



联华超市股份有限公司
LIANHUA SUPERMARKET HOLDINGS CO.,LTD.

ANNUAL REPORT 2025

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年报

Stock Code
0980

ANNUAL REPORT 2025

Lianhua Supermarket Holdings Co., Ltd.

Lianhua Supermarket Holdings Co., Ltd. ("Lianhua Supermarket" or the "Company") commenced its business in Shanghai in 1991. In the past 34 years, it has developed into a nationwide retail chain operator with a full range of retail segments, expanding through a combination of direct operation, franchises and merger and acquisitions. As at 31 December 2025, Lianhua Supermarket and its subsidiaries (the "Group") operated a total of 3,067 outlets (excluding those operated by the Company's associated companies) in 27 provinces and municipalities across the nation. The Company has maintained its leading position in the fast moving consumer goods retail industry in the People's Republic of China (the "PRC"). Lianhua Supermarket was the first Chinese retail chain operator to be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2003.

The Group operates in three main retail segments – hypermarkets, supermarkets and convenience stores, catering for the diverse needs of consumers. These three segments expand under the brand names of "Century Mart", "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik", respectively. In recent years, "Lianhua Supermarket", "Hualian Supermarket" and "Lianhua Quik" have been awarded as one of the China Outstanding Franchise Brands (「中國優秀特許品牌」) by the Franchise Committee of China Chain Store & Franchise Association.

Inner Mongolia

★ 0
▲ 2
■ 0

Tibet

★ 0
▲ 1
■ 0

Guizhou

★ 0
▲ 4
■ 0

Hebei

★ 0
▲ 7
■ 1

Shanghai

★ 24
▲ 1,053
■ 465

Beijing

★ 0
▲ 8
■ 11

Tianjin

★ 0
▲ 1
■ 0

Xinjiang

★ 0
▲ 1
■ 0

Anhui

★ 0
▲ 49
■ 0

Yunnan

★ 0
▲ 10
■ 0

Jiangsu

★ 0
▲ 149
■ 0



Qinghai

★ 0
▲ 12
■ 0

Chongqing

★ 0
▲ 1
■ 0

Zhejiang

★ 65
▲ 516
■ 120

Shandong

★ 0
▲ 133
■ 0

Henan

★ 4
▲ 7
■ 0

Liaoning

★ 0
▲ 0
■ 62

Guangdong

★ 0
▲ 3
■ 0

Guangxi

★ 3
▲ 271
■ 0

Hunan

★ 0
▲ 18
■ 0

Hubei

★ 0
▲ 7
■ 0

Hainan

★ 0
▲ 7
■ 0

Shanxi

★ 0
▲ 1
■ 0

Fujian

★ 0
▲ 3
■ 0

Sichuan

★ 0
▲ 13
■ 0

Jiangxi

★ 0
▲ 4
■ 0

Gansu

★ 0
▲ 31
■ 0

★ Hypermarket ▲ Supermarket

■ Convenience Store

Lianhua Supermarket
operated a total of

3,067 outlets

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Corporate Information

Directors

Executive Directors

Ms. Wang Xiao-yan (*Vice Chairman*)
Ms. Zhang Hui-qin
Mr. Zhu Ding-ping (Appointed on 7 January 2025
and resigned on 5 January 2026)

Non-executive Directors

Mr. Pu Shao-hua (*Chairman*)
Ms. Shen Chen
Mr. Cao Hai-lun
Ms. Yang Qin
Mr. Wong Tak Hung (Resigned on 7 January 2025)

Independent Non-executive Directors

Mr. Xia Da-wei
Mr. Lee Kwok Ming, Don
Mr. Chen Wei
Mr. Zhao Xin-sheng

Board Committees

Audit Committee

Mr. Lee Kwok Ming, Don (*Chairman*)
Mr. Xia Da-wei
Mr. Zhao Xin-sheng
Ms. Yang Qin

Remuneration and Appraisal Committee

Mr. Xia Da-wei (*Chairman*)
Ms. Zhang Hui-qin
Mr. Chen Wei
Mr. Zhao Xin-sheng

Strategic Committee

Mr. Pu Shao-hua (*Chairman*)
Ms. Zhang Hui-qin
Ms. Shen Chen
Ms. Wang Xiao-yan
Mr. Cao Hai-lun

Nomination Committee

Mr. Pu Shao-hua (*Chairman*)
Ms. Wang Xiao-yan
(Appointed as a member of the
Nomination Committee on 19 June 2025)
Mr. Chen Wei
Mr. Xia Da-wei
Mr. Zhao Xin-sheng

Environmental, Social and Governance (ESG) Committee

Ms. Wang Xiao-yan (*Chairman*)
Mr. Cao Hai-lun
Mr. Lee Kwok Ming, Don
Mr. Chen Wei

Supervisors (Note)

Mr. Li Feng (*Chairman*)
Ms. Tang Hao
Mr. Luo Yang-hong

Company Secretary

Ms. Xu Xiao-yi

Authorised Representatives

Ms. Wang Xiao-yan
Ms. Xu Xiao-yi

International Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Legal Advisers to the Company

As to Hong Kong laws

Baker & McKenzie

As to PRC laws

Grandall Law Firm (Shanghai)

Note: On 18 December 2025, the Company convened an extraordinary general meeting and approved the abolishment of the supervisory committee. As of that date, the membership of the supervisors of the supervisory committee was automatically revoked.

Investors and Media Relations Consultant

Christensen China Limited

Principal Bankers

Industrial and Commercial Bank of China
Pudong Development Bank
China Merchants Bank

Registered and Business Offices

Registered Office in the PRC

Room 713, 7th Floor
No. 1258 Zhen Guang Road
Shanghai, PRC

Place of Business in the PRC

5th to 14th Floors
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Principal Place of Business in Hong Kong

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86 (21) 5279 7976

Company Website

lianhua.todayir.com

Shareholders' Enquiries

Contact Information of the Company

Office of the Board of Directors
Tel: 86 (21) 5278 9576
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Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Information

Listing Place

The Stock Exchange of Hong Kong Limited

Listing Date

27 June 2003

SEHK Stock Code

980

Number of H Shares Issued

372,600,000 H shares

Financial Year-end Date

31 December

Results Announcements

Interim Results for 2025 were published on
28 August 2025
Annual Results for 2025 were published on
30 March 2026

Dividends

Interim Dividends: Nil
Proposed Final Dividends: Nil

Major Achievements

January

1. Hangzhou Lianhua Huashang Group Co., Ltd. ("Lianhua Huashang") was honoured with the title of "2024 Leading Enterprise in Zhejiang's Service Industry" (2024年浙江省服務業領軍企業) by the Zhejiang Provincial Development and Reform Commission, and awarded with the titles of "2024 Leading Enterprise in Agricultural Product distribution" (2024年度農產品流通領軍企業) and "2024 Outstanding Enterprise in Agricultural Product Consumption Assistance" (2024年度農產品消費幫扶優秀企業) by Zhejiang Agricultural Products Circulation Industry Association;
2. Lianhua Huashang continued to delve into the discount business segment by opening up the Tanxiangyuan Store under Lianhua Foodmarket (聯華富德), bringing the total number of its outlets to 10;
3. Guangxi Daily Media Group released the 2024 Guangxi People Reputation List Liuzhou Overall Rating (2024年廣西百姓口碑榜柳州總評榜), where Guangxi Lianhua Supermarket Joint Stock Co., Ltd. * (廣西聯華超市股份有限公司) ("Lianhua Guangxi Company") was honored with the "Consumer Satisfaction Award".

February

1. The General Manager of the Company was invited to attend the 2025 Consumer Goods Forum (CGF) China Director and CEO Closed Exchange Meeting, where she highlighted the Company's practical achievements in business segment innovation, green and environmental protection, and healthcare consumption, as well as the "Healthy Shelves" initiative. During the meeting, attendees jointly conducted on-site visits to the Company's model stores with transformation and adjustment, i.e. the Xinzha store of Shanghai Lianhua Supermarket Development Co., Ltd. and the Zhonghuan Store of Shanghai Century Lianhua Supermarket Development Co., Ltd. ("Century Lianhua");

2. On 25 February 2025, the Company successfully completed all procedures for the directional issue of 360 million new domestic shares and formally published the issuance completion announcement.

March

1. The Company and the Shanghai Putuo District Food and Drug Safety Committee Office jointly organized the public welfare event themed "Building Satisfactory Consumption Together 315 Food Safety Awareness Education in Supermarkets" (共築滿意消費 315 食安科普進商超).
2. The 2025 Merchant Solicitation Conference for Gongshu District, Hangzhou City, Zhejiang Province was held, where Lianhua Huashang was honored with the title of "Headquarters Enterprise in Gongshu District".

April

1. The Company has deepened cooperation with Bailian Group and the Shanghai Municipal Agriculture Commission to fully advance the implementation of "Bailian Shanghai Premium Products" (百聯滬上優品) in stores. By sourcing directly from bases and streamlining intermediate processes, the Company ensured the quality and freshness of agricultural products, allowing citizens to enjoy a cost-effective consumption experience. The project has covered over twenty fresh produce categories, prioritizing traceability through the "Shennong Chain (申農鏈)" system to achieve transparent consumption and food safety assurance;
2. Party organizations at all level within the Company conducted learning activities for the National Security Education Day;

3. Li Jian (李堅), the manager of the second zone of Century Lianhua, was honored with the title of "Shanghai Labor Model" for 2020-2024 by Shanghai Federation of Trade Unions.

May

1. The labour union and the Youth League Committee of the Company have launched a series of themed activities aimed at enhancing business operations and fostering corporate culture, including the special labor competition for the Touch-Care service brand, the practical activity themed "My Shift Today" commemorating the 106th anniversary of the May Fourth Movement, and the "We Up Rising Together" 2025 Unity Challenge;
2. On May 30, the Luban Store of Century Lianhua reopened after 100 days of rejuvenation and innovation transformation, marking another milestone in Century Lianhua's exploration of the "retail + community services" model;
3. Lianhua Huashang was awarded the honorary title of "2024 Outstanding Contribution Enterprise for Boosting Consumption in Hangzhou" (2024年杭州市提振消費卓越貢獻企業) and the license of 2025 Backbone Enterprises Ensuring Supply (Major Supplier) in Hangzhou Through "Vegetable Baskets" (2025年杭州市「菜籃子」重點商品保供企業(大戶)) by Hangzhou Municipal Bureau of Commerce, Zhejiang Province.

June

1. On 9 June, the leadership team of the Company in Shanghai conducted on-site educational activities at the anti-corruption and integrity education base in Baoshan District, Shanghai;
2. The Company held a national special meeting for the 2025 "Safety Production Month" initiative and conducted fire drill safety activities;

3. The 2025 Linkshop Conference & Better Business Annual Meeting was convened in Hangzhou, where the Zhonghuan Store of Century Lianhua was awarded the title of "Lianshang Award for Best Stores in 2024" (聯商獎 2024 年度好門店).

July

1. On 22 July, the Company held the 2025 Meeting on Strict Governance over the Party in an All-around Way and In-depth Implementation of the Party's Eight-point Frugality Code Spirit Learning and Education Warning, while concurrently launching the "Pioneer Leadership, Synergistic Breakthrough" (先鋒引領 聚變突圍) thematic discussion activity;
2. Zhou Zhoujun (周洲軍) of Lianhua Huashang was awarded the honorary title of "2024 'Hangzhou Good Samaritan'" (2024年度「杭州好人」) by the Publicity Department of the Hangzhou Municipal Committee (Municipal Civilization Office);
3. At Meituan's inaugural Service Retail Industry Conference, Lianhua Huashang received the awards of "Most Influential Category" (最具影響力品類) and "Most Innovative Marketing Brand (最具營銷創新品牌)".

August

1. The project team of the Company's Information and Digital Operations Department was awarded the Second Prize in the Commerce and Distribution Track of the 2025 "Data Element ×" (數據要素×) Competition (Shanghai Division), jointly organized by the Shanghai Municipal Data Bureau (上海市數據局) and 16 other organizations;

Major Achievements

2. The Century Lianhua Zhonghuan Store Renovation Project was awarded the “2023-2024 Bailian Group Innovation and Efficiency Excellence Project Award – Gold Prize” (2023-2024年百聯集團創新創效優秀項目獎金獎);
3. The Zhejiang Chain-Store & Franchise Association (浙江省連鎖經營協會), in collaboration with the Fujian Chain-Store & Franchise Association (福建省連鎖經營協會), jointly hosted the “2025 Zhejiang-Fujian Smart Chain and Brand Development Innovation Summit”, at which Lianhua Huashang and its Tasy (她樹) brand won multiple proprietary brand awards.

September

1. The Company was awarded the title of “2024 Shanghai Community, Enterprise and Institution Blood Donation Work Assessment Outstanding Collective” (2024年度上海市社區、企事業單位獻血工作考核優秀集體) by the Shanghai Municipal Blood Management Office (上海市血液管理辦公室);
2. On 18 September, the “Li Jian Model Worker Innovation Studio” (李堅勞模創新工作室) was inaugurated at the Century Lianhua Waigaoqiao Store.
3. Lianhua Huashang received the “Outstanding Contribution Award” (突出貢獻獎) at the Hangzhou Business Community Street Basketball Wulin Championship (2025 Season), hosted by the Hangzhou Municipal Commerce Bureau of Zhejiang Province (浙江省杭州市商務局) and other organizations.

October

1. Lianhua Huashang was listed in the “Top 500 China Service Enterprises in 2025” (2025中國服務業企業500強) jointly released by the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會).

November

1. The Company’s Century Lianhua stores, namely Wusong Store, Gucun Store, Shihua Store, Xiuzhou Store, Qingpu Store, Qiaozhuan Store and Caoying Store, were selected as “2025 Food Safety Trustworthy Supermarkets” (2025年食品安全守信超市);
2. Four cases, namely “Deepening the 15-minute Living Circle to Make Health Within Reach” (深化一刻鐘生活圈，讓健康觸手可及) and “Lianhua Club for Fashion Seniors: A New Economic Community Model Driven by User Relationships” (聯華潮銀俱樂部：用戶關係驅動的經濟社區新模式) of the Company, “Miaomiao City: Economic Leap from Maternal and Infant Retail to a Growth Community” (妙喵城：從母嬰零售到成長共同體的生態躍遷) and “Yiwu Yinyue City: Shaping a Benchmark for Community Commercial Brand Value with Mission at its Core” (義烏印悅城：以使命為核，塑造社區商業品牌價值標杆) of Lianhua Huashang were selected as the 2025 China Consumer Goods Best Innovation Practice Cases by the China Chain-Store & Franchise Association (中國連鎖經營協會). The Company’s “Youxiang Wuchang Rice” (優饗五常大米) was awarded the “2025 Excellence Product Award” (2025卓越商品獎) by the Proprietary Brand Golden Star Award Organising Committee (自有品牌金星獎組委會);

3. The Company held the “Encounter of Mountains and Seas· Lianhua Gold Medal Picks Agricultural Products Fair” (山海相逢•聯華金牌挑手農優特新貨展) centrally displaying characteristic agricultural products from high-quality production areas nationwide such as Shanghai, Yunnan, Anhui, Xinjiang, and Jilin. Through direct sourcing from production areas, the event introduced agricultural, outstanding, special and new products from all over the country, built an efficient supply chain from production areas to dining tables, thereby supporting the development of rural characteristic industries;
4. Lianhua Huashang organised the Fourth Public Welfare and Common Prosperity Program and “Drops of Warmth: Life-Saving Blood Donation Nearby” (涓涓熱血「救」在身邊) volunteer brand activity.

December

1. The Company’s “A Model of Retail Low-Carbon and Healthy Transformation from Supply Chain to Consumer End” (從供應鏈到消費端的零售低碳健康轉型典範) was awarded the “2025 Green Consumption Innovation Case” (2025年綠色消費創新案例) by the China General Chamber of Commerce (中國商業聯合會) and the China Environmental Protection Foundation (中華環境保護基金會);
2. Lianhua Huashang and its multiple stores were awarded the 2024-2025 Zhejiang Province Chain Industry “Star-Rated Store” (星級門店) by the Zhejiang Chain-Store & Franchise Association;
3. Lianhua Guangxi Company was awarded the “2025 Steady Development Award” (2025年平穩發展獎) by the Yufeng District People’s Government of Liuzhou, Guangxi Zhuang Autonomous Region.

CONNECTION

给生活一点新灵感

新品
New Arrivals
上市

每天都有
用心好物





联华质造
质优 质感 质价

自有
品牌

宅家火锅
轻松自在

新品
上市

皮薄劲道
馅料饱满

自有
品牌



联华质造
质优

新品
上市

新品
上市

给生活
一点新灵感

六月鲜
遵循自然
6个月慢熬
减盐不减鲜

重物不用提 送货到家

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Chairman's Statement



I am pleased to present the annual results of Lianhua Supermarket Holdings Co., Ltd. to all shareholders of the Company (the "Shareholders") for the year ended 31 December 2025.

In 2025, global economic growth slowed significantly. Due to ongoing Sino-US frictions and the spillover of geopolitical conflicts, coupled with structural adjustments within China, the global economy still faced risks and challenges that could not be ignored. China continued to be the largest engine of global economic growth, with the overall macroeconomic performance remaining stable and improving, the pace of industrial upgrading accelerating, and new



economic drivers being cultivated at an accelerated pace. In 2025, China's physical retail industry entered a stage of stock market, and enterprises faced the dilemma of finding differentiation and the challenge of continuously shrinking profit margins. Cost reduction and efficiency improvement have become a consensus across the industry. Meanwhile, the industry was undergoing profound structural transformations, with experience becoming a new growth driver, the value logic shifting from "cost-effectiveness" to "quality-price ratio", and consumer motivation returning to its intrinsic value.

To this end, in 2025, the Group adopted the development strategy centering on "customer focus" and strengthening the brand value of Lianhua. Starting from eight strategic initiatives, namely "transformation and upgrading of hypermarkets segment, development and refined operations of supermarkets segment, product and supply chain collaboration, cost-saving initiatives, loss control and reduction in convenience stores segment, cross-segment collaboration and efficiency improvement, organizational efficiency improvement and personnel optimization, digital development and empowerment", the Group focused on the main line of high-quality development of the Lianhua brand to achieve new transformations in the Group's product services and operations, build a more resilient and dynamic brand development pattern and thus help the Group break through and reconstruct the market and capture consumers' minds.

In 2025, the Group continued to optimize its asset portfolio and corporate governance structure, laying the foundation for a smoother transition and transformation. Firstly, the Group successfully completed all procedures for the directional issue of 360 million new domestic shares, increasing its registered capital by RMB360 million, further strengthening the Group's capital strength and optimizing its capital structure. Secondly, the Group further sold all of its equity interests in Shanghai Century Lianhua Supermarket Yangpu Co., Ltd. and used all of the proceeds to supplement its working capital. Such equity divestiture, along with the sale of equity interests in three companies last year, was



based on the Group's overall strategic considerations for medium- and long-term sustainable and healthy development and to improve overall performance, helping the Group to better focus on the development of its core businesses in Shanghai and Zhejiang. Thirdly, in line with modern corporate governance trends, the Group has revised its Articles of Association and abolished the Supervisory Committee in accordance with the latest laws and regulations. Such adjustments would help the Company effectively optimize its governance structure, reduce governance costs and improve corporate governance efficiency.

In 2025, the Group concentrated on strengthening the value of the Lianhua brand through products, services and operational innovation. On the one hand, the Group continuously improved the supply chain by vigorously developing fresh produce to improve quality and attract customers, expanding sales and increasing revenue of non-fresh produce, starting the construction of a new supply chain, enhancing the strength of our own brands, deepening

Chairman's Statement

cooperation with JBP's major single products and accelerating the development of direct procurement and supply, and carried out marketing empowerment innovation. On the other hand, the Group enhanced operational efficiency and consolidated brand power by strengthening operational standards, reducing rent and shrinking space to improve efficiency, optimizing positions to increase human resource efficiency and promoting digital innovation.

In 2025, with even greater determination, the Group was venturing into the "deep waters" of store transformation and upgrading, and advanced the store revitalization and upgrading in depth. Hypermarkets in Shanghai implemented the "one store, one policy" approach, focusing on two core directions (namely, optimizing store layout (smaller size) and expanding business through leasing (increasing revenue)) to drive transformation. In 2025, the Group launched the Luban Community Model Store, the Songhong Value Store and the Luodian Small-scale Store in Shanghai. In 2025, the Group continued to develop towards refined operations in the supermarkets segment, driving sales growth through comprehensive adjustments to fresh produce, refining single-store profit models and seeking breakthroughs in key single products. Initial results were achieved in 10 stores, including the Caobao Store in Shanghai. In 2025, the Group continued to explore the community discount store sector. The new business segment, Lianhua Foodmarket Discount Store, achieved increased revenue and reduced costs by optimizing the product structure, launching Foodmarket Xiaochu (a food service platform), implementing SPT (Space Planning Team) and utilizing digital means.

In 2025, the Group, by focusing on the essence of retail, honing its solid product capabilities and forging a new supply chain, drove the transformation of its procurement role from "cost negotiation" to "value creation" and created top-selling items directly sourced by "Gold Medal Pickers". The initial launch of 16 products covered more than 300 stores, accompanied by pop-up stores, and leveraged the popularity of the variety show "CHEF of CHINA" to generate buzz, achieving an exposure of 10 million.



In 2025, the Group signed strategic cooperation agreements with Pu'er Supply and Marketing Group to hold the "Lianhua Gold Medal Picks Agricultural Products Fair", introducing regional cultural characteristics into the Lianhua supply chain. In 2025, the Group proactively expanded the inherent boundaries of the industry, revitalizing itself through cross-industry integration and restructuring. Various business sectors have proactively explored cross-industry collaborations with IPs and films, leveraging the popularity of the movie "Shanghai Wonton" to launch co-branded products and simultaneously create themed experiences in stores, thereby enhancing the efficiency of online and offline sales.

In 2025, the Group continued to advance digital development and empowerment, using digital means to break down various barriers between data and business, management and operations, so that digital technology is not just used as a tool, but deeply integrated into the capillaries of products, services and operations, becoming the core engine driving overall efficiency improvement and experience innovation. In 2025, the Group continued to focus on improving organizational efficiency and departmental collaboration. Through the strategies of "expanding business to lower-tier markets" and "integrating operations and procurement", the Group further optimized its organizational structure, advanced the rejuvenation of its management team, optimized and streamlined business processes and responsibilities,

and carried out special projects aiming to reduce rent, thereby achieving organizational efficiency enhancement and cost savings.

In 2026, the first year of China's 15th Five-Year Plan, we expect China's macro policies to remain proactive, further tilting towards areas such as technological innovation, advanced manufacturing, new infrastructure, people's livelihood and high-quality consumption supply, in a bid to help balance domestic supply and demand. Looking ahead to 2026, China's policies to boost consumption will continue to work together on both the supply and demand sides to drive steady consumption growth. In addition, policies to benefit people's livelihoods will be further strengthened, including measures such as expanding employment, promoting income growth for urban and rural residents and enhancing fiscal support for people's livelihoods, to enhance residents' consumption capacity and willingness to consume.

2026 is a pivotal year for the Group's strategic transformation. The Group will center on "improving supply chain efficiency and enhancing product competitiveness", "omni-channel operation and digital empowerment", "organization and cost optimization" and "membership ecosystem and scenario innovation". Through supply chain efficiency improvement, omni-channel integration and organizational innovation, the Group aims to shift from "scale-oriented" to "quality and efficiency improvement". Focusing on the core Shanghai market and strengthening collaboration within the Yangtze River Delta region, we aim to build long-term competitiveness through digitalization and a robust membership ecosystem, thus returning to a growth trajectory.

As the seasons change and the year brings abundant harvests, the picture of 2026 is slowly unfolding before our eyes. The spirit of the Year of the Horse lies in tireless striving and lofty ambitions. We will transform the lessons and reflections of the past year into the courage and drive to gallop forward in the new Year of the Horse.

Finally, on behalf of the Board, I would like to extend my respect to our management team and all our employees for their efforts and contributions, as well as to express my heartfelt gratitude to our Shareholders and business partners for their continued support.

