paid individuals 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.

10 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 (2023: RMB50,088,000) respectively, and the weighted average number of 160,685,000 (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.

11 Property, Plant and Equipment

(a) Reconciliation of carrying amount

	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
Cost:									
At 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	2,151	47	634	25	47,684	18,220	–	19,063	87,824
Disposals	–	(16)	(296)	(33)	(541)	–	–	(2,854)	(3,740)
At 31 December 2024	246,011	30,404	59,721	15,799	232,831	18,220	44,650	231,510	879,146
Accumulated depreciation:									
At 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 year	(8,241)	(2,591)	(4,881)	(1,228)	(25,627)	–	(1,127)	(27,189)	(70,884)
Written back on disposals	–	7	226	34	35	–	–	2,398	2,700
At 31 December 2024	(143,500)	(22,911)	(49,244)	(13,700)	(134,625)	–	(16,452)	(135,183)	(515,615)
Accumulated Impairment:									
At 1 January 2023	–	–	–	–	–	–	–	(1,914)	(1,914)
Charge for the year	–	–	–	–	(552)	–	–	(938)	(1,490)
At 31 December 2023 and 31 December 2024	–	–	–	–	(552)	–	–	(2,852)	(3,404)
Net book value:									
At 31 December 2023	108,601	10,046	14,794	3,301	76,103	–	29,325	102,057	344,227
At 31 December 2024	102,511	7,493	10,477	2,099	97,654	18,220	28,198	93,475	360,127

11 Property, Plant and Equipment (Continued)

(a) Reconciliation of carrying amount (Continued)

Notes:

(i) As at 31 December 2024, property certificates of certain properties and leasehold land with an aggregate net book value of RMB72,069,000 (2023: RMB75,556,000), is yet to be obtained.

(ii) As at 31 December 2024 and 2023, certain property, plant and equipment were pledged as security for banking facilities (see Note 19).

(iii) Impairment loss

As at 31 December 2023, 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.

During the year ended 31 December 2024, an impairment loss of nil (2023: RMB1,490,000), 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" in the consolidated statements of profit or loss, respectively. The cash flows are discounted using a discount rate of 11.3% as at 31 December 2023. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

(b) Right-of-use assets

The Group has obtained the right to use certain retail stores and warehouse properties through tenancy agreements during the reporting period. The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		As at 31 December	
	Notes	**2024**	2023
		RMB'000	RMB'000
Land use rights carried at depreciated cost	(i)	**28,198**	29,325
Other properties leased for own use, carried at depreciated cost	(ii)	**93,475**	102,057
		121,673	131,382

11 Property, Plant and Equipment (Continued)

(b) Right-of-use assets (Continued)

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.

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 2024 is RMB2,450,000 (2023: RMB2,523,000).

(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	
	2024	2023
	RMB'000	RMB'000
Land use rights carried at depreciated cost	**1,127**	1,127
Other properties leased for own use, carried at depreciated cost	**27,189**	26,921
Interest on lease liabilities (Note 6(a))	**4,281**	4,485

During the year ended 31 December 2024, additions to right-of-use assets were RMB19,063,000, (2023: RMB19,320,000), 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 18(d) and 20, respectively.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan)

12 Investments in Subsidiaries

As at 31 December 2024, 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 and place of operation	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
Jiangsu Hongxin Trade Co., Ltd. (江蘇宏信商貿股份有限公司) (note)	26 June 1994 The PRC	RMB33,000,000	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) (note)	5 July 2013 The PRC	RMB5,000,000	100%	–	Wholesaling
Yancheng Runbaijia Trading Co., Ltd. (鹽城潤佰佳商貿有限公司) (note)	12 December 2019 The PRC	RMB2,000,000	100%	–	Wholesaling
Yangzhou Hongxin Pharmacy Co., Ltd. (揚州宏信大藥房有限公司) (note)	14 May 2014 The PRC	RMB2,000,000	100%	–	Retailing
Yangzhou Xintongyuan Trading Co., Ltd. (揚州新通源商貿有限公司) (note)	30 January 2007 The PRC	RMB500,000	100%	–	Wholesaling
Yangzhou Muyuan Modern Supply Chain Co., Ltd. (揚州沐源現代供應鏈有限公司) (note)	26 August 2019 The PRC	RMB35,000,000	72%	–	Supply and sales of meals
Jiangsu Hongxin (HK) Co., Ltd. (江蘇宏信(香港)有限公司) (note)	31 March 2011 Hong Kong	HK$1,000,000	–	96%	No business operations

Note: These entities are limited liability companies established in the PRC. The official names of these entities are in Chinese. The English translation of the Company names is for identification purpose only.