By order of the Board

Pu Shao-hua

Chairman

30 March 2026



蔬菜

水果

BETTER
会生活 享更多
LIFE



扫码扫码入会

超值新人礼包入会即享

会员专享 六大特权

世纪联华·正大集团
泰国榴莲嘉年华·上海西郊
CPFresh Thai Durian Festival

世纪联华·正大集团
泰国榴莲嘉年华·上海西郊
CPFresh Thai Durian Festival

世纪联华·正大集团
泰国榴莲嘉年华·上海西郊
CPFresh Thai Durian Festival

金枕榴莲



INTEGRATE



Five Years Financial Highlights

Unit: RMB'000 For the year ended 31 December	2025	2024	2023	2022 (Note 4)	2021
Revenue	17,753,295	19,710,114	21,835,879	24,681,396	24,759,659
Hypermarkets	6,995,952	8,204,567	9,646,472	12,395,766	13,580,446
– Percentage to turnover (%)	39.41	41.63	44.18	50.22	54.85
Supermarkets	9,426,271	10,015,175	10,514,180	10,690,632	9,407,111
– Percentage to turnover (%)	53.10	50.81	48.15	43.32	37.99
Convenience stores	1,272,169	1,432,129	1,586,568	1,496,185	1,500,828
– Percentage to turnover (%)	7.17	7.27	7.27	6.06	6.06
Other businesses	58,903	58,243	88,659	98,813	271,274
– Percentage to turnover (%)	0.32	0.29	0.40	0.40	1.10
Gross profit	2,087,656	2,371,919	2,781,072	3,382,295	3,061,729
Gross profit margin (%)	11.76	12.03	12.74	13.70	12.37
Consolidated income margin (%) (Note 1)	22.53	23.90	23.78	23.95	23.40
Operating (loss) profit (Note 1)	(181,166)	(257,296)	(227,991)	87,954	(316,961)
Operating (loss) profit margin (%) (Note 1)	(1.02)	(1.31)	(1.04)	0.36	(1.28)
Loss attribute to shareholders of the Company	(200,255)	(358,765)	(791,317)	(206,527)	(422,779)
Comprehensive expenses attributable to shareholders of the Company	(200,255)	(358,765)	(791,317)	(206,527)	(422,779)
Net loss margin (%) (Note 1)	(1.13)	(1.82)	(3.62)	(0.84)	(1.71)
Losses per share (RMB)	(0.14)	(0.32)	(0.71)	(0.18)	(0.38)
Interim dividend per share (RMB) (Note 2)	–	–	–	–	–
Final dividend per share (RMB) (Note 2)	–	–	–	–	–

Five Years Financial Highlights

Unit: RMB'000	2025	2024	2023	2022	2021
As at 31 December				(Note 4)	
Net assets	173,982	67,931	448,347	1,246,271	1,254,397
Total assets	18,018,770	19,662,370	20,989,143	22,988,706	22,829,926
Total liabilities	17,844,788	19,594,439	20,540,796	21,742,435	21,575,529
Net cash flow	3,442	(825,914)	(751,325)	1,005,489	183,180
Average loss on total assets (%)	(1.06)	(1.77)	(3.60)	(0.90)	(1.84)
Average loss on net assets (%)	N/A (Note 5)	N/A (Note 5)	(169.16)	(21.82)	(34.06)
Gearing ratio (%) (Note 3)	0.0	0.0	0.0	0.0	47.8
Liquidity ratio (times)	0.59	0.53	0.47	0.60	0.48
Turnover of accounts payables (days)	56	56	57	59	54
Turnover of inventories (days)	40	43	44	43	40

Notes:

- Consolidated income margin (%) = (Gross profit + Other revenues + Other income and other gains and losses)/Revenue

Operating (loss) profit = (Loss) profit before tax—Share of results of associates

Operating (loss) profit margin (%) = ((loss) profit before tax—Share of (loss) results of associates)/Revenue

Net loss margin (%) = Loss for the year attribute to owners of the Company/Revenue
- The total shares of the Company increased to 1,119,600,000 shares from 622,000,000 shares due to the bonus issue effective in September 2011. On 12 May 2024, the Company entered into the Share Subscription Agreement (the "Share Subscription Agreement") with Bailian Group Co.,Ltd. ("Bailian Group"), according to the terms of the Share Subscription Agreement, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new Domestic Shares at the subscription price of RMB1.00 per new Domestic Share. As the completion of the Domestic Share Subscription took place on 25 February 2025 in accordance with the terms and conditions of the Share Subscription Agreement, the total shares of the Company in issue increased to 1,479,600,000 shares from 1,119,600,000 shares.
- Gearing ratio (%) = Total Interest-Bearing Liabilities/Total Equity
- This year, the Company restated the data of 2022 in the five-year financial summary by applying Hong Kong Accounting Standards No.12 (revised) "Deferred taxes related to assets and liabilities arising from individual transactions".
- As the net assets attributable to owners of the Company in the year of 2024 and 2025 were negative, this indicator was not applicable.

Management Discussion and Analysis

Operating Environment

In 2025, the global economy navigated through pressure amidst overlapping challenges, such as turbulence in trade policies, fluctuations in financial markets and geopolitical uncertainties. Amid profound and complex changes in the domestic and international market, China's economy forged ahead despite the pressure, towards a bright and promising prospect. China's pursuit of high-quality development was steadily advancing as its 14th Five-Year Plan had been successfully concluded. According to the figures released by the National Bureau of Statistics, China's gross domestic product (GDP) for 2025 leaped to a new height of RMB140 trillion for the first time, representing a year-on-year increase of 5.0%, indicating a successful accomplishment of its annual target. The contribution rate of final consumption expenditure to the economic growth reached 52.0%, while the role of domestic demand in driving China's economy continued to strengthen. Furthermore, the steady growth of China's economy continued to provide critical impetus for the recovery and growth of the global economy. Meanwhile, the sluggish recovery of the global economy, domestic structural contradictions and the pains of transformation intertwined. Affected by multiple internal and external factors, China's economy faced various hurdles as it navigated its way towards a promising future.



In 2025, consumer spending in China continued to recover, with the market size expanding steadily. The total retail sales of consumer goods exceeded RMB50 trillion, with a higher growth rate compared to the previous year, and the role of consumption as the main driver of economic growth became increasingly prominent. From a structural perspective, service consumption showed strong momentum, with such sectors as culture, sports and recreation, transportation and travelling, cultural tourism and healthcare maintaining rapid growth. Meanwhile, goods consumption has demonstrated remarkable resilience bolstered by trade-in policies for automobiles, home appliances, and digital products. At the same time, new consumption channels and models focused on cost-effectiveness, emotional value and experiential needs witnessed accelerated innovation, while holiday spending, inbound consumption, and departure tax refund consumption continued to expand, injecting new vitality into the market. However, it should be noted that, weighed down by a complex macroeconomic environment and subdued income and spending expectations, the recovery of consumer confidence and the release of consumption potential will remain a gradual process. The internal momentum for sustained continuous expansion of consumption needs to be further strengthened as the path to a comprehensive recovery in consumer demand requires persistent effort.

In 2025, China's physical retail industry generally entered a stage of market saturation. With changes in consumers' shopping habits, the surge of e-commerce, the diversification of new retail formats, and the intensification of market competition, emerging retail channels continued to erode the market share of traditional players. Coupled with high operating costs such as rent and labour, enterprises faced difficulties in seeking differentiation and the challenge of continuously shrinking profit margins, making cost reduction and efficiency improvement a universal industry priority. To address industry-wide challenges, physical retail enterprises, such as the Group, have proactively embraced transformation. By restructuring the supply chain, optimizing product

categories, and upgrading the shopping environment, we have focused on service excellence to rebuild competitiveness through a customer-centric approach.

Financial Review

Revenue

During the period under review, the Group's revenue was approximately RMB17,753 million, representing a year-on-year decrease of approximately RMB1,957 million, or approximately 9.9%, which was mainly due to the continuous impact of factors such as shifting consumer shopping habits and the diversification of consumption channels leading to the diversion of customer flow. In addition, adjustments to the Group's overall strategic planning with a focus on core markets in Shanghai and Zhejiang, including the disposal of equity interests in certain subsidiaries and the downsizing of unprofitable sales operations, led to a reduction in overall sales scale.



Gross Profit

During the period under review, the Group's gross profit was approximately RMB2,088 million, representing a year-on-year decrease of approximately RMB284 million, or by approximately 12.0%. During the period under review, the overall gross profit margin of the Group was approximately 11.76%, representing a decrease of approximately 0.27 percentage point as compared with the gross profit margin of 12.03% for the corresponding period of last year. The supermarket segment of the Group upgraded its stores as "community life service centers" with a focus on strengthening the supply of low-margin fresh produce and daily necessities to enhance brand influence and the attractiveness of offline outlets.

Other Revenue

During the period under review, the Group's other revenue was approximately RMB1,243 million, representing a year-on-year decrease of approximately RMB459 million, or approximately 27.0%. Due to the overall downsizing of sales operations, related income from suppliers decreased by approximately RMB363 million compared with the same period of last year. As the hypermarket segment implemented strategic adjustments towards a "small-scale and community based" model, including scientifically planning functional zones and optimizing layouts, the available leasable area reduced, resulting in a year-on-year decrease of approximately RMB100 million in the rental income from leasing of shop premises.

Other Income and Other Gains and Losses

During the period under review, the Group's other income and other gains amounted to approximately RMB669 million, representing a year-on-year increase of approximately RMB33 million, or approximately 5.2%, which was mainly attributable to the increase of gain on disposal of equity interests in certain subsidiaries arising from the Group's overall strategic planning adjustments, while income from bank deposits and wealth management products decreased year-on-year due to the decline in market interest rates.

Management Discussion and Analysis



Distribution and Selling Expenses

During the period under review, the Group's distribution and selling expenses amounted to RMB3,388 million, representing a year-on-year decrease of approximately RMB602 million, or approximately 15.1%, which was mainly attributable to the Group's adjustment of unprofitable outlets, continued strengthening of control over operation expenses, and optimisation of resource allocation.

Administrative Expenses

During the period under review, the Group's administrative expenses amounted to approximately RMB592 million, representing a year-on-year decrease of approximately RMB124 million, or approximately 17.3%.

Other Expenses

During the period under review, the Group's other expenses amounted to approximately RMB29 million, representing a year-on-year decrease of approximately RMB25 million, or approximately 46.3%.

Share of Results of Associates

During the period under review, the Group's share of results of associates amounted to approximately RMB6 million, remaining stable year on year.

Loss before Tax

During the period under review, the Group's loss before tax amounted to approximately RMB175 million, representing a year-on-year decrease in loss of approximately RMB76 million.

Income Tax Expense

During the period under review, the Group's income tax expense was approximately RMB11 million, representing a year-on-year decrease of approximately RMB46 million.

Loss Attributable to Owners of the Company

During the period under review, the Group's loss attributable to owners of the Company amounted to approximately RMB200 million, representing a year-on-year decrease in loss of approximately RMB159 million. During the period under review, the net loss margin was approximately 1.13%, representing a year-on-year decrease in loss margin of 0.69 percentage point. Based on the weighted average number of issued share capital of 1,425.4 million shares of the Group as at 31 December 2025, the basic loss per share was approximately RMB0.14.

Liquidity and Financial Resources

As at 31 December 2025, the Group's cash and balance at the bank amounted to approximately RMB6,888 million.

For the year ended 31 December 2025, the trade payable turnover period of the Group was approximately 56 days, and the inventory turnover period was approximately 40 days.

During the period under review, the Group did not use any financial instrument for hedging purposes. As at 31 December 2025, there were no arbitrage financial instruments in issue by the Group.

Gearing Ratio

As at 31 December 2025, the gearing ratio of the Group (the gearing ratio is calculated by dividing total interest-bearing liabilities by total equity) was 0.0% (31 December 2024: 0.0%).

Growth of Each Retail Business

Hypermarkets

During the period under review, the hypermarket segment recorded a revenue of approximately RMB6,996 million, representing a year-on-year decrease of approximately RMB1,209 million, or approximately 14.7%, and accounting for approximately 39.4% of the Group's revenue. During the period under review, the decrease in revenue was mainly attributable to the Group's strategic adjustments based on its overall development plan, disposal of equity interests in certain subsidiaries and downsizing of unprofitable sales operations, which led to a year-on-year decrease in revenue. On the other hand, the Group's main operating regions of Shanghai and Zhejiang faced intense competition arising from market homogenisation, resulting in the diversion of customer flow across multiple channels.



During the period under review, the hypermarket segment recorded a gross profit of approximately RMB1,004 million, representing a year-on-year decrease of approximately RMB118 million. Gross profit margin increased by 0.69 percentage point year on year to approximately 14.36%. The hypermarket segment implemented strategic adjustments towards a "small-scale and community based" model, which involved optimizing layouts and reducing operating areas. As a result, the rental income from leasing of shop premises decreased by approximately RMB87 million year on year. The income from funds such as bank deposits and wealth management products decreased by approximately RMB51 million year on year due to the decline in market interest rates. During the period under review, the hypermarket segment recorded a consolidated income of approximately RMB1,936 million, representing a year-on-year decrease of approximately RMB577 million, and the consolidated income margin decreased by approximately 2.96 percentage points year on year to approximately 27.67%.

During the period under review, the aggregate of distribution and selling expenses and administrative expenses of the hypermarket segment amounted to approximately RMB1,909 million, representing a year-on-year decrease of approximately RMB467 million. The Group has been continuously focusing on cost reduction and efficiency improvement and adjusting the scale of loss-making outlets, which has contributed to the continuous reduction of expenses. The hypermarket segment recorded an operating loss of approximately RMB102 million, representing a year-on-year increase in loss of approximately RMB75 million. Operating profit margin decreased by approximately 1.14 percentage points year on year to approximately -1.46%.

	As at 31 December	
	2025	2024
Gross Profit Margin (%)	14.36	13.67
Consolidated Income Margin (%)	27.67	30.63
Operating Profit Margin (%)	-1.46	-0.32

Management Discussion and Analysis

Supermarkets

During the period under review, the supermarket segment recorded a revenue of approximately RMB9,426 million, representing a decrease of approximately RMB589 million or approximately 5.9% year on year, and accounting for approximately 53.1% of the Group's revenue. During the period under review, the supermarket segment focused on precisely addressing community needs as its core. Through the creation of differentiated scenarios and innovations in refined operation models, it comprehensively promoted efficiency improvement.



During the period under review, the supermarket segment recorded a gross profit of approximately RMB932 million, representing a year-on-year decrease of approximately RMB143 million or approximately 13.3%. The supermarket segment upgraded its stores to “community life service centers” with a focus on strengthening the supply of low-margin fresh produce and daily necessities. On the other hand, the slowdown in macroeconomic growth led to more conservative consumer spending, resulting in a decrease in the purchase of high-end non-essential goods. The gross profit margin decreased by approximately 0.85 percentage point year on year to approximately 9.89%. During the period under review, the supermarket segment recorded a consolidated income of approximately RMB1,647 million, representing a decrease of approximately RMB263 million year on year. The consolidated income margin decreased by approximately 1.60 percentage points year on year to approximately 17.47%.

During the period under review, the supermarket segment promoted the discount store model, the incubation period of which had an impact on operating profit. The supermarket segment recorded an operating loss of approximately RMB126 million, representing an increase in loss of approximately RMB118 million year on year. The operating profit margin decreased by approximately 1.25 percentage points year on year to approximately -1.33%.

	As at 31 December	
	2025	2024
Gross Profit Margin (%)	9.89	10.74
Consolidated Income Margin (%)	17.47	19.07
Operating Profit Margin (%)	-1.33	-0.08

Convenience stores

During the period under review, the convenience store segment recorded a revenue of approximately RMB1,272 million, representing a decrease of approximately RMB160 million or approximately 11.2% year on year, and accounting for approximately 7.2% of the Group's revenue. The year-on-year decrease in revenue was due to the proactive closure of certain long-term loss making, poorly located, or lease-expiring "tail-end stores" based on the Group's overall strategic planning.

During the period under review, the convenience store segment recorded a gross profit of approximately RMB136 million, representing a decrease of approximately RMB22 million or approximately 13.4% year on year. The gross profit margin decreased by approximately 0.28 percentage point to approximately 10.72%. The convenience store segment recorded a consolidated income of approximately RMB176 million,

representing a year-on-year decrease of approximately RMB31 million, and the consolidated income margin decreased by approximately 0.62 percentage point year on year to approximately 13.81%.

During the period under review, the operating loss of the convenience store segment was approximately RMB14 million, representing a year-on-year decrease in loss of approximately RMB33 million, and the operating profit margin increased by approximately 2.19 percentage points year on year to approximately -1.13%.

	As at 31 December	
	2025	2024
Gross Profit Margin (%)	10.72	11.00
Consolidated Income Margin (%)	13.81	14.43
Operating Profit Margin (%)	-1.13	-3.32

Management Discussion and Analysis

Capital Structure

As at 31 December 2025, the Group's cash and cash equivalents were mainly held in Renminbi. The Group had no other bank borrowings.

During the period under review, the equity attributable to owners of the Company increased from approximately RMB-287 million to approximately RMB-130 million, which was primarily due to the increase in share capital of RMB360 million during the period, loss for the year attributable to owners of the Company of approximately RMB200 million, and the decrease in capital reserve of RMB3 million resulting from the disposal of equity interests in certain subsidiaries.

As at 31 December 2025, the Group did not pledge any assets.

Foreign Exchange Risks

Most of the incomes and expenditures of the Group are denominated in Renminbi. During the period under review, the Group did not experience any material difficulties or negative effects on its operations or liquidity as a result of fluctuation in exchange rates.

The Group neither entered into any agreements nor purchased any financial instruments to hedge its foreign exchange risk. The directors of the Company (the "**Directors**") believe that the Group is able to meet its foreign exchange demands.

Share Capital

As at 31 December 2025, the issued share capital of the Company was as follows:



Class of Shares Issued	Number of Shares	Percentage
Domestic Shares	1,075,397,400	72.68
Unlisted Foreign Shares	31,602,600	2.14
H Shares	372,600,000	25.18
Total	1,479,600,000	100.00

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

Contingent Liabilities

As at 31 December 2025, the Group did not have any material contingent liabilities.

Reform and Restructuring for Optimizing Governance

During the period under review, the Group adhered to the principle of "strategy implementation, pragmatism and refinement", and continued to optimise its asset layout and corporate governance structure. The Company's reform and restructuring project has been successfully completed, and the governance structure of the Company has been further optimised. In February 2025, the Company completed all procedures for the targeted issuance of 360 million new domestic Shares, increasing the registered capital by RMB360 million, which further enhanced the capital strength of the Group and optimised its capital structure. In November 2025, Shanghai Century Lianhua Supermarket Development Co., Ltd. ("Century Lianhua Development"), a subsidiary of the

Company, entered into an equity transfer agreement with Shanghai Dongran Industrial Co., Ltd.* (上海動燃實業有限公司) ("Shanghai Dongran"), pursuant to which, Century Lianhua sold its entire equity interest in Shanghai Century Lianhua Supermarket Yangpu Co., Ltd.* (上海世紀聯華超市楊浦有限公司) to Shanghai Dongran. The proceeds from the disposal of equity interest of approximately RMB78,286.0 thousand were used in full for the replenishment of working capital. This equity divestment, together with the disposal of equity interests in three companies last year, was based on the overall strategic considerations of the Group's medium to long-term sustainable and healthy development and the enhancement of overall performance, facilitating the Group to better focus on the development of its core businesses in Shanghai and Zhejiang. Meanwhile, in December 2025, conforming to the trend of modern corporate governance, the Company amended its Articles of Association and abolished the Supervisory Committee in accordance with the latest laws and regulations. This adjustment helps the Company effectively optimise its governance structure, reduce governance costs, and enhance the governance efficiency of the Company.



Management Discussion and Analysis

Transformation – Diversified Adjustments and Moving Towards New Horizons

During the period under review, the Group steadily promoted the development and optimisation of outlets. A total of 216 new stores were opened throughout the year (including 63 directly-operated stores and 153 franchised stores), of which 147 new stores were located in the Yangtze River Delta region, accounting for 68.1%. Meanwhile, based

on precise market insights, the Group actively streamlined inefficient stores to optimise the outlet structure. A total of 266 stores were closed throughout the year (including 80 directly-operated stores and 186 franchised stores). Through the above-mentioned initiatives, the Group effectively ensured the robustness and flexibility of its outlet layout in a complex market environment, laying a solid foundation for continuously maintaining strategic initiative and achieving long-term development.

Region	Business format	New stores opened during the period under review		Stores closed during the period under review	
		Quantity	Operating Area (sqm)	Quantity	Operating Area (sqm)
Greater East China	Hypermarkets	0	0.00	1	7,263.00
	Supermarkets	158	65,569.68	135	63,801.30
	Convenience stores	15	890.14	75	3,754.24
North China	Supermarkets	5	3,470.00	0	0.00
	Convenience stores	0	0.00	4	159.79
Northeast China	Hypermarkets	0	0.00	1	8,530.00
	Convenience stores	1	66.00	29	1,451.10
Central China	Hypermarkets	0	0.00	2	17,783.00
	Supermarkets	5	8,150.00	5	5,960.00
South China	Supermarkets	24	6,439.39	11	2,306.69
Southwest China	Supermarkets	3	7,700.00	1	2,080.00
Northwest China	Supermarkets	5	3,910.00	2	1,310.00
Total		216	96,195.21	266	114,399.12

Notes:

- The above data is as at 31 December 2025;
- Since January 2025, Lianhua Supermarket (Jiangsu) Co., Ltd.* (聯華超市(江蘇)有限公司), Anhui Century Lianhua Development Co., Ltd.* (安徽世紀聯華發展有限公司) and Shanghai Century Lianhua Supermarket Hongkou Co., Ltd.* (上海世紀聯華超市虹口有限公司) and their 35 affiliated stores are no longer included in the consolidated financial statements of the Company, and the existing, newly opened, and closed status of the relevant stores are also not included in this statistical caliber.

As at 31 December 2025, the Group had a total of 3,067 stores. Excluding the impact of incomparable factors, the number of outlets recorded a net decrease of 50 stores as compared to the end of 2024. Approximately 83.9% of the Group's stores are located in Greater East China.

Business format	As at 31 December 2025		
	Directly-operated	Franchised	Subtotal
Hypermarkets	96	–	96
Supermarkets	857	1,455	2,312
Convenience stores	251	408	659
Total	1,204	1,863	3,067

During the period under review, the Group established the strategic direction of “multi-store exploration, differentiated benchmarks, and model innovation (多店探索、差異樣板、模式創新)”, and reshaped the future form of the hypermarket segment by constructing three differentiated store models: “Community benchmark stores” focused on health, lively atmosphere and convenience attributes, integrated elderly-friendly care, and created a warm community neighborhood center; “Value stores” took high cost-effectiveness as the core, and precisely responded to the surrounding residents’ demand for quality and affordability by increasing the proportion of proprietary brands, streamlining the product structure and upgrading experiential formats; “Miniaturisation transformation of hypermarkets” broke through the traditional large-store model, carefully selected core livelihood commodities, integrated diversified formats such as parent-child and life services, constructed a complementary ecosystem of “supermarket + services”, and created a more flexible community commercial entity. 0 new stores were opened and 4 stores were closed throughout the year, resulting in a net decrease of 4 outlets.

During the period under review, the Group established the core strategy of “example-to-network rollout, fresh produce-driven, and benchmark-led (點面結合、生鮮驅動、標杆引領)” to comprehensively promote the high-quality development of the supermarket segment: On the one hand, it deeply cultivated the fresh produce drive on the “network” level: it promoted the adjustment and reform of fresh produce in stores across the board, and opened up the full-chain closed loop of “direct procurement from bases

– store upgrading”. By restructuring the product structure and operating logic, and strengthening the attributes of livelihood services, it successfully achieved a dual growth in customer traffic and sales. On the other hand, it strengthened benchmark leadership on the “example” level: it iteratively upgraded benchmark stores, focused on reshaping spatial layout, price benchmarking and product adaptation, and polished a rapidly replicable standardised operation model, significantly enhancing the overall regional operational efficiency through leading by example. In terms of outlet layout, 200 new stores were opened throughout the year, including 57 directly-operated stores and 143 franchised stores; 154 inefficient stores were proactively closed, including 32 directly-operated stores and 122 franchised stores, achieving a net increase of 46 outlets.