12 Investments in Subsidiaries (Continued)

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	
	2024	2023
	RMB'000	RMB'000
NCI percentage	**28%**	28%
Current assets	**41,569**	34,984
Non-current assets	**44,972**	35,625
Current liabilities	**38,103**	35,011
Net assets	**38,426**	35,598
Carrying amount of NCI	**10,759**	9,967
Revenue	**24,236**	21,237
Profit for the year	**3,845**	3,749
Total comprehensive income	**2,827**	3,000
Profit allocated to NCI	**792**	840

13 Financial Assets at Fair Value through Other Comprehensive Income

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Financial assets measured at FVOCI – non-current		
– Unlisted equity securities	**31,710**	27,329
– Equity securities listed in the PRC	**–**	1,125
	31,710	28,454

13 Financial Assets at Fair Value through Other Comprehensive Income (Continued)

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 year ended 31 December 2024, the Group received cash dividends of RMB294,000 (2023: 247,000), 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 26(e).

14 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade merchandise	**330,062**	266,267

(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	
	2024	2023
	RMB'000	RMB'000
Carrying amount of inventories sold	**1,048,684**	1,087,789
Provision for write-down of inventories	**962**	1,545
	1,049,646	1,089,334

All inventories are expected to be recovered within one year.

15 Trade and Bills Receivables

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables		
– third parties	**173,007**	213,779
Bill receivables	**17,000**	–
	190,007	213,779

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 (2023: nil).

15 Trade and Bills Receivables (Continued)

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	
	2024	2023
	RMB'000	RMB'000
Within 3 months	**122,506**	172,055
Over 3 months but within 6 months	**44,062**	30,000
Over 6 months but within 9 months	**3,293**	10,043
Over 9 months but within 12 months	**3,021**	1,601
Over 12 months	**125**	80
	173,007	213,779

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 26(a).

16 Prepayments, Deposits and Other Receivables

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments	**295,909**	283,491
Value added tax recoverable	**488**	344
Other deposits and receivables	**23,824**	31,286
	320,221	315,121
Less: loss allowance	**(2,168)**	(2,029)
	318,053	313,092

All prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

17 Restricted Deposits

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Restricted deposits – pledged for letter of credit	**1,600**	–

18 Cash and Cash Equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash at bank	**215,959**	234,494
Cash in hand	**899**	1,732
	216,858	236,226

As at 31 December 2024, the Group's cash included cash at bank and on hand of RMB216,858,000 (2023: RMB236,226,000) held in the PRC. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

18 Cash and Cash Equivalents (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations

		Year ended 31 December	
	Notes	**2024**	2023
		RMB'000	RMB'000
Profit before taxation		**62,345**	70,058
Adjustments for:			
Depreciation of owned property, plant and equipment	6(c)	**42,568**	41,689
Depreciation of right-of-use assets	6(c)	**28,316**	28,048
Net realised gain on structured deposits and wealth management products	5(b)	**(242)**	(260)
Finance costs	6(a)	**24,030**	21,543
Finance income	6(a)	**(1,917)**	(1,573)
Provision of loss allowance on trade receivables and other receivables	6(c)	**(942)**	3,214
Impairment losses of property, plant and equipment	5(b)	**–**	1,490
Dividends income	5(a)	**(293)**	(247)
Net loss/(gain) on disposal of property, plant and equipment	5(b)	**505**	(28)
Foreign exchange gain		**(899)**	(311)
		153,471	163,623
Operating profit before changes in working capital			
Increase in restricted deposits		**(1,600)**	–
(Increase)/decrease in inventories		**(63,795)**	57,751
Decrease/(increase) in trade and other receivables		**19,753**	(86,041)
Increase/(decrease) in trade and other payables		**38,733**	(28,627)
Increase/(decrease) in contract liabilities		**8,793**	(18,084)
Cash generated from operations		**155,355**	88,622

18 Cash and Cash Equivalents (Continued)

(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 19)	Lease liabilities RMB'000 (Note 20)	Total RMB'000
At 1 January 2024	**475,351**	**100,094**	**575,445**
Changes from financing cash flows:			
Proceeds from new bank loans	**530,416**	**–**	**530,416**
Repayment of bank loans	**(583,567)**	**–**	**(583,567)**
Capital element of lease rentals paid	**–**	**(18,536)**	**(18,536)**
Interest element of lease rentals paid	**–**	**(4,281)**	**(4,281)**
Interest paid	**(19,832)**	**–**	**(19,832)**
Total changes from financing cash flows	**(72,983)**	**(22,817)**	**(95,800)**
Other changes:			
Bank loans arising from supplier finance arrangements (Note19(iii))	**46,400**	**–**	**46,400**
Increase in lease liabilities from entering into new leases during the year	**–**	**19,063**	**19,063**
Interest expenses (Note 6(a))	**19,749**	**4,281**	**24,030**
At 31 December 2024	**468,517**	**100,621**	**569,138**

18 Cash and Cash Equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 (Note 19)	Lease liabilities RMB'000 (Note 20)	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 (Note19(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	475,351	100,094	575,445

18 Cash and Cash Equivalents (Continued)

(d) Total cash flow for leases

Amounts included in the cash flow statement for leases comprise the following:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within financing cash flows	**22,817**	30,191

These amounts relate to the following:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Lease rentals paid	**22,817**	30,191

19 Bank Loans and Other Borrowings

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Short-term bank loans and other borrowings	**409,265**	462,422
Accrued interest	**423**	377
Bank loans and other borrowing – current	**409,688**	462,799
Long-term bank loans and other borrowings	**58,775**	12,511
Accrued interest	**54**	41
Bank loans and other borrowing – non-current	**58,829**	12,552
Total	**468,517**	475,351

19 Bank Loans and Other Borrowings (Continued)

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	
	2024	2023
	RMB'000	RMB'000
Within 1 year or on demand	**409,688**	462,799
After 1 year but within 2 years	**48,787**	11,371
After 2 years but within 5 years	**10,042**	1,181
Total	**468,517**	475,351

At the end of each reporting period, the Group's bank and other borrowings were secured as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Secured bank loans		
– Supplier finance arrangement (Note (iii))	**46,200**	21,540
Other bank loans		
– Secured (Note (i))	**412,317**	415,937
– Unsecured	**10,000**	37,874
	468,517	475,351

19 Bank Loans and Other Borrowings (Continued)

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	
	2024	2023
	RMB'000	RMB'000
Land use rights	**28,199**	29,325
Plants and buildings	**30,347**	33,045
Machinery and equipment, office and other equipment, and motor vehicles	**5,654**	11,880
	64,200	74,250

(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.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Guarantees for granting bank loans	**327,040**	290,533

(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 2024, the carrying amount of financial liabilities under these arrangements amounted to RMB46,200,000 (2023: RMB21,540,000), RMB46,400,000 of which suppliers have received payments from the banks (2023: RMB20,000,000).

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 RMB46,400,000 during the year ended 31 December 2024 are non-cash transactions (2023: RMB20,000,000).