During the period under review, the Group actively sorted out inefficient stores for the convenience store segment, and made strategic optimisation and adjustments to stores in certain regions to adapt to market changes. 16 new stores were opened throughout the year, including 6 directly-operated stores and 10 franchised stores; 108 stores were closed, including 44 directly-operated stores and 64 franchised stores; resulting in a net decrease of 92 outlets.

Management Discussion and Analysis

Product: Deep Reform & Innovation Drive

During the period under review, the Group closely followed the core product strategy of “Deep Reform & Innovation Drive”, and took the reshaping of a new supply chain as the key engine to comprehensively build the core competitiveness of products. The Group innovatively implemented the “1+1+1” three-tier hit product incubation strategy, that is, focusing on “1 strategic JBP large single product + 1 growing brand large single product + 1 cultivating proprietary brand (PB) large single product”, to create a core single product matrix with clear levels and relay growth. At the same time, the Group launched a special cultivation plan for “Top 100 Single Products” in key regions, and promoted the implementation of the strategy through resource allocation and precise operations. It realised the transformation of the supply chain from “passive response” to “proactive leadership”, continuously fortified the product moat, and injected strong momentum into innovation development.



During the period under review, the Group made multi-dimensional efforts in the fields of product innovation and marketing, successfully created multiple operational highlights, and achieved a simultaneous enhancement of brand influence and sales effectiveness. The “Gold Medal Picks (金牌挑手)” series gained outstanding market buzz and consumer recognition through a combined strategy of omni-channel layout, scenario-based pop-up operations, and hot-spot linked communication; Featured exhibitions deeply linked core resources of origins, introduced high-quality regional characteristic agricultural products, effectively activated terminal customer traffic, and achieved a synergistic enhancement of brand reputation and sales performance; The annual core hit product incubation precisely anchored the positioning of seasonal, high-quality, and highly cost-effective hit products. Relying on omni-channel differentiated operations and the creation of immersive consumption experiences, it successfully launched phenomenal single products, and in the process, accumulated a reusable hit product incubation methodology system.

During the period under review, the Group actively promoted regional companies to base themselves on local endowments and implement differentiated category operations. Zhejiang region deeply cultivated core fresh produce categories, promoted standardised category operations, deepened the large single product strategy, and achieved a dual enhancement of operational efficiency and proprietary brand value; Guangxi region focused on the construction of an independent supply chain, and effectively enhanced the core competitiveness of products and improved the overall profitability level through refined cost control and price strategy optimisation.

Marketing – Ten-Billion Traffic and Gold-Standard Audience Expansion (百億引流 金牌破圈)

During the period under review, the Group advanced its core marketing strategy—“Ten-Billion Traffic and Gold-Standard Audience Expansion”—implementing multi-dimensional initiatives that delivered double breakthroughs in both traffic and sales performance. On the one hand, the Group prioritized key categories and key products through the precision distribution of consumer vouchers, while spearheading themed marketing under the “Bailian Shanghai Quality Goods (百聯滬上優品)” brand. By capitalizing on the viral “Chef of China (一飯封神)” IP, these efforts effectively accelerated sales conversion. On the other hand, it deepened marketing synergy with core JBP suppliers, carried out more than 20 thematic activities throughout the year, and significantly enhanced brand buzz and effectively attracted young customer groups to stores through the dual empowerment of celebrity effects and popular resources.

During the period under review, the Group effectively enhanced brand influence and user loyalty through full-chain marketing layout and regional precise operations, laying a solid foundation for performance growth. On the one hand, the Group actively integrated subsidy resources from third-party platforms and superimposed its own selected promotional resources, significantly enhancing the competitiveness of its online business. This move achieved remarkable results on mainstream platforms such as Meituan and Taobao Flash Sales, driving a substantial increase in customer traffic and order volume. On the other hand, the Group deeply advanced regional differentiated operations. In the Zhejiang region, through continuous deep cultivation of member operations, it achieved rapid expansion of the global member scale and high-speed growth of transaction volume in new media channels, among which the Douyin local life business standing out as a particular highlight. In the Guangxi region, it attracted customers through new media content marketing and product trial customer acquisition, and combined with the rejuvenation of terminal scenarios, successfully strengthened the hit product mindset, driving counter-trend growth in customer traffic at some stores.

Cost Control – Focusing on Key Areas and Refined Control

During the period under review, the Group closely followed the core cost control strategy of “Focusing on Key Areas and Refined Control”, took lean cost management as the starting point, implemented systematic control over full-chain expenses, and focused on tackling rental costs, a core rigid expenditure, with remarkable results. During the period under review, through full-dimensional sorting, the Group built a closed-loop control system of “global screening – precise tackling – long-term solidification”, locked in target stores for rent optimisation by region and business format in layers, and coordinated various regions to carry out professional rent reduction negotiations in combination with operating data and fair market conditions. At the same time, it replicated and promoted mature experiences in core regions, and embedded standardised control clauses in lease renewals and new signings to achieve normalised and long-term management of rental costs. Various regions efficiently collaborated to promote the implementation of various initiatives, effectively reducing the burden on the Group’s overall operations and alleviating operational pressure. Furthermore, through systematic control, it continuously optimised the cost structure, enhanced operational resilience and profit margins, and laid a solid cost foundation for the implementation of the Group’s overall strategy.



Management Discussion and Analysis

Digitalisation – ABI-Driven and Proactive Insights

During the period under review, the Group achieved a strategic leap in digital capabilities from “passive data presentation” to “proactive business insights” through four core initiatives: “ABI intelligent report analysis platform, store workbench, knowledge base + intelligent Q&A, and precision marketing”. First, the officially launched “ABI intelligent report analysis platform” constructed a panoramic data report of “business + finance + operations” through a multi-dimensional linked data system, achieved cross-departmental data synergy and caliber consistency, and generated actionable business improvement suggestions relying on AI algorithms; Second, the “store workbench”, which has entered the pilot stage, synchronously built full-chain closed-loop management capabilities, covering the full-process digital operations of fresh produce categories from procurement and supply, logistics and distribution, store acceptance to headquarters control. It achieved refined management and efficient synergy through scenario-based empowerment, while continuously optimising business processes with data-driven feedback; Third, the continuously advanced “precision marketing” project generated personalised marketing videos and copywriting content with the AI technology, and carried out intelligent and precise delivery across multi-channel digital media based on profiles; Fourth, the continuously iterated “knowledge base + intelligent Q&A” system provided 24-hour instant knowledge support for store employees, effectively achieving cost reduction and efficiency improvement.



Employment, Training and Development – Improving Quality, Increasing Efficiency, Reducing Costs and Increasing Profits

As at 31 December 2025, the Group had a total of 18,630 employees. The total labour costs amounted to approximately RMB1,635,338 thousand.

During the period under review, the Group acted in full strength from organisational optimisation, employment management and control and salary incentive to talent construction by focusing on the core human resources strategy of “improving quality, increasing efficiency, reducing costs and increasing profits”, achieving a significant improvement in the efficiency of human capital. In terms of improving organisational and personnel efficiency, the Group completed the structural integration and functional merger between the headquarters and the core areas, and incorporated the e-commerce business module into the digital operation system for unified management, further strengthening the cross-departmental collaboration foundation. In terms of staffing and employment management, the Group optimised the staffing of stores and piloted flexible employment through the dual-track parallel of total precise control and flexible employment mode, effectively controlling the rigid cost while enhancing the flexibility of employment and improving the efficiency of human capital. The integration of the salary and welfare system and the improvement of the subsidy system, which were promoted synchronously, further enhanced employees’ sense of acquisition. The Group also built a systematic training system based on business needs to continuously improve the professional competence of employees and the overall efficiency of the organisation. In terms of the performance and incentive level, the Group expanded the incentive coverage by upgrading the assessment rules and implementing the incentive mechanisms such as “super partner”, effectively stimulating the organisational vitality. In terms of the construction of cadre team, the Group continuously optimised the age structure and the echelon configuration, accelerated the development of key talents through job rotation and cross-departmental exchanges, and strengthened the mechanism of employment supervision and

talent evaluation, thus solidifying the foundation for organisational talents. The Group not only intensified its support for the realisation of the operation goal of “reducing costs and increasing profits” through the above comprehensive and systematic human resources measures, but also provided a solid talent and organisational guarantee for the implementation of the strategy through the overall upgrading of organisational capabilities.



Major Risks

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

Operational Risk

At present, the physical retail industry has entered the stage of stock competition, consumers’ shopping habits have shifted towards online stores, e-commerce channels have penetrated deeply, and new business formats such as member stores and discount stores have accelerated the diversion of market share. Affected by the complexity of macro-economic environment and weak expectations of residents’ income and expenditures, the consumption will recover at a slow pace, with consumption decision-

making being more rational and overall sales growth under pressure. In terms of the supply chain, there is still room for improvement in the consumer adaptability of the Group’s product development, differentiated procurement and self-owned brand operation, and the loss control and the operational efficiency is subject to optimisation. In the process of supply chain integration and digital upgrading, the Group may face phased adaptation and adjustment, and the coordinated timing of enterprise transformation and consumption change also requires adaptation. In the face of industry competition, weakened market demand and potential challenges in the optimisation of supply chain, the Group continued to promote strategic transformation, but there were still uncertainties in the recovery of sales scale and comprehensive income, and the pressure on market share may continue.

Mitigating Measures

In view of the above risks, the Group will adhere to the “consumer-centered” principle to strive to build a differentiated product system and immersive scenario experience to stabilise and expand its core customer base. The Group will deepen the improvement of stores and the innovation of business formats, strengthen the capacity building of the fresh produce supply chain and the development of its own brand, and improve the product power and the operational efficiency. The Group will comprehensively promote cost reduction and efficiency improvement, accelerate the construction of the whole chain of digital empowerment business, optimise the organisational structure and the incentive mechanism, and stimulate the endogenous motivation of the team. Through the overall implementation of strategic transformation projects, the Group will promote the coordinated efforts of scenarised transformation, supply chain upgrading and diversified innovation, realise the supply of high-quality goods and the construction of modern retail system, steadily improve the quality and efficiency of operations, and practice the corporate vision of “increasing our customers’ loyalty to us” (讓消費者更喜愛我們).

Management Discussion and Analysis

Risks of Development of Sales Network

Due to the intensified competition in the supermarket retail industry, the online retail continuously replaced the retail share of the offline market, and the offline market was gnawed away by new business format models. The Group adjusted its overall strategic planning, improved the overall quality of sales network, and closed some stores, resulting in a decrease in overall sales scale.

Mitigating Measures

The Group focused on the core area of the Yangtze River Delta region and promoted the transformation and empowerment of the main business formats through multi-dimensional improvement and reform measures, achieving the optimisation and upgrading of business formats: the hypermarket segment continued to transform towards “small-scale and community-based” stores, the supermarket segment adopted a more refined operation mode, the convenience store segment maintained stable scale development, and the franchise business developed towards intensification. On the one hand, the Group steadily advanced the expansion of outlets. The Group opened a total of 216 new stores, and 147 of the new stores were located in the Yangtze River Delta region, accounting for 68.1% of the new stores. On the other hand, in order to adapt to changes in the market environment and improve the overall quality of outlets, the Group actively sorted out inefficient outlets in an orderly manner, promoted the optimisation of outlet structure and the improvement of cost efficiency. A total of 266 stores were closed. The total number of outlets of the Group at the end of the reporting period was 3,067, representing a net decrease of 50 outlets as compared with the end of last year.

Risks of Organisation and Incentive Plan

The organisation structure is required to be further optimised, and the efficiency of management and configuration is still required to be improved. We are still facing difficulties such as ageing staff structure, overall low income of staff and insufficient incentives

in remuneration. The talent shortage in key positions still exists. There is a challenge to strike a balance between talent reserve and labour cost control.

Mitigating Measures

The Group promoted the organisational reorganisation plan of the headquarters and its member enterprises, and improved the efficiency of management and allocation. The Group further optimised the organisational structure and dynamically optimised the staffing model, so that the labour cost was further controlled within the budget. The Group pushed forward the construction of a younger professional echelon team in the headquarters, built a competency model and a cultivation system for key positions, and deepened the post-job cultivation mechanism for management trainees. The Group made innovation in the incentive model, optimised the evaluation rules and strengthened the performance linkage.

Risks of Digital Transformation and Process Recreation

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

Mitigating Measures

The Group promoted the comprehensive digital empowerment, deeply integrated the whole business chain, comprehensively promoted the process of Lianhua's digital intelligence by taking data as the cornerstone and AI as the engine, built multi-format and multi-channel product and supply chain management, established a cloud library of product digital assets, piloted one-stop management of store operations, realised digital closed loop of the full link of fresh produce, realised the automatic replenishment of products, intelligently controlled inventory health, and launched an AI+BI (artificial intelligence + business intelligence) intelligent report analysis platform.



Compliance Risk Management

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

Foreign Exchange Risk Management

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

Strategy and Planning

The year 2026 is the first year of China's "15th Five-Year Plan". It is of great strategic significance to increase efforts in economic task and achieve a "good start". It is expected that the Chinese government will continue its positive orientation, make efforts to promote balanced development of both ends of supply and demand, and lay a solid foundation for high-quality development. It is expected that China's consumer market will show the distinct characteristics of "rational upgrading" and

"experience revitalisation" in parallel, and the Chinese government will continue to promote the evolution of consumer behavior towards the online, content and socialisation directions, and drive the transformation of consumption structure from restorative growth to quality and efficiency improvement.

To this end, in 2026, the Group will make great efforts to promote the transformation of its operation model from the traditional operation paradigm to the new paradigm of "focusing on customer demand and aiming at sustainable growth", and lay a solid foundation for development through four core transformations, so as to fundamentally shape the core competitiveness of supermarkets for the future: firstly, the profit model will gradually shift from channel fee dependence to comprehensive income improvement; secondly, the operation orientation will gradually shift from supplier-driven to consumer demand-driven; thirdly, the focus of value will gradually shift from scalable sales expansion to single-store profitability and quality improvement; fourthly, the growth logic will gradually shift from cost control driving to value growth driving.

In 2026, the Group will continue to focus on the core goal of steady revenue growth, adhere to the principle of customer-oriented thinking, and deepen the precipitation of Lianhua brand's value. We will rely on the chain-oriented network layout and the mature store type system to enhance the product power, service capabilities and operational capabilities through digital comprehensive empowerment. Meanwhile, we will cohere the consensus of organisational culture, and strengthen the dual-wheel driving of organisational power and cultural power, so as to ensure the effective achievement of the Group's strategic goals. To this end, the Group will take a series of strategic measures: firstly, the Group will improve the strategic layout of brand, temper the brand mind, and comprehensively enhance the product power to build differentiated advantages. Meanwhile, the Group will improve the customer service experience to enhance the brand stickiness, and strengthen the overall operation capability to improve the efficiency of stores. On this basis, the Group will deepen the construction of store model to consolidate and expand the scale of outlets, promote the in-depth integration of digitalisation and the whole business chain, and accurately focus on real-time retail opportunities to improve the efficiency of

Management Discussion and Analysis

online business. In addition, the Group will stimulate the endogenous motivation by activating agile teams, systematically coordinate strategic transformation projects to ensure the implementation of key projects, and deepen compliance management to build a comprehensive risk control system and lay a solid foundation for safe development.

In 2026, the Group will take “empowerment with digital intelligence, quality and efficiency improvement” as the core development guideline, solidify the foundation for development in deeply cultivating the main business, and explore new opportunities for growth through innovative breakthroughs. The Group will continue to consolidate its core competitive advantages, comprehensively improve its operating quality and efficiency, and strive to reach a new level of high-quality development. With the high-spirited attitude of “starting a new journey with wisdom and intelligent technology and working together to create brilliance”, the Group will work hand in hand with all colleagues to jointly write a brand-new glorious chapter of the Group’s development.

Material Investments and Acquisitions

On 23 April 2021, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement with Shanghai Securities Co., Ltd. (上海證券有限責任公司, the “Shanghai Securities”), pursuant to which, the Company and Shanghai Securities agreed on the investment and wealth management cooperation, for a term commencing from 23 April 2021 to 31 December 2023 (both days inclusive). Pursuant to the terms of the Investment and Wealth Management Cooperation Framework Agreement, Hangzhou Lianhua Huashang Group Co., Ltd. (杭州聯華華商集團有限公司, the “Lianhua Huashang”) entered into the Single Asset Management Contract dated 8 July 2021 with Shanghai Securities and the Custodian Bank in relation to the setting up of the Scheme and the investment and management of Entrusted Assets by Shanghai Securities for the benefit of Lianhua Huashang.

As the Single Asset Management Contract expired on 31 December 2023, Lianhua Huashang entered into the Supplemental Agreement with Shanghai Securities and the Custodian Bank on 27 September 2023, to renew the Single Asset Management Contract in relation to the provision of the asset management and investment services for the Entrusted Assets by Shanghai Securities and the Custodian Bank and make certain amendments to the Single Asset Management Contract, for an extended term of 3 years commencing from 1 January 2024 to 31 December 2026 (both days inclusive), pursuant to which, Shanghai Securities will invest and manage the Entrusted Assets that entrusted to it by Lianhua Huashang, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines provided under the Single Asset Management Contract (as supplemented and revised). As at 15 September 2023, the balance of net assets of the Scheme in the escrow account maintained by the Custodian Bank was RMB698.6236 million. Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, which has been paid in full by no later than 29 February 2024.



As at 31 December 2025, the fair value of the Group's investment in the above-mentioned asset management was approximately RMB1,357,992.6 thousand, accounting for more than 5% of the Group's total assets, reaching 7.54%. Amongst which, as at 31 December 2025, the Group's investment cost was approximately RMB1,300,003.1 thousand, and the unrealized profit or loss was approximately RMB57,989.5 thousand. In addition, there was no realized profit or loss and no dividend was received from it. The Group has achieved good returns through the Single Asset Management Contract (as supplemented and revised), and has established a good cooperative relationship with Shanghai Securities in this process. The Group will continue to entrust Shanghai Securities to manage the Entrusted Assets for the Group without affecting its daily operating liquidity and obtaining authorization from the shareholders' meeting.

Save as disclosed in this report, as at 31 December 2025, the Group has no significant investment and has no plans for major investment or acquisition of assets.

Material Acquisitions and Sales of Assets

On 19 November 2025, the Yangpu Century Lianhua Equity Transfer Agreement (the "Yangpu Century Lianhua Equity Transfer Agreement") was entered into between Shanghai Dongran, an indirect wholly-owned subsidiary of Bailian Group, as the Purchaser, and Century Lianhua Development, a direct wholly-owned subsidiary of the Company, as the Vendor, in relation to the proposed disposal of the entire equity interest in Shanghai Century Lianhua Supermarket Yangpu Co., Ltd. (the "Yangpu Century Lianhua"), for an aggregate consideration in the amount of approximately RMB78.2860 million. Upon completion of the equity transfers under the relevant disposals contemplated under Yangpu Century Lianhua Equity Transfer Agreement, Yangpu Century Lianhua will cease to be a subsidiary of the Company.

The Company intends to use the entire proceeds from the Disposal for replenishment of working capital. For details, please refer to the announcements of the Company dated 5 and 19 November 2025 and the circular of the Company dated 3 December 2025.

On 18 December 2025, the Yangpu Century Lianhua Equity Transfer Agreement and the disposal matters thereunder were reviewed and approved by the independent shareholders at the extraordinary general meeting of Shareholders of the Company held on 18 December 2025. For details, please refer to the announcement of the Company dated 18 December 2025. As of 31 December 2025, the equity transfers under the relevant disposals under the Yangpu Century Lianhua Equity Transfer Agreement had not yet been completed, but it had been finalized by the date of this report.

Save as disclosed in this report, as of 31 December 2025, the Group did not have any significant acquisitions and disposals of other subsidiaries and related companies in this financial year.

Future Plans for Material Investments or Capital Assets

There were no plans for material investments or capital assets as at 31 December 2025. However, in view of the challenging future environment, the Group will continue to look for new business opportunities to supplement and upgrade its existing business.

Environmental Policy, and Performance and Compliance of Laws and Regulations

Details of the environmental policy and performance of the Group in 2025 are set out in the Environmental, Social and Governance Report on pages 230 to 328 of the annual report.

The Group strives to comply in all material respects with the relevant laws and regulations which are regarded as having a significant impact on the Group, and did not encounter material breach or non-compliance during the period under review.

Management Discussion and Analysis

Subsequent Events

From 1 January 2026 to the date of the annual report, there was no non-financial event that may cause material effects on the results of the Company required to be disclosed.

Additional Issuance of Domestic Shares and Usage of Raised Funds

On 11 May 2024, the Company convened the fifth meeting of the eighth session of the Board of Directors of the Company, and deliberated and passed the relevant proposals on the issuance of domestic shares. On 12 May 2024, the Company entered into the Share Subscription Agreement (the “Share Subscription Agreement”) with Bailian Group, the controlling shareholder of the Company. On 27 August 2024, the above-mentioned issues related to the issuance of domestic shares were reviewed and approved by the extraordinary general meeting of shareholders of the Company.

According to the terms of the Share Subscription Agreement, the Company has conditionally agreed to issue not more than 360,000,000 new domestic shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new domestic shares at the subscription price of RMB1.00 per new

domestic share. The subscription price of RMB1.00 (equivalent to about HK\$1.10051) per subscription share is about 249.37% higher than the closing price of approximately HK\$0.315 per share quoted by H shares on the Stock Exchange on 10 May 2024 (the last complete trading day immediately before the date of the Share Subscription Agreement), and these shares will be entrusted to Shanghai Bailian Group Co., Limited for management according to the Equity Entrustment Agreement. For details, please refer to the announcement of the Company dated 12 May 2024 and the circular of the Company dated 31 July 2024.

The issuance of domestic shares was completed on 25 February 2025 according to the terms and conditions of the Share Subscription Agreement. The total number of shares of the Company increased from 1,119,600,000 to 1,479,600,000, of which the number of issued domestic shares and unlisted foreign shares increased from 747,000,000 to 1,107,000,000. For details, please refer to the announcement of the Company dated 25 February 2025.

The issuance of domestic shares this time will provide necessary financial support for the potential reform, transformation, and future sustainable development of the Company. Bailian Group can more efficiently and



flexibly support the long-term business development of the Company, promote the strategic transformation of the Company, and create greater value for all shareholders. Supplementing working capital can enhance the capital strength of the Company, effectively broaden the channels for capital reserves, and cope with potential industry fluctuations in the future. At the same time, the issue of subscription shares and the domestic share subscription will effectively reduce the gearing ratio of the Company, optimise the capital structure, improve the overall financial position of the Company and lower the financial risks.

The total amount of funds raised from the subscription of domestic shares by the Company is approximately RMB360 million (equivalent to approximately HK\$396

million). After deducting related costs and expenses, the expected net amount of funds raised from the subscription of domestic shares is approximately RMB357 million (equivalent to approximately HK\$393 million). The net subscription price per new domestic share (i.e. the net proceeds from each subscription share) is RMB0.99 (equivalent to HK\$1.09).