20 Lease Liabilities

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**24,720**	23,561
After 1 year but within 2 years	**22,608**	21,199
After 2 years but within 5 years	**38,892**	40,024
After 5 years	**14,401**	15,310
	75,901	76,533
	100,621	100,094

21 Trade Payables

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables		
– third parties	**110,285**	160,717
– related parties	**–**	4
	110,285	160,721

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

21 Trade Payables (Continued)

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	
	2024	2023
	RMB'000	RMB'000
Within 3 months	**89,894**	116,819
3 to 12 months	**12,856**	30,587
Over 12 months	**7,535**	13,315
	110,285	160,721

22 Other Payables and Accruals

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Payable for staff related costs	**15,878**	16,773
Deposits received	**12,423**	11,746
Other taxes payable	**12,169**	4,145
Others	**48,054**	13,091
	88,524	45,755

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

23 Contract Liabilities

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Advance receipts from customers (Note (i))	**59,058**	47,273
Advance receipts from operating lease	**2,269**	1,742
Prepaid cards (Note (ii))	**58,787**	62,042
Customer loyalty program points liability (Note (iii))	**799**	1,063
	120,913	112,120

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.

(Expressed in Renminbi Yuan)

23 Contract Liabilities (Continued)

Movements in contract liabilities

	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 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 year	59,058	2,269	17,577	799	79,703
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 year	(26,294)	(1,742)	(20,832)	(1,063)	(49,931)
At 31 December 2024	59,058	2,269	58,787	799	120,913

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.

24 Income Tax in the Consolidated Statements of Financial Position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**15,027**	14,220
Provision for income tax	**20,668**	20,210
Tax paid	**(15,270)**	(19,403)
At the end of the year	**20,425**	15,027
Represented by:		
Taxation payable	**20,425**	15,027

24 Income Tax in the Consolidated Statements of Financial Position (Continued)

(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 RMB'000	Inventory provision RMB'000	Impairment on property, plant and equipment RMB'000	Deductible tax losses RMB'000	Fair value change of financial assets RMB'000	Lease liabilities RMB'000	Net effect of right-of-use assets RMB'000	Total RMB'000
Deferred tax arising from:								
At 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	(215)	236	–	–	–	132	2,145	2,298
Recognised in other comprehensive income	–	–	–	–	(884)	–	–	(884)
At 31 December 2024	4,050	2,481	138	–	(6,678)	25,156	(23,369)	1,778

24 Income Tax in the Consolidated Statements of Financial Position (Continued)

(b) (Continued)

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Deferred tax assets	**7,271**	5,091
Deferred tax liabilities	**(5,493)**	(4,727)
	1,778	364

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group did not recognize deferred tax assets of RMB2,117,000 (2023: 1,630,000), in respect of cumulative tax losses RMB8,471,000 (2023: RMB6,522,000) as at 31 December 2024. The Group did not recognize deferred tax assets of RMB420,000 (2023: RMB416,000), in respect of cumulative time differences RMB1,680,000 (2023: RMB1,663,000) as at 31 December 2024. It was not probable that future taxable profits against which the losses and time differences can be utilized will be available in the relevant tax jurisdiction and entities.

25 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:

	Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 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 year:					
Total comprehensive income for the year	–	–	–	30,622	30,622
Appropriation of reserve	–	–	3,063	(3,063)	–
Balance at 31 December 2024	160,685	170,505	11,192	100,671	443,053

(b) Dividends

The directors of the Company did not propose the payment of any dividend as at 31 December 2024 (2023: Nil).

25 Capital, Reserves and Dividends (Continued)

(c) Share capital

	No. of shares	RMB'000
Ordinary shares, issued and fully paid:		
At 31 December 2024 and 31 December 2023	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.

25 Capital, Reserves and Dividends (Continued)

(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.

25 Capital, Reserves and Dividends (Continued)

(e) Capital management (Continued)

The Group's adjusted net debt to capital ratio are as follows:

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
Current liabilities:			
– Bank loans and other borrowings	19	**409,688**	462,799
– Lease liabilities	20	**24,720**	23,561
Non-current liabilities:			
– Bank loans and other borrowings	19	**58,829**	12,552
– Lease liabilities	20	**75,901**	76,533
Total debt		**569,138**	575,445
Less: Cash and cash equivalents	18(a)	**(216,858)**	(236,226)
Restricted deposits	17	**(1,600)**	–
Adjusted net debt		**350,680**	339,219
Total equity		**540,910**	493,341
Adjusted capital		**540,910**	493,341
Adjusted net debt-to-capital ratio		**65%**	69%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 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 2024, 22% of the total trade receivables were due from the Group's largest customer during the year (2023: 21%) and 49% of the total trade receivables were due from the Group's five largest customers during the year (2023: 60%).

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.

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

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

	As at 31 December 2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.49%	124,365	1,859
Less than 3 month past due	5.91%	46,830	2,768
More than 3 months but less than 6 months past due	28.38%	4,598	1,305
More than 6 months but less than 9 months past due	59.66%	7,489	4,468
More than 9 months but less than 12 months past due	86.98%	960	835
More than 12 months past due	100.00%	3,191	3,191
		187,433	14,426

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

	As at 31 December 2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance 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

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.

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(a) Credit risk (Continued)

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 2024, the loss allowance of other receivables were RMB2,168,000 as at 31 December 2024 (2023: RMB2,029,000).

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	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**17,536**	14,322
Loss allowance recognised during the year	**(942)**	3,214
At the end of the year	**16,594**	17,536

(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.

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(b) Liquidity risk (Continued)

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 2024					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December 2024 RMB'000**
Bank loans and other borrowings	**420,088**	**51,331**	**10,130**	**–**	**481,549**	**468,517**
Lease liabilities	**27,965**	**24,902**	**41,855**	**14,829**	**109,551**	**100,621**
Trade and bills payables	**110,285**	**–**	**–**	**–**	**110,285**	**110,285**
Other payables and accruals	**88,524**	**–**	**–**	**–**	**88,524**	**88,524**
	646,862	**76,233**	**51,985**	**14,829**	**789,909**	**767,947**

	As at 31 December 2023					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December 2023 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

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(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			
	2024		2023	
	Effective Interest rate %	**RMB'000**	Effective Interest rate %	RMB'000
Net fixed rate instruments:				
Bank loans and other borrowings	**3.2%–8.3%**	**369,517**	3.5%–8.0%	263,751
Lease Liabilities	**4.0%**	**100,621**	4.0%	100,094
Less: Restricted cash	**1.0%**	**(1,600)**	–	–
Cash and cash equivalents	**0.1%–4.4%**	**(216,858)**	0.15%–2.1%	(236,226)
Total		**251,680**		127,619
Net variable rate instruments:				
Bank loans and other borrowings	**1 Year LPR +0.05%– 1 Year LPR +0.6%**	**99,000**	1 Year LPR– 1 Year LPR +0.7%	211,600

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(c) Interest rate risk (Continued)

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 consolidated financial statements Information. For the variable rate instruments, 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 RMB74,000 as at 31 December 2024 (2023: RMB1,590,000).

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.

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(d) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's exposure as at 31 December 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	
	2024	2023
	USD	USD
	RMB'000	RMB'000
Trade and other receivables	**101**	4,355
Cash and cash equivalents	**43,716**	48,217
Trade and other payables	**(3,755)**	(21,359)
Overall net exposure	**40,062**	31,213

	Exposure to foreign currency (expressed in Renminbi) Year ended 31 December	
	2024	2023
	AUD	AUD
	RMB'000	RMB'000
Cash and cash equivalents	**118**	2,575
Overall net exposure	**118**	2,575

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(d) Currency risk (Continued)

(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 at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not RMB. The analysis is performed on the same basis for 2023.

	Year ended 31 December					
	2024			2023		
	Increase/ (decrease) in foreign exchange rates %	**Effect on profit after tax and retained profits RMB'000**	**Effect on other components of equity RMB'000**	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
USD	**5%**	**2,000**	**2,000**	5%	1,293	1,293
	-5%	**(2,000)**	**(2,000)**	-5%	(1,293)	(1,293)
AUD	**5%**	**7**	**7**	5%	129	129
	-5%	**(7)**	**(7)**	-5%	(129)	(129)

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(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 2024 are as follows:

Recurring fair value measurement	**Fair value at 31 December 2024**	**Fair value measurements as at 31 December 2024 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Assets:				
Financial assets at FVOCI:				
– Unlisted equity securities	**31,710**	**–**	**–**	**31,710**

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

Recurring fair value measurement	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets:				
Financial assets at FVOCI:				
– Unlisted equity securities	27,329	–	–	27,329
– Listed equity securities	1,125	1,125	–	–

During the year ended 31 December 2024, there were no transfers, or transfers into or out of Level 3 (2023: nil). 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.