On 9 January 2025, the Company received the funds raised for the additional issuance of domestic shares. During the year ended 31 December 2025, the funds raised have been used in accordance with the method and schedule set out in the section "Proceeds" in the circular of the Company dated 31 July 2024. As at 31 December 2025, the use of the funds raised from the additional issuance of domestic shares was as follows:

Planned use of raised funds		Amount invested plan of raised funds (RMB million)	Percentage of total amount	Amount invested during the reporting period (RMB million)	Amount not invested by the end of the reporting period (RMB million)	Expected timetable for the completion of the use of raised funds
Business ecological transformation	Conversion of supermarket outlets	140.0	39.2%	55.5	84.5	On or before 31 December 2026
	Conversion of Hypermarket outlets	125.0	35.0%	44.9	80.1	On or before 31 December 2026
	Digital transformation	38.0	10.8%	30.5	7.5	On or before 31 December 2026
General working capital	–	54.0	15.0%	54.0	0.0	
Total		357.0	100.0%	184.9	172.1	



COMMUNiCATION



Profiles of Directors, Supervisors and Senior Management

Executive Directors

Ms. Wang Xiao-yan, aged 53, holds a bachelor's degree in Laws majoring in administrative management from the International Politics Department of Fudan University and is a senior economist. From July 1996 to April 2004, Ms. Wang worked for Shanghai Yibai (Group) Co., Ltd.* (上海一百(集團)有限公司). From April 2004 to March 2018, Ms. Wang worked for Shanghai Bailian Group Co., Limited* (上海百聯集團股份有限公司) ("Shanghai Bailian", a company listed on the Shanghai Stock Exchange, stock code: 600827/900923), where she served successively as the deputy general manager of Huxi Shopping Centre and Orient Shopping Centre, the general manager and the secretary of the party general branch of Orient Shopping Center Nandong Store and the assistant to the general manager and deputy general manager of Shanghai Bailian. Since March 2018, Ms. Wang has been working in Bailian Omni-channel E-commerce Co., Ltd.* (百聯全渠道電子商務有限公司) as chief operating officer, deputy general manager, executive deputy general manager, general manager, the party secretary and general manager successively. From February to November 2024, Ms. Wang was concurrently the senior director of the commercial internet department of Bailian Group Co., Ltd.* ("Bailian Group", 百聯集團有限公司). Ms. Wang has extensive experience in offline store management and online digital management in large business enterprises. Ms. Wang has been an executive director and the general manager of the Company on 27 November 2024 and has been the vice chairman of the Board since 5 December 2024.

Ms. Zhang Hui-qin, aged 52, holds a degree of Master of Science in Quality Management of the Hong Kong Polytechnic University and a postgraduate degree, and is a professorate senior economist. Ms. Zhang Hui-qin has abundant operation and management experience in the retail commercial field. From August 1996 to June 2003, Ms. Zhang Hui-qin successively worked with Jiayou Supermarkets of Hangzhou Department Stores Company* (杭州百貨總公司家友超市) as deputy superintendent of operation department, deputy store manager of Wensan Store, chief of Qingchun Store and assistant to the manager of operation department. From June 2003 till now, Ms. Zhang Hui-qin worked with Lianhua Huashang as deputy manager of operation department, manager of operation department, assistant to the general manager, deputy general manager, executive deputy general manager, general manager, secretary of the Party Committee, vice chairman and chairman. From May 2016 to April 2021 and since November 2024, Ms. Zhang Hui-qin had been deputy general manager of the Company, and served as executive deputy general manager of the Company from April 2021 to November 2024. Ms. Zhang Hui-qin has been an executive director of the Company and the vice chairman of the Board since 7 February 2024. Ms. Zhang Hui-qin has resigned as the vice chairman of the Board on 27 November 2024.

Mr. Zhu Ding-ping, aged 49, holds a Master of Business Administration in Business Administration for Senior Executives from Jinan University. From July 1996 to December 2006, Mr. Zhu worked in Guangdong Minglin Pharmaceutical Co., Ltd.* (廣東明林藥業有限公司), was responsible for the China brand promotion and sales of Hong Kong Nin Jion Medicine, and successively served as regional, large-regional and headquarters sales director. From February 2007 to July 2017, Mr. Zhu worked in Health and Happiness (H&H) International Holdings Limited ("H&H Holdings", a company listed on the Stock Exchange (stock code: 1112)), and successively served as Biostime national senior sales director, Biostime brand division general manager, China general manager. From August 2017 to February 2021, Mr. Zhu served as the executive president of H&H Holdings for baby nutrition and care products and China region. From March 2021 to August 2021, Mr. Zhu served as CEO of Hangzhou COCO Healthcare Products Co., Ltd.* (杭州可靠護理用品股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 301009)). From September 2021 to February 2024, Mr. Zhu worked in Mead Johnson China business group, and successively served as chairman and general manager of Mead Johnson Nutrition (China) Co., Ltd.* (美贊臣營養品(中國)有限公司), Mead Johnson Infant Nutrition R&D Center (China) Co., Ltd.* (美贊臣嬰兒營養品研發中心(中國)有限公司), Mead Johnson Infant Nutrition Technology (Guangzhou) Co., Ltd.* (美贊臣嬰兒營養品技術(廣州)有限公司), Mead Johnson E-Commerce Technology (Guangzhou) Co., Ltd.* (美贊臣電子商務科技(廣州)有限公司), Mead Johnson Dairy (Tianjin) Co., Ltd.* (美贊臣乳業(天津)有限公司), and Tianjin Mengyang Biotechnology Co., Ltd.* (天津市蒙羊生物科技有限公司), and president of Mead Johnson China business group. From March 2024 to December 2024, Mr. Zhu served as the senior advisor of Mead Johnson China business group. Mr. Zhu was appointed as an executive director and the executive deputy general manager of the Company on 7 January 2025. Mr. Zhu has resigned as an executive director and the executive deputy general manager of the Company on 5 January 2026.

Non-executive Directors

Mr. Pu Shao-hua, aged 55, Bachelor of Arts, senior economist, is currently the secretary of the Party Committee, chairman and president of Bailian Group. Mr. Pu served as general manager of Shanghai Ocean Fishery Co., Ltd. and deputy general manager of Shanghai Deep Sea Fishery Co., Ltd., director of foreign economic department of Shanghai Municipal Commission of Commerce, director of foreign economic department of Shanghai Economic Commission, director of the commercial industry management office Shanghai Municipal Commission of Commerce, director of the foreign trade development office of the Shanghai Municipal Commission of Commerce, president and deputy secretary of the Party Committee of Shanghai Fisheries Group Co., Ltd., secretary of the Party Committee, chairman and president of Shanghai Fisheries Group Co., Ltd., secretary of Party Committee, chairman of the board of Bright Dairy Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600597) and other positions. Mr. Pu has been a non-executive director of the Company and the chairman of the Board since 12 November 2021.

Profiles of Directors, Supervisors and Senior Management

Ms. Shen Chen, aged 43, graduated from Fudan University and Columbia University in the United States with a Bachelor's degree in Economics and an MBA degree respectively, and is a chartered financial analyst (CFA). She is currently the Investment Director of the Strategic Investment Department of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司, the "Alibaba Group") (a company listed on the New York Stock Exchange under the stock code of BABA, and on the Stock Exchange under the stock code of 9988 (HKD Counter) and 89988 (RMB Counter)). Ms. Shen joined Alibaba Group in 2018. Prior to joining Alibaba Group, Ms. Shen served as a senior investment officer at the World Bank, and manager and vice president of CDH Investments. Ms. Shen also serves as a non-independent director of YTO Express Group Co., Ltd. (圓通速遞股份有限公司) (a company listed on the Shanghai Stock Exchange under the stock code of 600233), a non-independent director of Suning.com Co., Ltd. (蘇寧易購集團股份有限公司) (a company listed on the Shenzhen Stock Exchange under the stock code of 002024), a director of Sanjiang Shopping Club Co., Ltd.* (三江購物俱樂部股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 601116), a director of New Huadu Technology Co., Ltd.* (新華都科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002264) and a director of Smart Share Global Limited (a company listed on the NASDAQ in the United States, stock code: EM). Ms. Shen has been a non-executive director of the Company since 24 September 2024.

Mr. Cao Hai-lun, aged 54, has a master's degree majoring in the World Economy from the Graduate School of the Party School of the Central Committee of C.P.C. Mr. Cao is currently a director, the deputy secretary of the Party Committee and the general manager of Shanghai Bailian. From July 1994 to January 2002, Mr. Cao worked in Shanghai No. 1 Department Store, Jiangyin Store, Donglou Store, etc. From January 2002 to March 2004, Mr. Cao served as the assistant general manager and deputy general manager of Shanghai No. 1 Department Store. From March 2004 to January 2008, Mr. Cao served as the deputy general manager of Shimao International Plaza, the general manager of New Hualian mansion and the deputy general manager of Bailian Central Shopping Plaza. From January 2008 to June 2014, Mr. Cao was the general manager of the operation and management headquarters of Shanghai Bailian. From June 2014 to June 2016, Mr. Cao served as the deputy director of the operation management department and brand management department, and the executive deputy director of the economic operation department of Bailian Group Co., Ltd.* (百聯集團有限公司). From June 2016 to March 2018, Mr. Cao was the secretary of the party branch, deputy general manager and chairman of labour union of Shanghai Bailian Bulk Commodities Company* (上海百聯大宗商品公司). Since March 2018, Mr. Cao has been the deputy general manager and the general manager of Shanghai Bailian, and since March 2024, Mr. Cao has been a director of Shanghai Bailian. Mr. Cao has extensive experience in business management in commercial retail industry. Mr. Cao has been a non-executive director of the Company since 5 December 2024.

Profiles of Directors, Supervisors and Senior Management

Ms. Yang Qin, aged 43, holds a bachelor's degree of management majoring in accounting and a master's degree of business administration from the accounting department, and the business administration department of the school of management of Fudan University respectively, and is a Chinese Certified Public Accountant. Ms. Yang is currently the chief financial officer of Shanghai Bailian. From July 2005 to February 2011, Ms. Yang worked in Deloitte Touche Tohmatsu as an audit manager. From February 2011 to September 2018, Ms. Yang worked at Red Star Macalline Furniture Group Company Limited* (紅星美凱龍家具集團股份有限公司) (a company listed on the Shanghai Stock Exchange under the stock code of 601828 and on The Stock Exchange of Hong Kong Limited under the stock code of HK.1528), where she served as the deputy general manager of the financial management center and the financial director of the financial management center. From September 2018 to June 2023, Ms. Yang worked for Red Star Macalline Holdings Group Limited* (紅星美凱龍控股集團有限公司), where she served as the chief financial officer and chief executive officer. From October 2018 to July 2021, Ms. Yang was concurrently the chief financial officer of Chongqing Red Star Macalline Enterprise Development Co., Ltd.* (重慶紅星美凱龍企業發展有限公司). From June 2023 to present, Ms. Yang has served as the chief financial officer of Shanghai Bailian. From June 2023 to April 2026, Ms. Yang has served as secretary to the board of directors of Shanghai Bailian. From June 2024 to July 2025, Ms. Yang served as a director of Shanghai Bailian. Ms. Yang has financial management experience in large multi-sector group companies and listed companies. Ms. Yang has been a non-executive director of the Company since 24 May 2024.

Mr. Wong Tak Hung, aged 73, is the president of Wong Sun Hing Investment Co., Ltd. (王新興投資有限公司). From 1970 to 1978, Mr. Wong was the manager of Sun Hing Textile Factory (新興毛紡織造廠), and from 1978 to 1990, he was the managing director of Wong Sun Hing Company Limited (王新興有限公司). Since 1990, he has been the president of Wong Sun Hing Group (王新興集團). He has also been the chairman of Shenzhen Xin Xing Entrepreneurship Guarantee Company Limited (深圳新興創業擔保有限公司) since 2003 and he has been the chairman of Guangzhou Wanling Properties Company Limited (廣州市萬菱置業有限公司) since 2004. Since 2005, he has also been the chairman of Wanling Industrial (Guangdong) Company Limited (萬菱實業(廣東)有限公司). Mr. Wong joined the Group in April 1997, and he has over 30 years of business experience. Mr. Wong has resigned as a non-executive director of the Company on 7 January 2025.

Profiles of Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. Xia Da-wei, aged 73, holds a master's degree in Economics and is a professor and PhD tutor. From July 1985 to September 2000, Mr. Xia served as a teacher, the assistant principal and the vice president of Shanghai University of Finance and Economics. From September 2000 to August 2012, he served as the dean of Shanghai National Accounting Institute. Mr. Xia served as a professor and PhD tutor of Shanghai National Accounting Institute since August 2012. Mr. Xia has also served as the vice president of China Industrial Economics Association, the consultant expert of Accounting Standards Committee of the Ministry of Finance, the vice president of Chinese Accounting Association, the vice president of China Association of Chief Financial Officers, the president of Shanghai Accounting Association, the honorary professor of Chinese University of Hong Kong, adjunct professor of School of Management of Fudan University, and member of the expert committee of listed companies of Shanghai Stock Exchange, and he enjoys government subsidies from the State Council. Mr. Xia has served as an independent director of Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 603885) from July 2017 to July 2023. Mr. Xia has served as an independent director of Guotai Junan Co., Ltd. (國泰君安股份有限公司) (a company listed on the Shanghai Stock Exchange and the Stock Exchange with stock code 601211 and

HK.2611, respectively) from May 2016 to May 2023, has been an external supervisor of Industrial Bank Co., Ltd. (興業銀行股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 601166) from May 2016 to May 2022, has served as an independent director of Yanggo Group Co., Ltd. (陽光城集團股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 000671) from December 2020 to August 2022 and has served as an independent director of Baoshan Iron and Steel Co., Ltd. (寶山鋼鐵股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600019) from April 2013 to September 2019. Mr. Xia has been an independent non-executive Director of the Company since September 2004.

Profiles of Directors, Supervisors and Senior Management

Mr. Lee Kwok Ming, Don, aged 68, is a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and an associate of the Chartered Institute of Management Accountants in the United Kingdom (英國特許管理會計師公會) and holds a master's degree of science in Business Administration from the University of Bath (英國巴富大學). He is now an independent non-executive director of Bossini International Holdings Limited (a company listed on the Stock Exchange with stock code HK.0592), Want Want China Holdings Limited (a company listed on the Stock Exchange with stock code HK.0151) and Tam Jai International Co. Limited (a company listed on the Stock Exchange with stock code HK.2217). Before his retirement in April 2020, he served as the financial director of Stella International Holdings Ltd. (九興控股有限公司, a company listed on the Stock Exchange with stock code HK.1836). Mr. Lee has held the position of financial director in various listed companies of the Stock Exchange and has more than 30 years of financial management experience and extensive experience in mergers and acquisitions, as well as corporate finance. He joined the Group in May 2003.

Mr. Chen Wei, aged 63, is the vice chairman of CGL, CEO of CGL management consulting business and the Professor of Management Practice at Peking University HSBC Business School (PHBS). Mr. Chen has served as an independent director of Linklogis Inc. (聯易融科技集團) (a company listed on the Stock Exchange, stock code: HK.9959) since March 2021. Prior to joining PHBS, Mr. Chen was the senior vice president for Didi Chuxing. Before Didi Chuxing, Mr. Chen served as executive vice president and Chief Human Resource Officer (CHRO) at Vanke Enterprises Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000002). Mr. Chen Wei started up the Hay Group consulting business in China and later served as managing director for Greater China and North East Asia. He became the global executive team member in 2009 and board member in 2013 of Hay Group. Mr. Chen Wei also worked for Coca Cola and Nike in marketing and general management earlier in his business career. Mr. Chen Wei holds a bachelor's degree in Psychology from East China Normal University and a master's degree in Workforce Learning and Development from Pennsylvania State University in USA. He has also graduated from AMP (Advanced Management Program) from Harvard Business School. Mr. Chen has been an independent non-executive director of the Company since 28 March 2018.

Profiles of Directors, Supervisors and Senior Management

Mr. Zhao Xin-sheng, aged 51, is a Chartered Professional Accountant (CPA) of Canada and Certified Information System Auditor (CISA). Mr. Zhao has been the managing director of Shanghai Think Bridge Business Consulting Co., Ltd. since October 2002. From September 1996 to September 2002, Mr. Zhao worked at the Audit and Business Advisory Department of Arthur Andersen, mainly responsible for the financial statement auditing of listed companies and multinational enterprises and business consulting in corporate risk and control. From 2010 to 2018, Mr. Zhao served as an independent director of Shanghai Yimin Commercial Group Co., Ltd. He has served as an independent director of Shanghai Bright Power Semiconductor Co., Ltd. (上海晶豐明源半導體股份有限公司) (a company listed on Shanghai Stock Exchange GEM with stock code 688368) from 22 May 2020 to October 2023. Mr. Zhao graduated from Shanghai University of Finance and Economics in 1996 with a bachelor's degree in Accounting. Mr. Zhao has rich experience in corporate accounting and financial consulting, human resources allocation, marketing, public relations, corporate merger and acquisition, risk management and internal control as well as legal compliance. Mr. Zhao has been an independent non-executive director of the Company since 29 March 2019.

Supervisors (On 18 December 2025, the Company convened an extraordinary general meeting and approved the abolishment of the supervisory committee. The membership of the supervisors of the supervisory committee was automatically revoked on the same day)

Mr. Li Feng, aged 55, is a senior auditor and holds a master's degree of Public Administration at the School of International Relations and Public Affairs of Fudan University. He is currently the senior director of audit and risk control center of Bailian Group. From 1993 to March 2020, Mr. Li worked in the Shanghai Audit Bureau, successively served as staff of Public Transport Audit Office, deputy chief staff member and chief staff member of the Foreign Investment Audit Office, the deputy director of the Law Department (Review and Hearing Office), the deputy director, third-level investigator and second-level investigator of the Law Department (Hearing Office) of the Shanghai Audit Bureau. Mr. Li has served as the senior director of the audit and risk control center of Bailian Group since June 2020. Mr. Li has been a supervisor of Shanghai Bailian since June 2020 and the chairman of the supervisory committee of First Pharmaceutical since October 2020. Mr. Li was appointed as a supervisor of the Company on 22 June 2020. He has been the chairman of the Supervisory Committee since 2 December 2021.

Ms. Tang Hao, aged 55, is a member of the Communist Party of China and a graduate student of the Graduate School of the Party School of the Central Committee of C.P.C., majoring in world economy. From August 1991 to March 2003, Ms. Tang Hao worked at the Second Chemical Supply Company of Shanghai Chemical and Light Industry Corporation, and served as a statistician, planner, and employee of the manager's office. From March 2003 to January 2007, Ms. Tang Hao worked at Shanghai Jingtong Chemical Co., Ltd., and served as deputy manager of the first branch, deputy manager of the second branch, and deputy manager of the rubber and plastic branch. From January 2007 to September 2014, Ms. Tang Hao worked at Shanghai Jingtong Chemical and Light Industry Development Co., Ltd. From January 2007 to February 2008, she served as the director of the General Office; from February 2008 to August 2009, she served as the assistant to the general manager and director of the General Office; from August 2009 to May 2010, she served as the deputy general manager; from May 2010 to May 2012, she served as the deputy general manager, deputy secretary of the general party branch and secretary of the discipline inspection committee; from May 2012 to September 2014, she served as the secretary of the general party branch, deputy general manager and secretary of the discipline inspection committee. From September 2014 to October 2017, she served as a member of the Party Committee of Shanghai Modern Logistics Investment and Development Co., Ltd. and an executive director, secretary of the general party branch and general manager of Shanghai Jingtong Chemical and Light Industry Development Co., Ltd. From October 2017 to October 2019, Ms. Tang Hao served as the deputy secretary of the Party Committee, secretary of the discipline inspection committee and chairman of the labor union of the Company. From October 2017 to October 2024, Ms. Tang Hao concurrently served as the Party Secretary of Shanghai Lianhua Quik Convenience Stores Co., Ltd. Since August 2018, Ms. Tang Hao concurrently served as the Chairman of Shanghai Lianhua Quik Convenience Co., Ltd. From October 2019 to March 2021, Ms. Tang Hao served as the Deputy Party Secretary of the Company (in charge of work). Since December 2019, Ms. Tang Hao has served as the supervisor of the Company. Since March 2021, Ms. Tang Hao has served as the Party Secretary of the Company. Ms. Tang Hao was appointed as the deputy general manager of the Company on 5 December 2024.

Mr. Luo Yang-hong, aged 45, holds an MBA from Hong Kong Baptist University. From July 2004 to April 2011, Mr. Luo served as senior audit manager of audit department of CIS Region of Huawei Technologies Co., Ltd.; From May 2011 to January 2014, he served as deputy general manager of the finance department of GCL (Group) Holdings Limited; From February 2014 to March 2017, he served as deputy general manager of regional financial cost of Wanda Commercial Management Co., Ltd. Shanghai Regional Company; From April 2017 to June 2020, he served as the deputy general manager of Shenzhen Ping An Integrated Financial Services Co., Ltd.; From September 2020 to February 2021, he served as the chief financial officer of Hengtai Business Management Group Co., Ltd.; From April 2021 to September 2022, he served as the chief financial officer of Shanghai Eye Control Technology Co., Ltd.; From October 2022 to October 2025, he has served as the deputy general manager of finance of Shanghai Bailian. Mr. Luo has been appointed as a supervisor of the Company on 15 June 2023.

Profiles of Directors, Supervisors and Senior Management

Company Secretary

Ms. Xu Xiao-yi, aged 48, is a senior accountant and certified public accountant, holds a master's degree in Business Administration from Shanghai University of Finance and Economics. Ms. Xu currently serves as the chief financial officer, the secretary of the Board, company secretary, the authorised representative of the Company under Rule 3.05 of the Listing Rules and the authorised representative of the e-submission system of the Stock Exchange. Ms. Xu successively served as the head of the finance department of Shanghai Friendship Department Store Co., Ltd. and the head of the finance department of the shopping center division of Bailian Group. From June 2006 to August 2019, she worked in Shanghai Bailian and successively served as the manager of the tax management department of the finance headquarters, assistant to the director of the audit center, deputy director of the audit center, director of the audit center and director of the audit and risk control department. She served as the executive deputy director of the financial management department of Bailian Group from August 2019 to May 2020. Ms. Xu served as the deputy chief financial officer of the Company from June 2020 to July 2022. Ms. Xu was appointed as the Secretary of the Board of Directors and authorized representative of the Company on 10 June 2020, served as a joint company secretary of the Company from 2 July 2020 to 1 July 2023, was appointed as the chief financial officer of the Company on 8 July 2022 and was appointed as the company secretary of the Company on 2 July 2023.

Senior Management

Mr. Dong Gang, aged 47, graduated from Wuchang University of Technology in 2015 with a bachelor's degree. From September 2003 to July 2015, Mr. Dong worked for Tesco China. From September 2003 to March 2006, he served as director of procurement and store general manager in Dalian; from March 2006 to November 2008, he was the store general manager in Shenyang; from November 2008 to May 2010, he was chief operating officer of Shandong Region; from May 2010 to July 2012, he served as chief operating officer of North China Region; from July 2012 to July 2015, he served as chief operating officer of Northeast Region. From November 2015 to August 2017, Mr. Dong acted as head of store operations in Shenzhen Shunfeng Commercial Co., Ltd. Mr. Dong has been appointed as the deputy general manager of the Company since September 2017.

Mr. Gu Feng-min, aged 55, holds an MBA from Fudan University. From October 1996 to May 2002, Mr. Gu worked in McDonald's as the operation manager of Northeast China. From July 2002 to October 2010, he worked in Lotte Mart., successively served as the general manager of Suzhou Taicang and Zhejiang Zhuji Shopping Center and the director of China Innovation and Development Department. From October 2010 to October 2013, he worked as city manager and operation director of online shopping mall in Tesco. Since October 2013, he has worked in Carrefour China. He has served as the manager of Changzhou Carrefour, the manager of Jinqiao Carrefour, the general manager of Anhui Southern District and the fresh pilot district of Central China, and the general manager of Jilin District of Heilongjiang Province and the fresh pilot district of Northeast China. Since October 2019, he has served as the senior director of the commodity management center of Carrefour China headquarters. Mr. Gu was appointed as the deputy general manager of the Company on 26 July 2022. Mr. Gu resigned as the deputy general manager of the Company on 24 July 2025.

Mr. Zhang Qi-qiang, aged 57, holds a bachelor's degree in international finance from Zhongnan University of Economics and Law. Mr. Zhang is currently the deputy secretary of the Party Committee, secretary of the Discipline Inspection Commission, head of the Human Resources Department, head of the Labor Union, director of the Jiangqiao Logistics Base Preparatory Office, and secretary of the Party Committee of Shanghai Lianhua Quik Convenience Stores Co., Ltd. From September 1991 to January 1998, Mr. Zhang worked in Shanghai Lianhua Supermarket Commercial Company (the former name of the Company), and served as a repairman, a receiver, a driver, a manager, and an assistant to the manager of the storage and transportation department II. From January 1998 to April 2000, Mr. Zhang worked in Shanghai Lianhua Supermarket Co., Ltd. (the former name of the Company), and served as an assistant to the manager of the storage and transportation department II and the deputy manager of the distribution department II. From April 2000 to March 2002, Mr. Zhang worked in Lianhua Supermarket Co., Ltd. (the former name of the Company), and served as the deputy manager of the logistics and distribution department and the deputy manager of the commodity distribution department of the commodity management headquarters. From March 2002 to July 2011, Mr. Zhang worked at Shanghai Lianhua Quik Convenience Stores Co., Ltd., and served as the manager of the logistics department, assistant to the general manager, deputy general manager and general manager of the Shanghai Direct Management Headquarters. From 2011 to September 2024, Mr. Zhang worked at the Company, and served as the director of the Jiangqiao Logistics Base Preparatory Office, the head of the Human Resources Department, the vice chairman of the labor union, and the head of the Human Resources Department and the vice chairman of the labor union. Since September 2024, Mr. Zhang has served as the deputy secretary of the Party Committee and the secretary of the Discipline Inspection Commission of the Company, and concurrently served as the head of the Human Resources Department, head of the labor union, and the director of the Jiangqiao Logistics Base Preparatory Office. Since October 2024, Mr. Zhang has concurrently served as the secretary of the Party Committee of Shanghai Lianhua Quik Convenience Stores Co., Ltd. Mr. Zhang has extensive practical experience in administrative management and party affairs management.

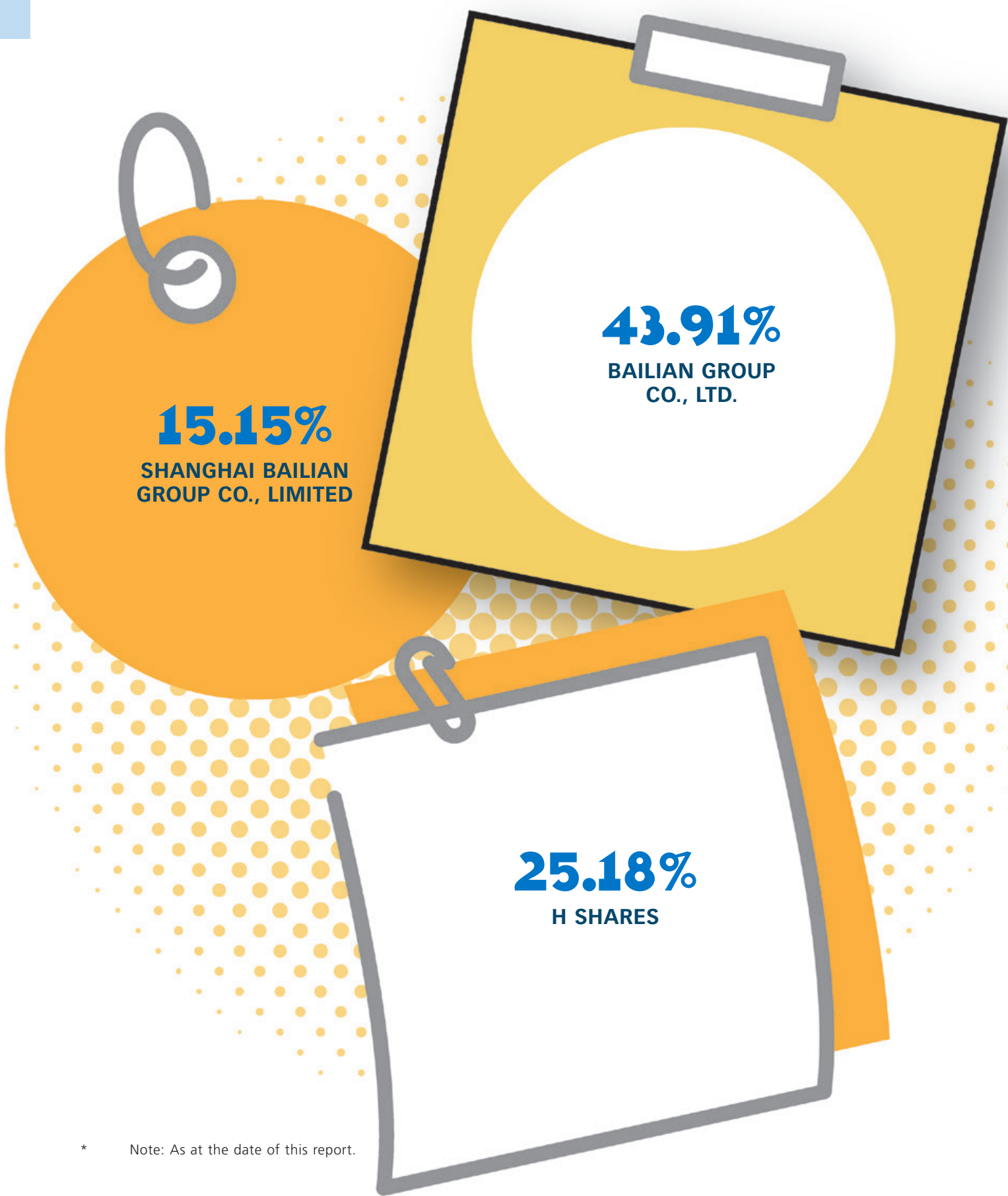
Profiles of Directors, Supervisors and Senior Management

Ms. Tang Hai-li, aged 48, holds a bachelor's degree in accounting from Zhejiang University of Finance and Economics. From July 1998 to October 1998, Ms. Tang Hai-li worked as an intern in Jiayou Supermarket of Hangzhou Department Store. From November 1998 to October 2024, Ms. Tang Hai-li worked in Hangzhou Lianhua Huashang Group Co., Ltd., and served as an integrator of Wensan Store, an integrator and director of Zhaohui Store, a lecturer and assistant manager of the training center, an assistant and deputy manager of the operation department, a deputy manager of the commodity department, a manager of the operation integrated management department, a manager of the second commodity department, an assistant and deputy general manager. From April 2024 to October 2024, Ms. Tang Hai-li held a temporary post as the deputy general manager of the Company. Ms. Tang Hai-li has rich practical experience in administrative management and supply chain management. Ms. Tang Hai-li was appointed as the deputy general manager of the Company on 5 December 2024.

Mr. Li Xiao-xian, aged 44, has a junior college degree in computer technology and application from Shanghai University of Electric Power. From July 2005 to September 2007, Mr. Li Xiao-xian worked as an operation manager in Shanghai Linktone Consultation Co., Ltd. (上海掌上靈通諮詢有限公司). (LTON). From October 2007 to August 2011, Mr. Li Xiao-xian worked as a senior manager in China Telecom Shanghai No.100 Information Service Co., Ltd (中國電信上海號百信息服務有限公司). From September 2011 to December 2014, Mr. Li Xiao-xian worked in Shanghai Chunyu Supply Chain Management Co., Ltd. (上海春宇供應鏈管理有限公司), and successively served as the director of technology, operation, products, commerce, marketing and cross-border departments. From December 2014 to June 2015, Mr. Li Xiao-xian served as an executive deputy general manager in Nolaishi Trading (Shanghai) Development Co., Ltd. (諾萊士商貿(上海)發展有限公司). From July 2015 to October 2016, Mr. Li Xiao-xian served as a director and the deputy general manager of Shanghai Aojing Food Co., Ltd. (上海澳晶食品有限公司). From October 2016 to December 2016, Mr. Li Xiao-xian served as the general manager of the operation center in Shanghai Guoye cross-border electronic commerce Co., Ltd. (上海國燁跨境電子商務有限公司). Since December 2016, Mr. Li Xiao-xian has worked in Bailian Omni-Channel E-Commerce Co., Ltd., and successively served as deputy general manager of the recruitment center, senior director of the risk control audit department and the strategic development department. Since July 2022, Mr. Li Xiao-xian has been the deputy general manager of Bailian Omni-channel E-commerce Co., Ltd. Mr. Li Xiao-xian has rich management experience in the field of digitalization. Mr. Li Xiao-xian was appointed as the chief information officer of the Company on 5 December 2024.

Mr. Wei Qing, aged 53, graduated from East China University of Political Science and Law with a doctorate in international law. Mr. Wei has rich legal experience. From September 2005 to January 2007, Mr. Wei was a teacher and associate professor in the Law School of Shanghai Institute of Foreign Trade. From January 2007 to January 2010, Mr. Wei served as the deputy director of Shanghai Community Service Center. From January 2010 to November 2012, Mr. Wei successively served as the head, secretary of the Party Branch and director of the Shanghai Residents' Economic Situation Check Center. From November 2012 to December 2020, Mr. Wei worked in Shanghai Civil Affairs Bureau, and successively served as deputy director and director of the Policy and Regulation Department, director of the Propaganda and Informatization Department, and director of the Social Assistance Department (Income Checking Department). Since December 2020, Mr. Wei has been the senior director of Legal Affairs in Bailian Group Co., Ltd. Mr. Wei was appointed as the general counsel of the Company on 5 December 2024.

Shareholding Structure



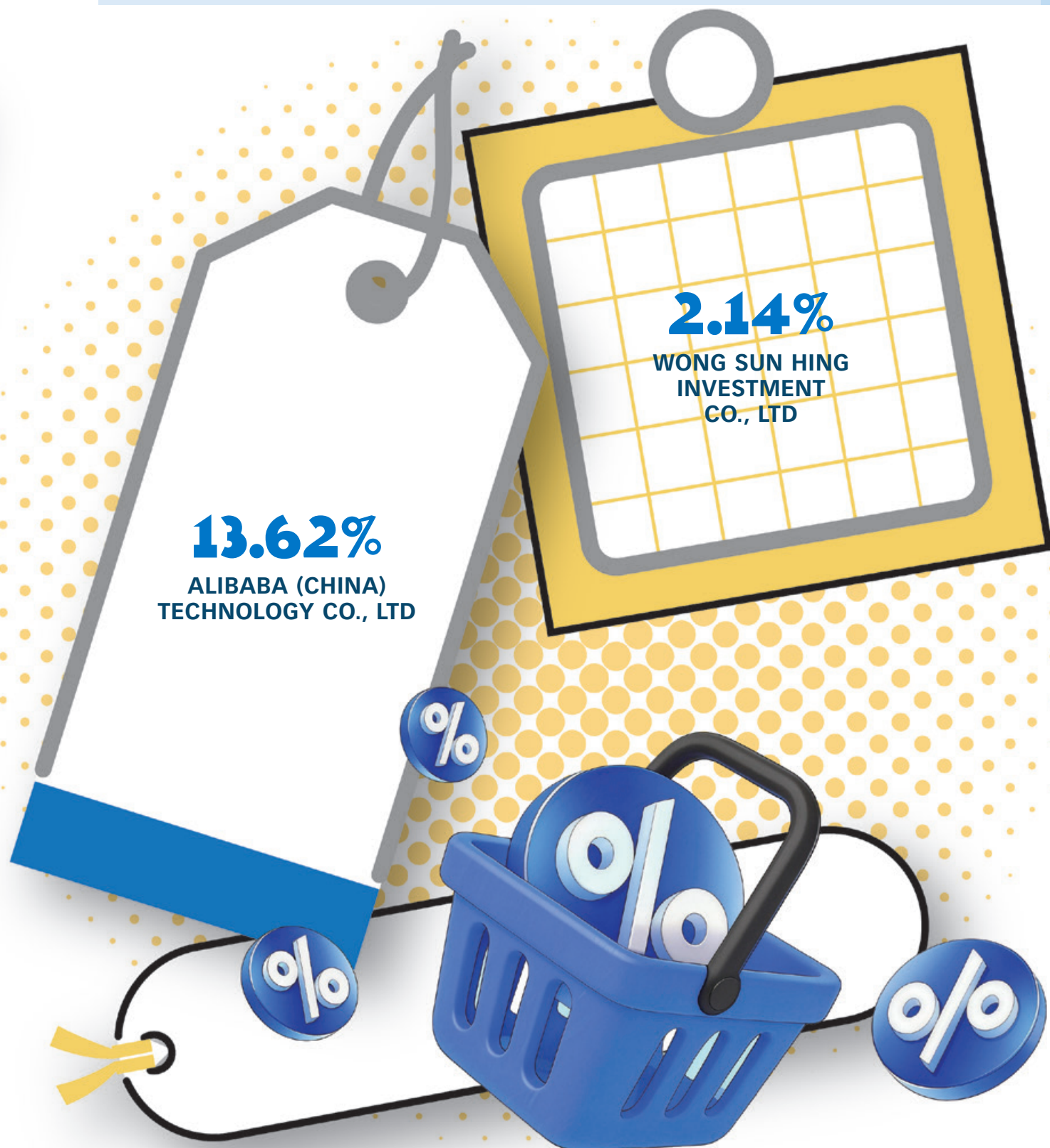
The graphic illustrates the shareholding structure of Lianhua Supermarket Holdings Co., Ltd. using three stylized shapes: an orange circle, a yellow square, and a white square. The orange circle, representing Shanghai Bailian Group Co., Limited, has a grey ring at the top. The yellow square, representing Bailian Group Co., Ltd., has a grey clip at the top. The white square, representing H Shares, has a grey clip at the top. The background is white with a pattern of small yellow dots.

15.15%
SHANGHAI BAILIAN
GROUP CO., LIMITED

43.91%
BAILIAN GROUP
CO., LTD.

25.18%
H SHARES

* Note: As at the date of this report.



RESPONSE





Report of the Directors

The Board is pleased to present to the Shareholders the report of the Company for the year ended 31 December 2025.

Principal Activities and Business Review

The principal activities of the Group include the operation of hypermarkets, supermarkets and convenience stores in the PRC, mainly under four major brands of “Century Mart”, “Lianhua Supermarket”, “Hualian Supermarket” and “Lianhua Quik”. The principal activities and other particulars of the subsidiaries are set out in note 50 to the consolidated financial statements of the annual report.

Further discussion and analysis of these activities mentioned above, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group’s business, can be found in the section headed “Management Discussion and Analysis” as set out on pages 18 to 37 of the annual report. These discussions form part of this Directors’ report.

The analysis of the principal activities of the Group during the financial year is set out in note 5 to the consolidated financial statements of the annual report.

Major Suppliers and Customers

Percentages of purchases and sales attributable to major suppliers and customers of the Company during the year are as follows:

	2025 percentage	2024 percentage
Purchases		
Largest supplier	1.55	1.10
Five largest suppliers	6.16	4.65
Sales		
Largest customer	0.27	0.27
Five largest customers	0.65	0.64

During any time within the year ended 31 December 2025, to the best knowledge of the Directors, neither the Directors, Supervisors, their respective associates, nor any Shareholders (which to the knowledge of the Directors own more than 5% of the number of issued share capital of the Company) had any direct or indirect interest in the share capital of the Group’s suppliers and customers mentioned above.

The analysis of the key relationship with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group’s success depends can be found in the Environmental, Social and Governance Report as set out on pages 230 to 328 of the annual report.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on pages 16 to 17 of the annual report.

Accounts

The audited results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 133 of the annual report.

The financial condition of the Group as at 31 December 2025 is set out in the consolidated statement of financial position on pages 134 to 135 of the annual report.

The cash flow of the Group for the year ended 31 December 2025 is set out in the consolidated statement of cash flow on pages 137 to 138 of the annual report.

Dividend Policy and Dividend Distribution

The Company has adopted a policy on dividend payment in accordance with code provision F.1.1 of the Corporate Governance Code. The decision to pay dividends will depend on, among other things, the Company’s financial results, current and future business operations, liquidity and capital requirements, financial position and other factors deemed relevant by the Board. The Company will regularly review the dividend policy.

After careful consideration of the Group's operating performance, financial status, cash flow status and future business development and working capital requirements, the Board recommended not to distribute the final dividend for the year ended 31 December 2025, in view of the losses recorded by the Group this year. The Company has always attached importance to shareholders' returns, and will focus on improving management level, operating performance, sustainable profitability and financial stability in the future. The Board will continue to review the dividend policy, and continue to optimize the shareholder return arrangement to effectively enhance the long-term investment value of shareholders when the Group's operating conditions and financial conditions permit.

Reserves

Details of the movements in reserves during the period under review are set out in the consolidated statement of changes in equity on page 136 of the annual report.

Fixed Assets

Movements of fixed assets during the period under review are set out in note 16 to the consolidated financial statements of the annual report.

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB150,000.

Bank Loans, Overdrafts and Other Borrowings

As at 31 December 2025, the Group had no bank borrowings.

Capitalised Interest

During the period under review, no interest of construction in progress has been capitalised.

Listing of Shares and Changes

H shares of the Company were listed on the Main Board of the Stock Exchange on 27 June 2003.

The Company placed 34,500,000 new H shares on 4 October 2004. Accordingly, the total number of shares of the Company in issue increased from 587,500,000 shares to 622,000,000 shares. H shares in issue increased from 172,500,000 shares to 207,000,000 shares, representing approximately 33.28% of the Company's total share capital.

The Company issued 8 additional shares to the Shareholders whose names appeared on the register of members of the Company on the record date, i.e. 28 June 2011, for every 10 shares held by them by way of capitalization of the capital reserve fund on 8 September 2011. The total number of shares of the Company in issue increased from 622,000,000 shares to 1,119,600,000 shares. H shares in issue increased from 207,000,000 shares to 372,600,000 shares, representing approximately 33.28% of the Company's total share capital. Please refer to the circular of the Company dated 13 May 2011 for details of the issue.

On 12 May 2024, the Company entered into the Share Subscription Agreement (the "Share Subscription Agreement") with Bailian Group, according to the terms of the Share Subscription Agreement, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new Domestic Shares at the subscription price of RMB1.00 per new Domestic Share. As the completion of the Domestic Share Subscription took place on 25 February 2025 in accordance with the terms and conditions of the Share Subscription Agreement, the total shares of the Company in issue increased to 1,479,600,000 shares from 1,119,600,000 shares. Among which, the total domestic and unlisted foreign shares of the Company in issue increased to 1,107,000,000 shares from 747,000,000 shares. Please refer to the announcements of the Company dated 12 May 2024 and dated 25 February 2025, and the circular of the Company dated 31 July 2024 for details of the Share Subscription Agreement.

Report of the Directors

Information on the performance of H shares of the Company in 2025:

Highest trading price per H share during the year	HK\$0.54
Lowest trading price per H share during the year	HK\$0.24
Total turnover volume of H shares during the year	120.3840 million shares
Closing price per H share as at 31 December 2025	HK\$0.32

Public Float

The Company confirms that the Company's public float during the period under review complied with the applicable requirements of the Listing Rules.

Share Capital

As at 31 December 2025, the classes and number of shares of the Company are as follows:

Class of shares	Number of issued shares ('000 shares)	Percentage (%)
Domestic shares	1,075,397.4	72.68
Attributable to:		
Bailian Group Co., Ltd.	649,661.4	43.91
Shanghai Bailian Group Co., Limited	224,208	15.15
Alibaba (China) Technology Co., Ltd.	201,528	13.62
Unlisted foreign shares	31,602.6	2.14
Attributable to:		
Wong Sun Hing Investment Co., Ltd.	31,602.6	2.14
H shares	372,600.0	25.18
Total	1,479,600.0	100.00

Number of Shareholders

As at 31 December 2025, details of Shareholders as recorded in the register of members of the Company are as follows:

Total number of Shareholders	33
Shareholders of domestic shares	3
Shareholders of unlisted foreign shares	1
Shareholders of H shares	29

Legal Status of Unlisted Foreign Shares

Set out below is the summary of legal opinions given by Grandall Law Firm (Shanghai) on the rights attached to unlisted foreign shares (the "Unlisted Foreign Shares"). The rights attached to the Unlisted Foreign Shares, which are subject to certain restrictions on transfer as referred to in the Prospectus and may become H shares of the Company (the "H Shares") upon obtaining the requisite approvals from, among others, the China Securities Regulatory Commission (the "CSRC") and the Stock Exchange, are not expressly provided under the existing PRC laws or regulations. The Company's creation of Unlisted Foreign Shares and the subsistence of the Unlisted Foreign Shares do not contravene any PRC laws or regulations.

At present, there are no express laws and regulations in the PRC governing the rights attached to the Unlisted Foreign Shares. Grandall Law Firm (Shanghai) advised that until new laws or regulations are introduced in this aspect, holders of the Unlisted Foreign Shares shall be treated the same as holders of domestic shares (the “Domestic Shares”) of the Company (in particular, in respect of the rights to attend and vote at general meetings and to receive notice of such meetings in the same manner as holders of Domestic Shares), except that the holders of the Unlisted Foreign Shares enjoy the following rights to which the holders of Domestic Shares are not entitled:

- (a) to receive dividends declared by the Company in foreign currencies; and
- (b) in the event of winding up of the Company, to remit their respective shares of the remaining assets (if any) of the Company out of the PRC in accordance with the applicable foreign exchange control laws and regulations of the PRC.

According to the requirements under the Articles of Association of the Company (the “Articles of Association”), in general, disputes among the Shareholders are required to be settled through arbitration. Such dispute resolution requirements are also applicable to disputes between holders of H Shares and holders of Unlisted Foreign Shares and disputes between holders of Unlisted Foreign Shares and holders of Domestic Shares.

As advised by Grandall Law Firm (Shanghai), the Unlisted Foreign Shares can be converted into new H Shares subject to satisfaction of the following conditions:

- (a) the expiry of a period of one year from the date on which the Company was converted from a limited company into a joint stock limited company and listed on the Stock Exchange;

- (b) documents regarding the conversion of Unlisted Foreign Shares having been filed with the CSRC by the Company;
- (c) approval granted by the Stock Exchange for the listing and trading of the new H Shares converted from the Unlisted Foreign Shares;
- (d) approval granted by the Shareholders of the Company at a general meeting for the conversion of Unlisted Foreign Shares into new H Shares in accordance with the Articles of Association; and
- (e) full compliance with relevant PRC laws, rules, regulations and policies governing companies incorporated in the PRC and seeking permission for listing of shares outside the PRC and with the Articles of Association and any agreement among the Shareholders.

Upon satisfaction of all the conditions mentioned above and other conditions as may be imposed from time to time by the Stock Exchange, Unlisted Foreign Shares may be converted into new H Shares.

Disclosure of Interests

Directors and chief executive officer of the Company

As at 31 December 2025, none of the Directors or chief executive officer of the Company had any interest and short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are regarded or deemed to have under such provisions of the SFO), or interests and short positions which were required, pursuant to section 352 of the SFO, to be entered in the Company’s register referred to therein, or interests and short positions which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules.