26 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

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. 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 RMB1,189,000 as at 31 December 2024 (2023: RMB1,025,000).

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 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	4,381
As at 31 December 2024	31,710

All financial instruments carried at cost or amortised cost are at amounts not materially different from their values as at 31 December 2024 and 2023.

27 Commitments

Capital commitments outstanding at not provided in the financial statements were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Authorised and contracted for	**1,453**	425

28 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

28 Material Related Party Transactions (Continued)

(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	
	2024	2023
	RMB'000	RMB'000
Short-term employee benefits	**3,157**	2,939
Contribution to defined retirement plans	**55**	59
	3,212	2,998

Total remuneration is included in staff costs (see Note 6(b)).

(c) Guarantees issued by related parties

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Guarantees for granting bank loans and other borrowings	**327,040**	290,533

As at 31 December 2024 and 2023, 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.

28 Material Related Party Transactions (Continued)

(d) Leasing arrangement

In October 2022, the Group entered into a six-year lease in respect of one leasehold property from Mr. Zhang Jiaan for retail store operation. The amount of rent payable by the Group under the lease is RMB100,000 per year, which was determined with reference to amounts charged by Mr. Zhang Jiaan to third parties. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB570,000.

(e) Other significant related party transactions

The Group had following transactions with related parties:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Purchase of Property, plant and equipment		
Jiangsu Meijiachen Waterproof Technology Co., Ltd.	–	89

(f) Significant related party balances

The Group had following trade in nature balances with related parties:

Trade in nature

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables		
Jiangsu Meijiachen Waterproof Technology Co., Ltd.	–	4
Lease liabilities		
Mr. Zhang Jiaan	**309**	395

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

29 Company-level Statement of Financial Position

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**274,841**	265,553
Investments in subsidiaries	**93,317**	93,817
Deferred tax assets	**7,250**	5,017
	375,408	364,387
Current assets		
Inventories	**255,017**	205,879
Trade and bills receivables	**189,062**	201,431
Prepayments, deposits and other receivables	**287,309**	293,088
Restricted deposits	**1,600**	–
Cash and cash equivalents	**72,251**	83,147
	805,239	783,545
Current liabilities		
Bank loans and other borrowings	**259,037**	310,296
Lease liabilities	**24,720**	23,561
Trade and bills payables	**100,865**	143,708
Other payables and accruals	**145,080**	82,902
Contract liabilities	**67,858**	74,584
Taxation payable	**15,316**	11,365
	612,876	646,416
Net current assets	**192,363**	137,129
Total assets less current liabilities	**567,771**	501,516

29 Company-level Statement of Financial Position (Continued)

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current liabilities		
Bank loans and other borrowings	**48,817**	12,552
Lease liabilities	**75,901**	76,533
	124,718	89,085
Net assets	**443,053**	412,431
Capital and reserves		
Share capital	**160,685**	160,685
Reserves	**282,368**	251,746
Total equity	**443,053**	412,431

Approved and authorised for issue by the board of directors on 30 April 2025.

	)	
Gao Feng	)	
	)	*Directors*
Yuan Yuan	)	
	)	

(Expressed in Renminbi Yuan)

30 Non-adjusting Events after the Reporting Period

On 31 March 2025, the Shares of the Company were listed on the Main Board of the Stock Exchange, where 53,562,000 Shares of RMB1.00 each were issued and subscribed at a price of HK$2.50 each. The proceeds will be credited to the Group's share capital and share premium accounts accordingly.

31 Immediate and Ultimate Controlling Party

At 31 December 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 2024, the directors consider the ultimate controlling party of the Group to be Mr. Gao Feng, Mr. Yuan Yuan and Mr. Zhang Jiaan.

32 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2024

Up to the date of issue of the financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in the financial statements. 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.