Report of the Directors

Substantial Shareholders

So far as the Directors are aware, as at 31 December 2025, the following persons (not being a Director or chief executive officer of the Company) had interests in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Class of shares	No. of domestic shares/unlisted foreign shares/ H shares	Approximate percentage of total voting rights of the Company	Approximate percentage of voting rights of domestic shares and unlisted foreign shares	Approximate percentage of voting rights of H shares	Capacity of Interest
Bailian Group Co., Ltd. (Note 1, Note4)	domestic shares	649,661,400	43.91%	58.69%	–	Beneficial owner
	domestic shares	224,208,000	15.15%	20.25%	–	Interest of corporation controlled
Shanghai Bailian Group Co., Limited (Note 1)	domestic shares	224,208,000	15.15%	20.25%	–	Beneficial owner
	domestic shares	614,160,000	41.51%	55.48%	–	other
Alibaba Group Holding Limited (Note 2)	domestic shares	201,528,000	13.62%	18.20%	–	Interest of corporation controlled
Taobao Holding Limited (Note 2)	domestic shares	201,528,000	13.62%	18.20%	–	Interest of corporation controlled
Taobao China Holding Limited (Note 2)	domestic shares	201,528,000	13.62%	18.20%	–	Interest of corporation controlled
Taobao (China) Software Co., Ltd. (Note 2)	domestic shares	201,528,000	13.62%	18.20%	–	Interest of corporation controlled
Zhejiang Tmall Technology Co.,Ltd. (Note2)	domestic shares	201,528,000	13.62%	18.20%	–	Interest of corporation controlled
Alibaba (China) Technology Co., Ltd. (Note 2)	domestic shares	201,528,000	13.62%	18.20%	–	Beneficial owner
Xu Zi-zuo	H shares	53,357,000(L)	3.61%	–	14.32%(L)	Beneficial owner
China Galaxy International Asset Management (Hong Kong) Co., Limited (Note 3)	H shares	51,988,000(L)	3.51%	–	13.95%(L)	Investment manager
China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) (Note 3)	H shares	51,988,000(L)	3.51%	–	13.95%(L)	Interest of corporation controlled
Coronation Global Fund Managers (Ireland) Ltd.	H shares	37,130,454(L)	2.51%	–	9.97%(L)	Investment manager
Julius Baer International Equity Fund	H shares	12,191,558(L)	0.82%	–	5.89%(L)	Beneficial owner

(L) = Long position

(S) = Short position

(P) = Lending pool

Notes:

1. As at 31 December 2025, Bailian Group Co., Ltd. (“Bailian Group”) directly and indirectly holds approximately 50.51% of the shares in Shanghai Bailian Group Co., Limited (“Shanghai Bailian”). As at 31 December 2025, Shanghai Bailian held 224,208,000 shares of the Company. Thus, Bailian Group directly and indirectly holds an aggregate interest in 873,869,400 shares of the Company, or approximately 59.06% in proportion. On 17 April 2015, Bailian Group and Shanghai Bailian entered into the equity entrustment agreement (《百聯集團有限公司與上海百聯集團股份有限公司之託管協議》) (“Equity Entrustment Agreement”), pursuant to which, Shanghai Bailian will manage the 254,160,000 shares held by Bailian Group, as well as the statutory interest (excluding cash) of the aforementioned shares during the term of the Equity Entrustment Agreement due to ex rights events such as bonus share distribution and capital reserve conversion to share capital, and the shares allocated to Bailian Group during the entrustment period, and exercise shareholder rights other than asset income rights and disposal rights of the entrusted shares.

As at 31 December 2025, (i) Mr. Pu Shao-hua, the Chairman and a non-executive Director, was a director, the president and deputy secretary of the Party Committee of Bailian Group; (ii) Ms. Wang Xiao-yan, the Vice Chairman, an executive Director and the general manager of the Company, was a director of Bailian Omni-channel E-commerce Co., Ltd.* (百聯全渠道電子商務有限公司); (iii) Ms. Zhang Hui-qin, an executive Director, was the chairman of Hangzhou Lianhua Huashang Group Co., Ltd.* (杭州聯華商集團有限公司); (iv) Mr. Cao Hai-lun, a non-executive Director, was a director, the deputy secretary of the Party Committee and the general manager of Shanghai Bailian; and (v) Ms. Yang Qin, a non-executive Director, was the chief financial officer and secretary of the board of directors of Shanghai Bailian.

2. Alibaba Group Holding Limited holds 100% of the shares in Taobao Holding Limited, Taobao Holding Limited holds 100% of the shares in Taobao China Holding Limited, Taobao China Holding Limited holds 100% of the shares in Taobao (China) Software Co., Ltd., Taobao (China) Software Co., Ltd. holds 57.59% of the shares in Alibaba (China) Technology Co., Ltd., Taobao China Holding Limited holds 100% of the shares in Zhejiang Tmall Technology Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. holds 35.75% of the shares in Alibaba (China) Technology Co., Ltd. Alibaba (China) Technology Co., Ltd. holds 201,528,000 shares of the Company, representing 13.62% of issued share capital of the Company. Thus, Alibaba Group Holding Limited, Taobao Holding Limited, Taobao China Holding Limited, Taobao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. are all deemed to be interested in the shares held by or deemed to be interested by Alibaba (China) Technology Co., Ltd.
3. China Galaxy International Asset Management (Hong Kong) Co., Limited holds 100% of the shares in China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP). China Galaxy International SPC (acting for and on behalf of China Galaxy Value Fund I SP) holds 51,988,000 H shares of the Company. Thus, China Galaxy International Asset Management (Hong Kong) Co., Limited directly and indirectly holds 51,988,000 H shares of the Company, or approximately 3.51% in proportion.

Report of the Directors

4. According to the share subscription agreement entered into between the Company and Bailian Group on 12 May 2024, the Company has conditionally agreed to issue not more than 360,000,000 new Domestic Shares, and Bailian Group has conditionally agreed to subscribe in cash for 360,000,000 new Domestic Shares at a subscription price of RMB1.00 per new domestic share. These shares will be managed by Shanghai Bailian in accordance with the Equity Entrustment Agreement. For details, please refer to the announcement of the Company dated 12 May 2024 and the circular of the Company dated 31 July 2024. This issuance was completed on 25 February 2025. After completion, Bailian Group holds 649,661,400 shares of the Company, accounting for about 43.91% of the total issued share capital of the Company. For details, please refer to the announcement of the Company dated 25 February 2025.

Save as disclosed above, the Directors are not aware of any persons holding any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register pursuant to section 336 of the SFO as at 31 December 2025.

Competing Interests

As at 31 December 2025, according to the Listing Rules, other than the Director disclosed below, none of the Directors had any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group (except for those businesses in which Directors are appointed as Directors to represent the interests of the Company and/or the Group under the Listing Rules).

Name of Director	Name of entity whose business is considered to compete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
	Group	Group	
Shen Chen	Sanjiang Shopping Club Co., Ltd.* (三江購物俱樂部股份有限公司)	Community fresh supermarket business	Director

Ultimate Holding Company

As at the date of this report, Bailian Group, a company incorporated in the PRC with limited liability, is the ultimate holding company of Shanghai Bailian. Accordingly, Bailian Group is the ultimate holding company of the Company.

Pre-emptive Rights

There are no provisions under the Articles of Association of the Company or any applicable laws and regulations requiring the Company to offer pre-emptive rights of new shares to its existing Shareholders in accordance with the proportion of their respective shareholdings.

Management Contracts

No contracts for the management and administration of the whole or any substantial part of any business of the Company existed or was entered into during the year ended 31 December 2025.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2025.

Material Acquisition and Disposals of Subsidiaries and Affiliated Companies

Except as disclosed in this report, the Group had no material acquisitions and disposals of subsidiaries and associated companies during the financial year.

Directors and Supervisors

The Directors and Supervisors during the period under review and up to the date of this report were as follows:

Executive Directors

Ms. Wang Xiao-yan (*Vice Chairman*)
Ms. Zhang Hui-qin
Mr. Zhu Ding-ping (Note 1)

Non-executive Directors

Mr. Pu Shao-hua (*Chairman*)
Ms. Shen Chen
Mr. Cao Hai-lun
Ms. Yang Qin
Mr. Wong Tak Hung (Note 2)

Independent Non-executive Directors

Mr. Xia Da-wei
Mr. Lee Kwok Ming, Don
Mr. Chen Wei
Mr. Zhao Xin-sheng

Supervisors (Note 3)

Mr. Li Feng (*Chairman*)
Ms. Tang Hao
Mr. Luo Yang-hong

Notes:

1. Mr. Zhu Ding-ping was appointed as an executive Director on 7 January 2025 and resigned as an executive Director on 5 January 2026.
2. Mr. Wong Tak Hung resigned as a non-executive Director on 7 January 2025.
3. On 18 December 2025, the Company convened an extraordinary general meeting and approved the abolishment of the supervisory committee. As of that date, the membership of the supervisors of the supervisory committee will be automatically revoked.

Details of the profiles of the Directors, Supervisors and senior management of the Company are set out on pages 40 to 51 of the annual report.

Directors' and Supervisors' Service Contracts

The Company has entered into service contracts with each of the executive Directors and independent non-executive Directors with a term ending on the date of conclusion of the annual general meeting of the Company for the year 2025, and such term is renewable subject to applicable laws. Neither the Directors, nor the Supervisors have a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Report of the Directors

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance (as defined in the Listing Rules, and which remained effective during the year or at the end of the year) to the business of the Company to which the Company or its fellow subsidiaries was a party and in which a Director or Supervisor or a person connected to a Director or Supervisor had material interests, either directly or indirectly, subsisted as at balance sheet date or at any time during the period under review.

Interest in Shares or Debentures Acquired by the Directors and Supervisors

During the period under review, no arrangement was entered into by the Company or its fellow subsidiaries which enabled the Directors or Supervisors to acquire the shares or bonds of the Company.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and senior management.

Directors' Remuneration

The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the remuneration packages of each Director, market rates and factors such as each Director's workload, working time and responsibility will be taken into account. In addition, factors comprising economic and market situations, individual contributions to the Group's results and development as well as individual's potential are considered when determining the remuneration packages of executive Directors. Please refer to note 13 to the consolidated financial statements of the Company for details of the Director's remuneration.

Independence of the Independent Directors

The Company has received written confirmation from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules concerning their independence. The Company considers that all existing independent non-executive Directors comply with the provisions of Rule 3.13 of the Listing Rules and are independent.

Highest Paid Individuals

All the five highest paid individuals of the Company during the period under review included three of the Directors of the Company. Details of their remuneration are set out in note 14 to the consolidated financial statements in this annual report.

Retirement Pension Schemes

In accordance with applicable laws and regulations in the PRC, full-time employees of the Group participate in various defined contribution retirement benefit schemes established by the relevant municipal and provincial governments of the PRC, under which the Group and the employees were required to make monthly contributions to these schemes at a particular percentage of the employees' salaries during the relevant periods. Forfeited contributions may not be used by the Company to reduce the existing level of contributions.

Please refer to note 42 to the consolidated financial statements of the Company for details of the retirement pension schemes.

Change of Auditors

During the past three years, there was no change of the auditor of the Company.

Significant Litigation

During the period under review, the Company was not engaged in any significant litigation.

Connected and Related Party Transactions

During the period under review, the Group had significant transactions with related parties (as detailed in note 49 to the consolidated financial statements), certain of which fall into connected or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules, the details of which are set out below.

(a) Connected and related party transactions

	2025 RMB'000	2024 RMB'000
Sales to fellow subsidiaries	92,994	379,602
Purchases from an ultimate holding company and fellow subsidiaries	196,260	169,860
Sales from/return to other related parties	2,425	(175)
Rental income from fellow subsidiaries	24,380	28,057
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	4,124	4,404
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	6,663	6,767
Service and platform usage fee charged by other related parties	8,558	9,437
Property management fee charged by fellow subsidiaries	8,534	8,941
Interest expenses on lease liabilities charged by fellow subsidiaries	460	1,933
Interest income earned from a fellow subsidiary	39,185	36,929
Platform usage fee charged by fellow subsidiaries	40,769	42,321
Logistics resources leasing fee charged by fellow subsidiaries	1,359	1,974
Logistics and delivery service fee charged by fellow subsidiaries	-	73
Logistics and delivery service income from fellow subsidiaries	974	2,028
Logistics and delivery service fee charged by the other related parties	25,438	22,895
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	8,572	12,006
Transaction amounts transferred from fellow subsidiaries' settlement account into the Group's relevant account upon redemption of membership points by the customers	4,096	6,037
Financial services fee for financial service agreement	-	656
Securities management fees charged by fellow subsidiaries	2,557	2,045
Performance-based compensation for securities charged by fellow subsidiaries	691	3,164
Entrusted management income from fellow subsidiaries	3,700	-
Cash and cash equivalents and unrestricted term deposits in fellow subsidiaries	1,893,801	1,200,000
Investment and wealth management cooperation with fellow subsidiaries	1,357,993	1,332,593

Report of the Directors

Fellow subsidiaries referred above are other subsidiaries of Bailian Group.

The Company confirms that it has complied with the applicable disclosure requirements, in respect of the above transactions, in accordance with Chapter 14A of the Listing Rules. Please refer to the subsequent section headed “Connected Transactions” for details of the above transactions.

(b) Related party transactions not falling into connected transactions

	2025 RMB'000	2024 RMB'000
Purchases from associates – Shanghai Gude Business Cooperation Company and Shanghai Sanming Taige Information Technology Co., Ltd.	565	1,036

Connected Transactions

The following transactions of the Group constitute connected transactions and continuing connected transactions under Chapter 14A of the Listing Rules, mainly concerning:

Connected Transactions – Completion of the Domestic Share Subscription

The Company has received the share registration certificate dated 24 February 2025 issued by China Securities Depository and Clearing Corporation Limited in respect of the new domestic shares issued under the domestic share subscription, and 360,000,000 subscription shares were duly allotted and issued by the Company to the Bailian Group at the subscription price of RMB1.00 (equivalent to approximately HK\$1.10051) per subscription share pursuant to the specific mandate sought from the independent Shareholders at the EGM. The Subscription Shares represent approximately 32.15% of the issued share capital of the Company immediately before completion of the domestic share subscription and approximately 24.33% of the issued share capital of the Company immediately after completion of the domestic share subscription. All conditions precedent under the Share Subscription Agreement as set out in the sub-section headed “Conditions precedent to the Share Subscription Agreement” of the circular of the Company dated 31 July 2024 have been satisfied and completion of the domestic share subscription took place on 25 February 2025 in accordance with the terms and conditions of the Share Subscription Agreement. For other details about this matter, please refer to the section “Additional Issuance of Domestic Shares and Usage of Raised Funds” in “Management Discussion and Analysis” of this annual report.

Please refer to the announcements of the Company dated 12 May 2024 and dated 25 February 2025 and the circular of the Company dated 31 July 2024 for relevant details of the transaction.

Disclosable Transaction and Connected Transaction – Yangpu Century Equity Transfer Agreement

On 19 November 2025, the Yangpu Century Lianhua Equity Transfer Agreement (the “Yangpu Century Lianhua Equity Transfer Agreement”) was entered into between Shanghai Dongran, an indirect wholly-owned subsidiary of Bailian Group, as the Purchaser, and Century Lianhua Development, a direct wholly-owned subsidiary of the Company, as the Vendor, in relation to the proposed disposal of the entire equity interest in Shanghai Century Lianhua Supermarket Yangpu Co., Ltd. (“Yangpu Century Lianhua”), for a cash consideration in the amount of approximately RMB78.2860 million, as filed and confirmed by the competent state-owned assets supervision and administration authority. Upon completion of the Disposal, Yangpu Century Lianhua will cease to be a subsidiary of the Company.

Completion of the transactions contemplated under the Yangpu Century Lianhua Equity Transfer Agreement shall take place on the Completion Date in accordance with the terms thereof. Upon completion of the transactions contemplated under the Yangpu Century Lianhua Equity Transfer Agreement, the Yangpu Century Lianhua will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the consolidated financial statements of the Group. Any gain or loss on disposal (being the difference between the aggregate consideration of Disposal of approximately RMB78.2860 million and the total net assets or liabilities of Yangpu Century Lianhua as at the Completion Date) is expected to be recognised in the consolidated financial statements of the Company. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to review and final audit by the auditors of the Company, and it may be different from the estimated amount as it will be influenced by (i) the actual net asset value of the Yangpu Century Lianhua as at the Completion Date; and (ii) the actual transaction costs incurred.

The Company intends to use the proceeds from the Disposal for replenishment of working capital.

Bailian Group is a substantial Shareholder, and Shanghai Dongran is an indirect wholly-owned subsidiary of Bailian Group. As such, Shanghai Dongran is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Yangpu Century Lianhua Equity Transfer Agreement and the transactions contemplated thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

Report of the Directors

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Yangpu Century Lianhua Equity Transfer Agreement and the transactions contemplated thereunder are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 5%, the Yangpu Century Lianhua Equity Transfer Agreement and the transactions contemplated thereunder are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent shareholders of the Company approved the Yangpu Century Lianhua Equity Transfer Agreements and the Disposals contemplated thereunder at the 2025 extraordinary general meeting of shareholders held on 18 December 2025. As of 31 December 2025, the share transfer under the Yangpu Century Lianhua Equity Transfer Agreement had not yet been completed. By the date of this report, the share transfer had been completed.

Please refer to the announcements of the Company dated 5 and 19 November 2025 and the circular of the Company dated 3 December 2025 for relevant details of the transactions.

Continuing Connected Transactions – Yangpu Century Lianhua Entrustment Management Agreement

Reference is made to the announcement of the Company dated 5 and 19 November 2025 in relation to, among others, the proposed continuing connected transactions under the entrustment management agreement that proposed to be entered into between the Company and Shanghai Dongran on 23 January 2026, the entrustment management agreement (the "Yangpu Century Lianhua Entrustment Management Agreement") has been duly signed between the Company and Shanghai Dongran, which has come into effect and will expire on 31 December 2028.

During the term of the Yangpu Century Lianhua Entrustment Management Agreement, the Company shall be in charge of the operation and management over the daily operation and management matters of Yangpu Century Lianhua including, among others, procurement, sales, investment promotion, development, finance, personnel, party-related affairs, as well as the operation and decision of the main business. Specifically:

- (1) organize and arrange for Yangpu Century Lianhua to implement daily sales, operation and management in accordance with the Company's operation management system, business management system and financial management system (including but not limited to relevant regulations, systems, processes and approval authority);
- (2) approving, organizing and promoting Yangpu Century Lianhua to complete the SBP planning, annual operation plan, annual outlet development and renovation plan, annual investment plan and the relevant assessment indicators;
- (3) approve the annual financial budget formulated by Yangpu Century Lianhua, carry out financial control of Yangpu Century Lianhua and budget, control and appraisal of sales, costs and expenses;
- (4) approving and adjusting the organizational structure of Yangpu Century Lianhua, hiring and firing of employees, salaries and benefits of employees, and making recommendations on the appointment and removal of directors, supervisors and senior management;
- (5) other powers and functions granted to the Company by Shanghai Dongran, as a shareholder of Yangpu Century Lianhua, upon mutual agreement.

In addition, during the entrusted management period, the Company will fully utilize its own brand, merchandise and management advantages to provide relevant resources support to Yangpu Century Lianhua, including:

- (1) personnel management support: the Company shall despatch a management team to Yangpu Century Lianhua to organize, collaborate and assist Yangpu Century Lianhua to implement sales, operation and management activities and endeavor to ensure the achievement of the entrustment management goals;
- (2) brand support: the Company shall authorise Yangpu Century Lianhua to use the brand of "Century Lianhua";
- (3) information system support: the Company shall agree to or shall authorize Yangpu Century Lianhua to use various types of information systems (including but not limited to financial, business, OA systems, etc.) purchased or researched and developed by the Company; and
- (4) merchandise supply support: the Company shall provide goods supply and logistics services to Yangpu Century Lianhua at market price and on normal commercial terms.

Ownership of assets: During the term of the Yangpu Century Lianhua Entrustment Management Agreement, the property rights, assets, debts, liabilities of the rights and the independent legal entities of Yangpu Century Lianhua remain unchanged. Shanghai Dongran will remain its ownership, the right to income and final decision-making authority over Yangpu Century Lianhua. Non-routine business and management matters of Yangpu Century Lianhua, including, among others, changes in registered capital, amendments to the articles of association, major external investments, major capital expenditures, profit distribution, conversion of capital reserves, asset disposal, entrusted wealth management and fund support, are outside the scope of the entrustment and are legally owned and exercised by Shanghai Dongran.

Expenses and profits or losses: During the term of the Yangpu Century Lianhua Entrustment Management Agreement, Yangpu Century Lianhua shall be responsible for its own day-to-day selling, operating, and management (or business) expenses, and the profits or losses generated are also enjoyed or borne by Yangpu Century Lianhua.

Store closures, changes in shareholdings or major asset disposals of the Company: During the term of the Yangpu Century Lianhua Entrustment Management Agreement, in the event that Yangpu Century Lianhua experiences store closures, restructuring, mergers, divisions, dissolution, bankruptcy or capital exits of its subsidiaries or affiliated companies, or major asset disposals (including relocation of self-owned properties), such activities shall be implemented by Yangpu Century Lianhua upon approval by both the Company and Shanghai Dongran. All related gains, losses and expenses shall be enjoyed or borne by Yangpu Century Lianhua.

Production and operation safety: During the term of the Yangpu Century Lianhua Entrustment Management Agreement, should there be any safety incidents, quality incidents or losses incurred by Yangpu Century Lianhua due to matters beyond the Entrustment Management of the Company, the responsible party shall bear all liabilities.

Report of the Directors

The entrusted management fees are determined based on the conditions of Yangpu Century Lianhua, the costs of providing the entrusted management services, and the operational performance of Yangpu Century Lianhua from 2023 to 2025. Specifically:

- (i) **Labour Costs:** Based on the expected development goals and overall work requirements of Yangpu Century Lianhua, the Company plans to assign the management team under the Existing Entrustment Management Agreement to provide unified support for personnel management to Yangpu Century Lianhua, and therefore, will not separately charge Shanghai Dongran any personnel management fee for the entrustment management of Yangpu Century Lianhua.
- (ii) **Brand Usage Fees:** These fees are determined based on the actual conditions of the Company, including operational scale, and by referencing (i) the standard rates charged by the Group to our non-wholly-owned subsidiaries for brand usage; and (ii) the industry attributes, reputation, and market position of the Company. Brand usage fees are charged at a rate of 0.2% of the expected main business revenue of Yangpu Century Lianhua for each year during the term of the Yangpu Century Lianhua Entrustment Management Agreement, taking into account the performance of Yangpu Century Lianhua in the two financial years preceding the relevant year during the term of the Yangpu Century Lianhua Entrustment Management Agreement;
- (iii) **Information System Usage Fees:** Given the information system services to be used by Yangpu Century Lianhua in its revenue-generating principal activities, the estimated fees shall be determined with reference to (i) the Group's amortization and operational costs for the information system in the two preceding financial years, and (ii) the proportion of the main business revenue of Yangpu Century Lianhua compared to the Group's main business revenue for the two financial years preceding the relevant year during the term of the Yangpu Century Lianhua Entrustment Management Agreement, then the estimated fees are calculated based on the estimated Yangpu Century Lianhua's proportion of information system amortization of the Group; and
- (iv) Under the Yangpu Century Lianhua Entrustment Management Agreement, unless otherwise mutually agreed, the entrustment management fee shall remain fixed and is not subject to adjustment during the term of entrustment management.

The fees payable by Shanghai Dongran under the Yangpu Century Lianhua Entrustment Management Agreement are based on the estimated costs calculated under the pricing policy and will be paid as follows: (i) the management fees will be paid annually, with the first instalment due within ten days after the Yangpu Century Lianhua Entrustment Management Agreement becomes effective; (ii) the second instalment will be paid to the Company on or before 31 January 2027; and (iii) the third instalment will be paid on or before 31 January 2028.

The annual cap for the service fees payable by Shanghai Dongran under the Yangpu Century Lianhua Entrustment Management Agreement is RMB300,000 for each financial year during the term of the Yangpu Century Lianhua Entrustment Management Agreement. The annual cap is determined taking into account the followings: (i) the estimated costs for providing the entrusted management services including, brand usage fees, and information system usage fees, in accordance with the terms of the Yangpu Century Lianhua Entrustment Management Agreement; and (ii) given that the management team under the Existing Entrustment Management Agreement will provide unified support for personnel management to the relevant Entrusted Companies, the Company will not separately charge Shanghai Dongran any personnel management fee; and (iii) unless otherwise mutually agreed, the entrustment management fee shall remain fixed and is not subject to adjustment during the term of entrustment management.

Bailian Group is a substantial Shareholder, and Shanghai Dongran is an indirect wholly-owned subsidiary of Bailian Group. As such, Shanghai Dongran is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Yangpu Century Lianhua Entrustment Management Agreement and the transactions contemplated thereunder, if materialised, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to the proposed entering into the Yangpu Century Lianhua Entrustment Management Agreement, considering that the relevant parties to both the Yangpu Century Lianhua Entrustment Management Agreement and the Existing Entrustment Management Agreement are the same connected persons, the transactions contemplated under the Yangpu Century Lianhua Entrustment Management Agreement are required to be aggregated with those under the Existing Entrustment Management Agreement pursuant to Listing Rule 14A.81. As the highest applicable percentage ratio (as defined under the Listing Rules) for the annual caps (following aggregation) in respect of the transactions contemplated under Yangpu Century Lianhua the Entrustment Management Agreement will be more than 0.1% but less than 5%, the transactions contemplated under the Yangpu Century Lianhua Entrustment Management Agreement are therefore subject to the reporting, announcement and annual review requirements, but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 5 and 19 November 2025 and dated 23 January 2026 for relevant details of the transactions.

Continuing Connected Transactions – Existing Entrustment Management Agreement

On 17 February 2025, the Existing Entrustment Management Agreement (the "Existing Entrustment Management Agreement") has been duly signed between the Company and Shanghai Dongran, which has come into effect and will expire on 31 December 2027.

Report of the Directors

The entrusted management fees are determined based on the conditions of Shanghai Century Lianhua Supermarket Hongkou Co., Ltd.* (上海世紀聯華超市虹口有限公司), Lianhua Supermarket (Jiangsu) Co.,Ltd.* (聯華超市(江蘇)有限公司) and Anhui Century Lianhua Development Co.,Ltd.* (安徽世紀聯華發展有限公司)(the “Target Companies”), the costs of providing the entrusted management services, and the operational performance of the Target Companies from 2022 to 2024. Specifically:

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

- (3) **Information System Usage Fees:** Given the information system services to be used by the Target Companies in its revenue-generating principal activities, the estimated fees shall be determined with reference to (i) the Group’s amortization and operational costs for the information system in the two preceding financial years, and (ii) the proportion of the main business revenue of the Target Companies compared to the Group’s main business revenue for the two financial years preceding the relevant year during the term of the Existing Entrusted Management Agreement, then the estimated fees are calculated based on the estimated proportion of the Target Companies’ information system amortization of the Group.

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

Save as disclosed above, all other information in the announcement of the Company dated 27 September 2024 remains unchanged.

Bailian Group is a substantial Shareholder, and Shanghai Dongran is an indirect wholly-owned subsidiary of Bailian Group. As such, Shanghai Dongran is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Existing Entrusted Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated thereunder is more than 0.1% but less than 5%, the transactions contemplated thereunder are therefore subject to the reporting, announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2025, the actual transaction amount of annual service fees payable under the Existing Entrustment Agreement is approximately RMB3,700 thousand.

Please refer to the announcements of the Company dated 27 September 2024, 17 February and 28 March 2025 for relevant details of the transaction.

Very Substantial Acquisition, Connected Transaction and Continuing Connected Transactions – Single Asset Management Contract and Supplemental Agreement

Hangzhou Lianhua Huashang Group Co., Ltd. ("Lianhua Huashang"), a subsidiary of the Company, entered into the Single Asset Management Contract (the "Single Asset Management Contract") dated 8 July 2021 with Shanghai Securities and the Custodian Bank in relation to the setting up of the Scheme and the investment and management of Entrusted Assets by Shanghai Securities for the benefit of Lianhua Huashang.

As the Single Asset Management Contract is expiring on 31 December 2023, Lianhua Huashang, entered into the Supplemental Agreement (the "Supplemental Agreement") with Shanghai Securities and the Custodian Bank, on 27 September 2023, to renew the Single Asset Management Contract in relation to the provision of the asset management and investment services for the Entrusted Assets by Shanghai Securities and the Custodian Bank and make certain amendments to the Single Asset Management Contract, for an extended term of 3 years commencing from 1 January 2024 and ending on 31 December 2026 (both days inclusive), pursuant to which, Shanghai Securities will invest and manage the Entrusted Assets that have been entrusted to it by Lianhua Huashang, on a discretionary basis, in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines provided under the Single Asset Management Contract (as supplemented).

Under the Supplemental Agreement, Lianhua Huashang agreed to increase the total amount of Entrusted Assets to RMB1,350 million, such increased amount (being the difference between the increased total amount of Entrusted Assets and the net assets of the Scheme as at 1 January 2024) shall be paid in full by no later than 29 February 2024. As at 15 September 2023, the balance of net assets of the Scheme in the escrow account was RMB698.6236 million.

Report of the Directors

Subject to the terms and conditions of the Single Asset Management Contract (as supplemented), based on the market conditions, Lianhua Huashang shall have the right to withdraw the Entrusted Assets by serving written redemption notice upon Shanghai Securities copying the Custodian Bank at least three business days before the application date of the withdrawal, provided that, the total amount of Entrusted Assets after withdrawal shall not be less than RMB10 million. During the extended term of the Single Asset Management Contract, in the event of shortfall of the total amount of Entrusted Assets as a result of withdrawal, Lianhua Huashang will make addition to the Entrusted Assets, provided that, the total amount of Entrusted Assets after addition made thereto shall not exceed RMB1,350 million (being the principal of the assets entrusted under the Scheme in accordance with the terms of the Single Asset Management Contract (as supplemented)). According to the internal control and pricing policy, the Company will ensure the sum of the total amount of Entrusted Assets and the returns accrued thereon in the escrow account maintained by the Custodian Bank shall not exceed RMB1,400 million.

During the term of the Supplemental Agreement, Lianhua Huashang shall pay:

To Shanghai Securities

(1) the management fee:

- at 0.3% per annum based on the net asset value of the Scheme on the previous calendar day, to be accrued on a daily basis and automatically charged within five business days of the beginning of every month (in case of legal holidays, rest days, etc., the payment date will be postponed by next day); and

(2) the performance fee:

- to be accrued (i) on the date of application for withdrawal of the Entrusted Assets or upon expiry of liquidation of the Scheme, or (ii) on the income distribution date (collectively, the "performance fee accrual date(s)"). Under the latter circumstance, the performance fee shall not accrued more frequently than once every 12 months;
- Shanghai Securities will differentiate between each portion of investment made by Lianhua Huashang based on the time of participation, and calculate the actual annualised rate of return (Note) and performance fee for each portion of investment separately;

Calculated based on the realised gains on different portions of investment (i.e. various types of gains obtained from the investment operation of Entrusted Assets, including but not limited to investment bonus, dividends, bond interest, the price difference between buying and selling securities, bank deposit interest and other income) of the Scheme during the performance fee accrual period (i.e. from the commencement of the Scheme to the first performance fee accrual date or the period from each performance fee accrual date to the next performance fee accrual date): if the actual annualised rate of return (Note) exceeds 4.25%, which is the benchmark annualised rate of return, subject to the terms of the Supplemental Agreement, the adjustment may be made by the Manager based on PBOC's three-year fixed deposit benchmark rate), then 20% of the excess portion shall be payable by Lianhua Huashang to Shanghai Securities as performance fee for such performance fee accrual period; if the annualised rate of return is lower than or equal to the benchmark annualised rate of return, no performance fee for such performance fee accrual period is required to be paid by Lianhua Huashang.

Note:

Actual annualised rate of return = [(unit net value of Entrusted Assets at the end of the period – unit net value of Entrusted Assets at the beginning of the period)/unit net value of the Entrusted Assets at the beginning of the period] * 100% * (365/days of operations from the beginning (inclusive) to the end of the period (exclusive)). Among them, the unit net value of Entrusted Assets = (total value of Entrusted Assets – liabilities of Entrusted Assets)/total units of Entrusted Assets. The total value of Entrusted Assets refers to the total value of various types of negotiable securities, principal and interest of bank deposits, securities investment fund shares and other assets under the Scheme.

To the Custodian Bank

The custodial fee: at 0.015% per annum based on the net asset value of the Scheme on the previous calendar day, to be accrued on a daily basis and automatically charged within five business days of the beginning of every month (in case of legal holidays, rest days, etc., the payment date will be postponed by next day and the termination date of the Supplemental Agreement (or the date for early termination).

The annual caps in respect of the management fees payable by Lianhua Huashang to Shanghai Securities under the Single Asset Management Contract (as supplemented) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 is RMB4,200 thousand, and the annual caps in respect of the performance fees payable by Lianhua Huashang to Shanghai Securities under the Single Asset Management Contract (as supplemented) for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 is RMB11,200 thousand.

As the highest applicable percentage ratio in respect of the increase in Entrusted Assets under the Supplemental Agreement is more than 100%, the increase in Entrusted Assets contemplated thereunder constitutes a very substantial acquisition, and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Bailian Group is a substantial Shareholder, and Shanghai Securities is a subsidiary of Bailian Group. As such, Shanghai Securities constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, (i) the increase in Entrusted Assets constitutes a connected transaction of the Company, as the applicable percentage ratios in respect thereof are more than 5%, the increase in Entrusted Assets is subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) the transactions in respect of the asset management and investment services contemplated under the Single Asset Management Contract (as supplemented) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the highest proposed annual cap in aggregate under the Single Asset Management Contract (as supplemented) is more than 0.1% but less than 5%, the transactions contemplated under the Supplemental Agreement are subject to the reporting, annual review, announcement requirements but exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Supplemental Agreement was approved by the independent Shareholders at the 2023 extraordinary general meeting held on 21 December 2023.

Report of the Directors

For the year ended 31 December 2025, the maximum daily investment balance (including expected accrued investment returns) of Lianhua Huashang in Shanghai Securities under the Single Asset Management Contract (as supplemented) was about RMB1,357,992.6 thousand, the management fees that Lianhua Huashang should pay to Shanghai Securities was about RMB2,556.5 thousand, and the performance fees that Lianhua Huashang should pay to Shanghai Securities was about RMB690.9 thousand.

Please refer to the announcement of the Company dated 27 September 2023 and the circular of the Company dated 6 November 2023 for relevant details of the transaction.

Continuing Connected Transactions – Business Cooperation Framework Agreement

The Company entered into the Business Cooperation Framework Agreement (the “Business Cooperation Framework Agreement”) with Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司, the “Alipay”) on 18 October 2023, pursuant to which, Alipay and its associates agreed to provide payment services and related services including, among other things, platform information services, software services, use of brand, operation assistance, management consultant and technical support, to the Company and its subsidiaries for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Pursuant to the Business Cooperation Framework Agreement, Alipay and its associates agreed to provide payment services and related services including, among other things, platform information services, software services, use of brand, operation assistance, management consultant and technical support, to the Company and its subsidiaries. With respect to the payment services and related services, Alipay and/or its associates agree to act as the payment channel between the end customers and the Group. The Company and its subsidiaries can use the equipment that supports the system of Alipay and/or its associates to identify the bar code, QR code or sonic wave on end customers’ smart phones or other wireless equipment supported by Alipay and its subsidiaries to complete the settlement process with the end customers. Alipay or its associates will provide the Company or its subsidiaries with related services, including but not limited to platform information services, software services (e.g., encryption and online enquiry services), use of brand, operation assistance, management consultant and technical support.

The relevant members of the Group and Alipay and/or its associates will enter into individual services contracts setting out specific terms. Such terms will be consistent with the principles and the terms of the Business Cooperation Framework Agreement. If there is any discrepancy between the terms of an individual services contract and the Business Cooperation Framework Agreement, the latter shall prevail.

Alipay and/or its associates will charge the Group service fees for the payment services and related services to be provided under the Business Cooperation Framework Agreement.

With respect to the payment services and the related services to be provided by Alipay and/or its associates, the service fees shall be charged and deducted upon the completion of the transactions between the end customers and the relevant members of the Group in real time or otherwise agreed between the parties to the individual service contract, the amount of which shall be calculated based on the actual transaction amounts between the end customers and the relevant members of the Group at an agreed rate, which shall be determined through arm's-length negotiation between the parties to the individual service contract on normal commercial terms based on the standard rate charged by Alipay and/or its associates to their other customers. With respect to the related services including among others, platform information services, software services, use of brand, operation assistance, management consultant and technical support, the service fees shall be paid on a monthly basis or otherwise agreed between the parties to the individual service contract, the amount of which shall be calculated based on the actual transaction amounts between the end customers and the relevant members of the Group, and the amount and types of services provided by Alipay and/or its associates, at an agreed rate, which shall be determined through arm's-length negotiation between the parties to the individual service contract on normal commercial terms based on the standard rate charged by Alipay and/or its associates to their other customers.

The maximum annual transaction amounts payable by the Group for each of the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 under the Business Cooperation Framework Agreement is RMB18,000 thousand.

Ant Group, the holding company of Alipay, is an associate of Alibaba China, a substantial Shareholder. As such, Alipay constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest proposed annual cap under the Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Business Cooperation Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Business Cooperation Framework Agreement for the year ended 31 December 2025 is approximately RMB8,558.4 thousand.

Please refer to the announcement of the Company dated 18 October 2023 for relevant details of the transaction.

Continuing Connected Transactions – Existing Goods Supply Framework Agreement and Revision of Annual Caps of Existing Goods Supply Framework

On 30 September 2022, the Company entered into the Goods Supply Framework Agreement (the "Existing Goods Supply Framework Agreement") with Bailian Group, pursuant to which, the Group agreed to supply various kinds of goods to Bailian Group and/or its subsidiaries, including but not limited to foods and fresh produce, for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

The operating units of both parties may enter into individual goods supply contracts setting out specific terms of supply of goods, including the goods to be supplied, price determination method, delivery method and payment arrangement. The payment shall be made by bank transfer. Such terms shall be consistent with the principles and the terms of the Existing Goods Supply Framework Agreement. If there is any discrepancy between the terms of an individual goods supply contract and the Existing Goods Supply Framework Agreement, the latter shall prevail.

Report of the Directors

The prices for the goods to be supplied under the Existing Goods Supply Framework Agreement are determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties on the basis of the market prices of such goods. The payment under the individual goods supply contract is to be made according to the terms of the individual goods supply contract. The prices for the goods supplied by the Group to Bailian Group and/or its subsidiaries will not be less favourable to the Company than those available to independent third parties in similar transactions.

Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Existing Goods Supply Framework Agreement constitute continuing connected transactions of the Company.

The respective maximum annual transaction amounts payable by Bailian Group to the Company for each of the financial years ending 31 December 2025 under the Existing Goods Supply Framework Agreement are RMB50,000 thousand, RMB60,000 thousand and RMB70,000 thousand.

As the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Existing Goods Supply Framework Agreement exceeds 5%, the transactions contemplated under the Existing Goods Supply Framework Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Existing Goods Supply Framework Agreement and its proposed annual caps were approved by the independent Shareholders at the extraordinary general meeting on 1 December 2022.

On 29 April 2025, the Company entered into the Goods Supply Framework Agreement (the "Goods Supply Framework Agreement") with Bailian Group to renew the Existing Goods Supply Framework Agreement, pursuant to which, the Group agreed to supply a range of goods to Bailian Group and/or its subsidiaries, including but not limited to fresh produce, food and industrial products, for a term commencing from 1 January 2026 to 31 December 2028 (both days inclusive).

Given the Company's overall strategic background of its localised development and focus on its core business in Shanghai and Zhejiang region, the Company had disposed of certain subsidiaries to Bailian Group with a view to improve its performance and achieve healthy development in the med-to-long term. For further information, please refer to the announcement of the Company dated 27 September 2024 and the circular of the Company dated 19 November 2024. Due to completion of such disposals in early 2025, along with the expected business relationship and increasing cooperation between the Company and Bailian Group under the Company's overall development strategy and the anticipated market growth, the Board expects that the Existing Annual Caps will not be sufficient for the expected supply of goods for the year ending 31 December 2025 under the Existing Goods Supply Framework Agreement. The Company therefore proposes to revise the Existing Annual Caps for the year ending 31 December 2025 to the revised annual caps and accordingly, to revise and supplement the Existing Goods Supply Framework Agreement regarding the proposed revised annual caps for the year ending 31 December 2025 by entering into the Goods Supply Framework Agreement. Except for the above revision of annual caps, all other terms of the Existing Good Supply Framework Agreement shall remain unchanged.

The respective maximum annual transaction amounts payable by Bailian Group to the Company for the financial years ending 31 December 2026, 31 December 2027 and 31 December 2028 under the Goods Supply Framework Agreement are RMB200,000 thousand. The revised annual caps for the Existing Goods Supply Framework Agreement for the financial years ending 31 December 2025 is RMB200,000 thousand.

Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Goods Supply Framework Agreement (including the proposed revised annual caps under the Existing Goods Supply Framework Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Goods Supply Framework Agreement exceeds 5%, the transactions contemplated under the Goods Supply Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company intends to revise annual caps for continuing connected transactions, the Company will be required to re-comply with relevant provisions of Chapter 14A of the Listing Rules in respect of the relevant continuing connected transactions. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the revised annual caps for continuing connected transactions under the Existing Goods Supply Framework Agreement is more than 5%, the transactions contemplated under the Existing Goods Supply Framework Agreement (as revised and supplemented by the Goods Supply Framework Agreement) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Goods Supply Framework Agreement and its proposed annual caps and the revised annual caps of the Existing Goods Supply Agreement were approved by the independent Shareholders at the annual general meeting on 19 June 2025.

The actual transaction amount under the Existing Goods Supply Framework Agreement for the year ended 31 December 2025 is approximately RMB33,017.7 thousand.

Please refer to the announcements of the Company dated 30 September 2022 and 29 April 2025 and the circulars of the Company dated 16 November 2022 and 30 May 2025 for relevant details of the transaction.

Continuing Connected Transactions – Logistics and Delivery Services Framework Agreement

On 9 October 2024, the Company entered into the Logistics and Delivery Services Framework Agreement (the "Logistics and Delivery Services Framework Agreement") with Bailian Group, pursuant to which, the Company agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

The Company and its subsidiaries agreed to provide logistics and delivery services as well as entrusted management services to Bailian Group and its subsidiaries. The logistics and delivery services include but not limited to delivery, allocation, and return of goods within Shanghai and delivery and storage management service (i.e. delivery of goods into the warehouse, storage, sorting and retrieval of goods from the warehouse) outside Shanghai. The entrusted management services refers to entrusting the Company to manage the delivery services related department and personnel of Bailian Group and payment of management fees to the Company.

Report of the Directors

The operating members of both parties may enter into individual logistics and delivery services contracts setting out specific terms of logistics and delivery services, including the services to be provided, price determination method and payment arrangement. The payment shall be made by bank transfer. Such terms shall be consistent with the principles and the terms of the Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Logistics and Delivery Services Framework Agreement, the latter shall prevail.

The prices for the services to be provided under the Logistics and Delivery Services Framework Agreement are determined based on commercial negotiations at arm's length according to the principles of fairness and reasonableness between the relevant parties on the basis of the prevailing market prices of such services. The payment under the individual logistics and delivery services contract is to be made according to the terms of the individual logistics and delivery services contract by bank transfer on a monthly or agreed period basis. The prices for the services provided by the Company will not be less favourable than those available to independent third parties in similar transactions.

Bailian Group is a substantial Shareholder and therefore is a connected person of the Company. As such, the transactions contemplated under the Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company.

The respective maximum annual transaction amounts payable by Bailian Group to the Company for each of the three years ending 31 December 2027 under the Logistics and Delivery Services Framework Agreement are RMB15,000,000.

As the highest applicable percentage ratio (other than profit ratio) for the transactions contemplated under the Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Logistics and Delivery Services Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Logistics and Delivery Services Framework Agreement for the year ended 31 December 2025 is approximately RMB973.5 thousand.

Please refer to the announcement of the Company dated 9 October 2024 for relevant details of the transaction.

Continuing Connected Transactions – Rajax Network Business Cooperation Framework Agreement

On 7 March 2025, the Company entered into the Rajax Network Business Cooperation Framework Agreement (the "Rajax Network Business Cooperation Framework Agreement") with Rajax Network Technology (Shanghai) Co., Ltd.* (拉扎斯網絡科技(上海)有限公司) ("Rajax Network"), pursuant to which, Rajax Network, its subsidiaries and/or its associates agreed to provide the Group with comprehensive business services and support aimed at fully promoting the integration of online and offline channels for commodity sales and operations, including logistics and delivery services, information dissemination services, resources connection services, platform information services, marketing services, technical services and other related services, for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

Pursuant to the Rajax Network Business Cooperation Framework Agreement, Rajax Network, its subsidiaries and/or its associates agreed to provide comprehensive business services and support to the Company and its subsidiaries, including but not limited to (1) the provision of logistics and delivery services, warehousing management services and related services of delivery, allocation and return of goods within and outside Shanghai; (2) the provision of other comprehensive services, including information dissemination services, resources connection services, platform information services, marketing services, technical services and other related services.

The business departments of both parties may enter into individual business cooperation services contracts setting out specific terms of business cooperation services, including the services to be provided, the relevant pricing terms and payment schedule. Such terms shall be consistent with the principles and the terms of Rajax Network Business Cooperation Framework Agreement. If there is any discrepancy between the terms of an individual business cooperation services contract and the Rajax Network Business Cooperation Framework Agreement, the latter shall prevail.

Rajax Network, its subsidiaries and/or its associates will charge the Group service fees for logistics and delivery services, warehousing management services and related services provided under the Rajax Network Business Cooperation Framework Agreement on the following basis of pricing:

- (1) for the logistics and delivery services and warehousing management services to be provided by Rajax Network, its subsidiaries and/or its associates: (a) the fees for logistics and delivery services shall be calculated based on a per-order basis, which shall be determined by considering factors including the delivery method, transportation distance, weight of the goods, delivery time requirements and delivery area; (b) the fees for warehousing management services shall be based on storage units (e.g. number of pallets or storage area) and determined by considering factors such as the geographical location of the warehouse, storage conditions (e.g. ambient temperature, cold chain or special requirements) and rental duration. Additionally, the fees shall account for the complexity of the goods, order processing volume, and related value-added services (such as custom package) for operations such as inbound and outbound handling, sorting and packing. Such fees shall be mutually agreed upon by the contracting parties of the individual business cooperation services contract after arm's-length negotiations on normal commercial terms, and specified in the respective business cooperation services contract at rates no less favourable than the standard rates charged by Rajax Network, its subsidiaries and/or its associates to other customers.

Report of the Directors

- (2) for other related services to be provided by Rajax Network, its subsidiaries and/or its associates, including services such as software services, operational assistance and technical support, the relevant fees shall be determined based on the sales amount of the relevant service orders, taking into account the number of orders involved in the provision of the services, the type of the relevant services and the scope of the services (e.g. basic services or advanced customisation), the frequency and complexity of the services and the relevant dynamic surcharges (e.g. holiday peaks), etc. Such fees shall be determined between the contracting parties of the individual business cooperation services contract after arm's length negotiation on normal commercial terms with reference to the market level and at rates no less favourable than the standard rates charged by Rajax Network, its subsidiaries and/or its associates to other customers.
- (3) the prices of the services provided by Rajax Networks, its subsidiaries and/or its associates shall not be less favourable than the prices of services provided to the Group by other independent third parties in similar transactions.

The payment under the individual business services contract is to be made according to the terms of the individual business services contract, and the payment shall be made by bank transfer on a monthly or quarterly or half-yearly basis.

The respective maximum annual transaction amounts payable by the Company for each of the three years ending 31 December 2027 under the Rajax Network Business Cooperation Framework Agreement are RMB26,000 thousand.

Rajax Network is a subsidiary of Alibaba Group, which is the holding company of Alibaba China. Alibaba China is a substantial Shareholder and therefore is a connected person of the Company. Accordingly, Rajax Network is an associate of Alibaba China and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the Rajax Network Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest proposed annual cap under the Rajax Network Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Rajax Network Business Cooperation Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Rajax Network Business Cooperation Framework Agreement for the year ended 31 December 2025 is approximately RMB25,437.5 thousand.

Please refer to the announcement of the Company dated 7 March 2025 for relevant details of the transaction.

Continuing Connected Transactions – Logistics and Delivery Services Framework Agreement

The Company entered into the Logistics and Delivery Services Framework Agreement (the "Logistics and Delivery Services Framework Agreement") with Bailian Group on 22 December 2023. Pursuant to which, Bailian Group agreed to provide logistics and delivery services to the Group, for a term commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Bailian Group and/or its subsidiaries and its associates agreed to provide logistics and delivery services to the Group. The logistics and delivery services and related ancillary services provided by Bailian Group include but not limited to delivery services, allocation services, returning and exchanging services, warehousing, operation and management services and information data services, to the Group on a non-exclusive basis. Among them, (i) the provision of delivery services by Bailian Group refers to the delivery of goods provided by Bailian Group and/or its subsidiaries and its associates to the Group at the various outlets of the Group; (ii) the provision of warehousing, operation and management services refers to the delivery of goods provided to the Group into the warehouse, storage, sorting and retrieval of goods from the warehouse; and (iii) information data services refer to the provision of information data relating to goods to the Group.

The operating units of both parties may separately enter into individual logistics and delivery services contracts setting out specific terms of such services including price, settlement method and payment arrangement. Such terms shall be consistent with the principles and the terms of the Logistics and Delivery Services Framework Agreement. If there is any discrepancy between the terms of an individual logistics and delivery services contract and the Logistics and Delivery Services Framework Agreement, the latter shall prevail.

The price for the logistics and delivery services under the Logistics and Delivery Services Framework Agreement is determined principally by arm's length negotiations according to the principles of fairness and reasonableness between the relevant parties (including the parties to individual logistics and delivery services contracts) based on the following pricing basis:

- (1) The logistics and delivery and related ancillary services provided under the Logistics and Delivery Services Framework Agreement shall be based on the market price of the same type of services in the industry;

- (2) The order quantity, delivery unit price and delivery area of related logistics and delivery services, as well as the order quantity, service type, unit price and service area of ancillary services thereof shall be taken into consideration; and
- (3) The prices for the services provided by Bailian Group to the Group shall not be less favourable than those available from independent third parties to the Group in similar transactions in the market.

The amounts payable under the individual logistics and delivery services contracts will be paid according to the terms of the individual logistics and delivery services contracts.

The respective maximum annual transaction amounts payable by the Group for the financial years ending 31 December 2024, 31 December 2025 and 31 December 2026 under the Logistics and Delivery Services Framework Agreement are RMB8 million, RMB9 million and RMB10 million.

As Bailian Group is a substantial Shareholder, Bailian Group is a connected person of the Company. Therefore, the transactions contemplated under the Logistics and Delivery Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) for the transactions contemplated under the Logistics and Delivery Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Logistics and Delivery Services Framework Agreement for the year ended 31 December 2025 is approximately RMB0.

Report of the Directors

Please refer to the announcement of the Company dated 22 December 2023 for relevant details of the transaction.

Major Transactions and Continuing Connected Transactions – Financial Services Agreement

On 7 April 2024, the Company, Bailian Group and Bailian Group Finance Co., Ltd. (百聯集團財務有限責任公司) (“Bailian Finance”) entered into the Financial Services Agreement (the “Financial Services Agreement”), pursuant to which, Bailian Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein for a term commencing from 1 January 2025 to 31 December 2027.

The major terms of the agreement are set out as follows:

1. Deposit cap: the maximum daily balance of the Group’s deposits with Bailian Finance (including any interest accrued therefrom) for each of the three years ending 31 December 2027 is RMB2.0 billion.
2. Bailian Finance has undertaken to adhere to the principles below in relation to the provision of the aforementioned financial services to the Group:
 - (i) the interest rates payable by Bailian Finance to the Group for any deposits shall not be lower than the benchmark interest rates for comparable deposits as announced by the PBOC and shall not be lower than the interest rates paid by other major commercial banks in the PRC for comparable deposits. As at the date of this announcement, the benchmark interest rates for deposits as announced by the PBOC for 6-month deposit, one-year deposit and three-year deposit are 1.3%, 1.5% and 2.75% per annum, respectively. The average annual interest rates offered by Bailian Finance to the Group for the two financial years ended 31 December 2022, 31 December 2023 and the two months ended 29 February 2024 were 3.11%, 3.14% and 3.16% per annum, respectively;
 - (ii) the interest rates to be charged for loans to be granted to the Group by Bailian Finance shall not be higher than the Loan Prime Rate (LPR) as announced by the PBOC during the same period and shall not be higher than the lending rates charged by other major commercial banks in the PRC for comparable loans during the same period. As at the date of this announcement, the LPR as announced by the PBOC for the term of one year and over five years are 3.45% and 3.95%, respectively;

- (iii) the service fees to be charged by Bailian Finance for the provision of other financial services to the Group, other than the deposit and loan services, shall not be higher than the service fees charged by other financial institutions in the PRC for comparable services, and the total service fees to be charged by Bailian Finance for the provision of other financial services to the Group shall not be more than RMB5 million per annum; and
 - (iv) the terms of services to be provided to the Group by Bailian Finance shall be no less favourable than those of comparable services provided by other financial institutions in the PRC.
3. The Group and Bailian Finance will enter into individual financial services agreements for specific financial services, which will be subject to the proposed annual caps under the Financial Services Agreement. The terms of such individual financial services agreements will be consistent with the principles of the Financial Services Agreement. If there is any discrepancy between the terms of an individual financial services agreement and the Financial Services Agreement, the latter shall prevail.

Bailian Group is a substantial Shareholder and Bailian Finance is a subsidiary of Bailian Group. Accordingly, Bailian Finance and Bailian Group are connected persons of the Company. Therefore, the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in relation to the provision of deposit services under the Financial Services Agreement is more than 25%, the provision of deposit services under the Financial Services Agreement constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio for the highest proposed annual cap for the provision of deposit services under the Financial Services Agreement is more than 5%, the provision of deposit services under the Financial Services Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for other services provided by Bailian Finance to the Company is more than 0.1% but less than 5%, other services provided by Bailian Finance to the Company under the Financial Services Agreements are subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The loan services to be provided by Bailian Finance to the Group under the Financial Services Agreement constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are fully exempt from all reporting, annual review, announcement and independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The Financial Services Agreement and the transactions contemplated thereunder were approved by the independent Shareholders at the 2023 annual general meeting on 20 June 2024.

Report of the Directors

The maximum daily deposit balance placed by the Group in Bailian Finance under the Financial Services Agreement for the year ended 31 December 2025 is approximately RMB1,893,800.7 thousand.

The actual total service fees to be charged by Bailian Finance for the provision of other financial services to the Group under the Financial Service Agreement for the year ended 31 December 2025 is RMB0.

Please refer to the announcement of the Company dated 7 April 2024, and the circular of the Company dated 6 May 2024 for relevant details of the transactions.

Continuing Connected Transactions – Procurement of Goods Framework Agreement

On 30 September 2022, the Company entered into the Procurement of Goods Framework Agreement (the “Procurement of Goods Framework Agreement”) with Bailian Group, pursuant to which, the Group agreed to procure and Bailian Group and/or its associates agreed to supply various kind of goods, including but not limited to fresh produce, food and industrial products, for sales in the outlets of the Group for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

The Group and Bailian Group and/or its associates will enter into individual procurement of goods contracts setting out specific terms. Such terms will be consistent with the principles and the terms of the Procurement of Goods Framework Agreement. If there is any discrepancy between the terms of an individual procurement of goods contract and the Procurement of Goods Framework Agreement, the latter shall prevail.

The pricing for the goods procured under the Procurement of Goods Framework Agreement is determined principally by arm’s length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market price of such goods from time to time. Such transactions will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms not less favourable than those available from independent third parties.

Depending on the specific goods to be procured and the practices of Bailian Group and/or its associates, the actual payments for the procurement of goods under the Procurement of Goods Framework Agreement are to be made as agreed in the agreement (which shall be determined by the market practice of the payment period of such particular type of goods procured and shall not be less favourable than those available from independent third parties). Details of the payment terms shall be set out in the individual procurement of goods contracts to be entered into between both parties with reference to the normal commercial terms of Bailian Group and/or its associates and on terms not less favourable than those available from independent third parties.

Bailian Group is a substantial Shareholder and is a connected person of the Company. Therefore, the Procurement of Goods Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The respective maximum annual transaction amounts payable by the Group to Bailian Group for the financial years ending 31 December 2023, 31 December 2024 and 31 December 2025 under the Procurement of Goods Framework Agreement are RMB500,000 thousand, RMB600,000 thousand and RMB700,000 thousand.

As each of the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Procurement of Goods Framework Agreement exceeds 5%, the transactions contemplated under the Procurement of Goods Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Procurement of Goods Framework Agreement and its proposed annual caps were approved by the independent Shareholders at the extraordinary general meeting on 1 December 2022.

The actual transaction amount under the Procurement of Goods Framework Agreement for the year ended 31 December 2025 is approximately RMB195,902.8 thousand.

On 29 April 2025, the Company renewed the Procurement of Goods Framework Agreement with Bailian Group in order to continue the transactions under the Procurement of Goods Framework Agreement which will expire on 31 December 2025, pursuant to which, the Group agreed to procure and Bailian Group and/or its associates agreed to supply various kind of goods, including but not limited to fresh produce, food and industrial products, for sales at the Group's stores for a term commencing from 1 January 2026 to 31 December 2028 (both days inclusive).

The respective maximum annual transaction amounts payable by the Group to Bailian Group for the financial years ending 31 December 2026, 31 December 2027 and 31 December 2028 under the Procurement of Goods Framework Agreement are RMB300,000 thousand.

As each of the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Procurement of Goods Framework Agreement exceeds 5%, the transactions contemplated under the Procurement of Goods Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Procurement of Goods Framework Agreement and its proposed annual caps were approved by the independent Shareholders at the annual general meeting on 19 June 2025.

Please refer to the announcements of the Company dated 30 September 2022 and dated 29 April 2025, and the circulars of the Company dated 16 November 2022 and dated 30 May 2025 for relevant details of the transaction.

Continuing Connected Transactions – Smart Cards Arrangement Agreement

On 9 October 2024, the Company entered into the Smart Cards Arrangement Agreement (the "Smart Cards Arrangement Agreement") with Bailian Group, pursuant to which, the Company and Bailian Group agreed to make certain arrangements to enable them to accept payments of purchases from the customers by using the smart cards of the other party within their respective sales networks for a term commencing from 1 January 2025 and ending on 31 December 2027.

Each of the Company and Bailian Group has its own smart cards system which enables its customers to make purchases by using smart cards with prepaid values. Pursuant to the Smart Cards Arrangement Agreement, the parties agreed to accept all payments of purchases from the customers by using the smart cards issued by the other party within their respective sales networks.

Report of the Directors

The relevant subsidiaries of the parties will enter into individual smart cards arrangement contracts setting out specific terms for the arrangement, including the technologies required, operation details, settlement arrangements and the fees and charges. Such terms will be consistent with the principles and the terms of the Smart Cards Arrangement Agreement. If there is any discrepancy between the terms of an individual smart cards arrangement contract and the Smart Cards Arrangement Agreement, the latter shall prevail.

Consideration and Payment

- (1) Each party shall charge the other party a management service fee of not more than 0.5% of such transaction amounts which are attributable to the other party. Such percentage shall be determined based on commercial negotiations at arm's length between the relevant parties with reference to the gross margin level of companies in the market using smart cards system for settlement of customers' purchases, size of transaction, application conditions and business operation conditions and set out in the individual smart cards arrangement contracts.
- (2) The fee payable under the Smart Cards Arrangement Agreement is to be made in cash or by bank transfer on a monthly or agreed period basis.

The respective maximum annual transaction amounts payable by Bailian Group to the Company for each of the three years ending 31 December 2027 under the Smart Cards Arrangement Agreement are RMB10 million, whereas the respective maximum annual transaction amounts payable by the Company to Bailian Group for each of the three years ending 31 December 2027 under the Smart Cards Arrangement Agreement are RMB10 million.

Bailian Group is a substantial shareholder of the Company. As such, Bailian Group is a connected person of the Company. Therefore, the transactions contemplated under the Smart Cards Arrangement Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than profit ratio) in respect of the annual caps for the transactions contemplated under the Smart Cards Arrangement Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Smart Cards Arrangement Agreement are subject to the reporting, announcement, and annual review requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual fees paid by Bailian Group to the Company for the year ended 31 December 2025 is RMB4,123.7 thousand, whereas the actual fees paid by the Company to Bailian Group for the year ended 31 December 2025 is RMB6,662.6 thousand.

Please refer to the announcement of the Company dated 9 October 2024 for relevant details of the transaction.

Continuing Connected Transactions – Housing Leasing Business Cooperation Framework Agreement

On 22 January 2025, the Company entered into the Housing Leasing Business Cooperation Framework Agreement (the "Housing Leasing Business Cooperation Framework Agreement") with Bailian Group, pursuant to which, Bailian Group and/or its subsidiaries agreed to lease certain premises to the Group for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

Pursuant to the Housing Leasing Business Cooperation Framework Agreement, Bailian Group agreed to lease certain premises to the Company for the Company's establishment of various operations, including but not limited to supermarkets, convenience stores, warehouses and offices, but excluding hypermarkets.

The parties and/or its subsidiaries will enter into individual leasing contracts setting out specific terms of leasing including the details of relevant premises, the principles of rent determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Housing Leasing Business Cooperation Framework Agreement. If there is any discrepancy between the terms of an individual leasing contract and the Housing Leasing Business Cooperation Framework Agreement, the latter shall prevail.

Consideration and Payment

- (1) The rent for leasing certain premises under the Housing Leasing Business Cooperation Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market prices of similar properties in same locations from time to time.
- (2) Depending on the specific conditions of transactions contemplated under the individual leasing contracts, the fee payable under the individual leasing contracts is to be made by bank transfer on a monthly or an agreed period basis.
- (3) Transactions contemplated under the Housing Leasing Business Cooperation Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.

Bailian Group is a substantial Shareholder of the Company, and is therefore a connected person of the Company. Therefore, the transactions contemplated under the Housing Leasing Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The respective maximum annual transaction amounts payable by the Company for each of the three years ending 31 December 2027 under the Housing Leasing Business Cooperation Framework Agreement are RMB9 million.

According to the Hong Kong Financial Reporting Standard 16, with respect to the continuing connected transactions under the Housing Leasing Business Cooperation Framework Agreement, the Company is required to set an annual cap on the value of right-of-use assets for the three years ending 31 December 2027. The right-of-use assets should be initially measured at estimated cost and be depreciated on a straight line basis over the lease term.

The respective maximum values of right-of-use assets of the Company for each of the three years ending 31 December 2027 under the Housing Leasing Business Cooperation Framework Agreement are RMB18 million.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Housing Leasing Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Housing Leasing Business Cooperation Framework Agreement are therefore subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount is RMB5,813.5 thousand, and the actual maximum right-of-use assets amount is RMB11,260.3 thousand under the Housing Leasing Business Cooperation Framework Agreement for the year ended 31 December 2025,

Please refer to the announcement of the Company dated 22 January 2025 for relevant details of the transaction.

Report of the Directors

Continuing Connected Transactions – Property Management Business Cooperation Framework Agreement

On 31 December 2024, the Company entered into the Property Management Business Cooperation Framework Agreement (the “Property Management Business Cooperation Framework Agreement”) Bailian Group, pursuant to which, Bailian Group and/or its subsidiaries agreed to provide property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

Pursuant to the Property Management Business Cooperation Framework Agreement, Bailian Group and/or its subsidiaries agreed to provide property management services, including but not limited to cleaning and sanitary services, maintenance and repair services, security and safety services and environmental greening and planting services to certain premises of the Group including offices and retail stores for a term of three years commencing from 1 January 2025 to 31 December 2027.

The parties and/or their respective subsidiaries will enter into individual property management contracts setting out specific terms of the provision of property management services including the principles of property management fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Property Management Business Cooperation Framework Agreement. If there is any discrepancy between the terms of an individual property management contract and the Property Management Business Cooperation Framework Agreement, the latter shall prevail.

Consideration and Payment

- (1) The fee for the provision of property management services under the Property Management Business Cooperation Framework Agreement is determined principally by arm’s length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the property management fees of similar properties in the market from time to time.
- (2) Depending on the different sizes of the properties managed, the different amounts of the annual property management fee and the business scale of the counterparties, the fee payable under the Property Management Business Cooperation Framework Agreement is to be made by bank transfer on a monthly or an agreed period basis.
- (3) Transactions contemplated under the Property Management Business Cooperation Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.

Bailian Group is a substantial Shareholder of the Company, and is therefore a connected person of the Company. Therefore, the transactions contemplated under the Property Management Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In accordance with the Property Management Business Cooperation Framework Agreement, the respective maximum annual transaction amounts payable by the Company for each of the three years ending 31 December 2027 are RMB15 million.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Property Management Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Management Business Cooperation Framework Agreement are therefore subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount under the Property Management Business Cooperation Framework Agreement for the year ended 31 December 2025 is RMB8,533.6 thousand.

Please refer to the announcement of the Company dated 31 December 2024 for relevant details of the transaction.

Continuing Connected Transactions – Sales Agency Framework Agreement

The Company entered into the Sales Agency Framework Agreement (the "Sales Agency Framework Agreement") with Bailian Omni-channel E-commerce Co., Ltd.* (百聯全渠道電子商務有限公司, (the "Bailian Omni-channel")) on 27 September 2023, pursuant to which, Bailian Omni-channel agreed to sell the goods (the "Goods") on behalf of the Group through its e-commerce platform for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Bailian Omni-channel will settle the Selling Prices (as defined below) with the Company as agreed in the agreement. The fees payable by the Company are as follows:

- (1) in respect of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through the main site of their e-commerce platforms, the Company will pay Bailian Omni-channel the platform usage fee which is equivalent to 4% of the total transaction amount of Goods sold and shall not exceed 4% of the sales budget of the Goods (whichever is lower). Besides, the Company shall also pay Bailian Omni-channel the payment handling fees which shall be charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold;
- (2) in respect of Goods sold by third-party platforms through the main site of e-commerce platform of Bailian Omni-channel and/or its subsidiaries, the Company will pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold (together with the platform usage fee and payment handling fee described in paragraph (1) above, the "Bailian Omni-channel Platform Fees"); and
- (3) the third party platform usage fee paid by Bailian Omni-channel on behalf of the Group at actual cost (the "Third Party Expenses").

The parties and/or its subsidiaries will enter into individual sales agency contracts setting out specific terms including the transaction price determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Sales Agency Framework Agreement. If there is any discrepancy between the terms of an individual sales agency contract and the Sales Agency Framework Agreement, the latter shall prevail.

Report of the Directors

The Company or its subsidiaries has the sole discretion to set the selling prices of the Goods (the “Selling Prices”) to be sold on the e-commerce platforms of Bailian Omni-channel and/or its subsidiaries. The prices at which the Company or its subsidiaries charges Bailian Omni-channel and/or its subsidiaries for the supply of the Goods is the same as the Selling Prices.

Consideration and Payment

- (1) The Selling Prices are set solely by the Company or its subsidiaries with reference to the prevailing prices of the comparable Goods sold at the outlets of the Group during the same period and as such, the Selling Prices are subject to the same pricing policies as that of the Group with respect to its outlets. This would ensure that the Selling Prices would not be less favourable than those available from independent third parties in real-time.
- (2) In respect of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through the main site of their e-commerce platforms, and the Goods sold by third-party platforms through the main site of Bailian Omni-channel’s e-commerce platforms, the Company agrees to pay Bailian Omni-channel the Bailian Omni-channel Platform Fees.

In respect of the third-party platforms usage fee paid by Bailian Omni-channel on behalf of the Company at actual cost, the Company agrees to pay Bailian Omni-channel the Third Party Expenses.

- (3) Depending on the specific conditions of transactions contemplated under the individual sales agency contracts, the platform usage fee payable by the Company or its subsidiaries to Bailian Omni-channel and/or its subsidiaries and the Selling Prices payable by Bailian Omni-channel and/or its subsidiaries to the Company or its subsidiaries under the individual sales agency contracts are to be made by bank transfer as agreed in the agreement and shall be consistent with the market payment terms of purchasing such particular type of Goods.
- (4) The transactions contemplated under the Sales Agency Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Omni-channel on normal commercial terms and on terms not be less favourable than those available from independent third parties.

The shopping procedures and payment method for the transactions under the Sales Agency Framework Agreement are set out as follows:

- (1) The end customer will place an order for the purchase of Goods and pay the Selling Prices to Bailian Omni-channel on its e-commerce platform. After Bailian Omni-channel and/or its subsidiaries receives an order from the end customer on its e-commerce platform, it will notify the Company or its subsidiaries of such order information. Upon receiving such notification, the Company or its subsidiaries will deliver the Goods to the end customer. Bailian Omni-channel shall pay to the Company upon the date falling six days after the relevant transaction date, in accordance with the terms of the relevant individual sales agency contracts based on arm's length negotiation between the parties on normal commercial terms with reference to the market practice, the amount equivalent to the total transaction amount of Goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group through its e-commerce platform as agreed in the agreement after deduction of the fees payable by the Company. The fees payable by the Company to Bailian Omni-channel comprise (i) the platform usage fee which is equivalent to 4% of the total transaction amount of Goods sold or 4% of the sales budget of the Goods (whichever is lower); and (ii) the payment handling fee which is charged at actual cost and shall not exceed 0.5% of the total transaction amount of Goods sold; and
- (2) The end customer will place an order for the purchase of Goods of the Group and pay the Selling Prices to the third-party platforms on their ecommerce platforms. The third-party platforms will transmit the order information to Bailian Omni-channel, and Bailian Omni-channel will notify the Company or its subsidiaries of such order information. Upon receiving such notification, the Company or its subsidiaries will deliver the Goods to the end customer. The settlement period between Bailian Omni-channel and the third-party platforms is subject to the individual contracts entered into by them. Bailian Omni-channel will settle the Selling Prices with the Company on a monthly basis in accordance with the terms of the relevant individual sales agency contracts based on arm's length negotiation between the parties on normal commercial terms with reference to the market practice, which are equivalent to the total transaction amount of Goods sold through the third-party platforms as agreed in the agreement. After the Selling Prices are settled by Bailian Omni-channel, the Company will (i) pay Bailian Omni-channel the platform usage fee which is equivalent to 1% of the total transaction amount of Goods sold by the Group through the third party platforms; and (ii) pay the third party platforms usage fees paid by Bailian Omni-channel on behalf of the Group at actual cost, on a monthly basis in accordance with the terms of the individual sales agency contract.

Bailian Group is a substantial Shareholder of the Company. Bailian Omni-channel is a subsidiary of Bailian Group. Accordingly, Bailian Omni-channel is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Sales Agency Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of the Directors

The maximum annual transaction amount in respect of the Goods to be sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group for the three financial years ending 31 December 2026 under the Sales Agency Framework Agreement is RMB1,400 million, RMB1,500 million and RMB1,600 million respectively.

The maximum platform usage fee payable by the Group for the three financial years ending 31 December 2026 under the Sales Agency Framework Agreement is RMB95,000 thousand, RMB107,000 thousand and RMB120,000 thousand respectively. Amongst which, Bailian Omni-channel Platform Fees shall not exceed RMB31,000 thousand, RMB32,000 thousand and RMB33,000 thousand respectively.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the highest proposed annual cap under the Sales Agency Framework Agreement is more than 5%, the transactions contemplated under the Sales Agency Framework Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Sales Agency Framework Agreement and its proposed annual caps were approved by the independent Shareholders at the extraordinary general meeting held on 21 December 2023.

The actual transaction amount in respect of the goods sold by Bailian Omni-channel and/or its subsidiaries on behalf of the Group under the Sales Agency Framework Agreement for the year ended 31 December 2025 is approximately RMB59,976.6 thousand. The platform usage fee paid by the Group under the Sales Agency Framework Agreement for the year ended 31 December 2025 is approximately RMB40,768.8 thousand.

Please refer to the announcement of the Company dated 27 September 2023 and the circular of the Company dated 6 November 2023 for relevant details of the transaction.

Continuing Connected Transactions – Membership Points Agency and Settlement Service Agreement

On 9 October 2024, the Company entered into the Membership Points Agency and Settlement Service Agreement (the "Membership Points Agency and Settlement Service Agreement") with Bailian Finance, pursuant to which, Bailian Finance agreed to provide the Group with deposit, withdrawal and settlement services for the membership points of the Company for a term of three years commencing from 1 January 2025 to 31 December 2027.

According to the Membership Points Agency and Settlement Service Agreement, Bailian Finance will (i) in accordance with the instructions of the Company, withdraw corresponding fees from the Company's relevant account in Bailian Finance and transfer the same to Bailian Finance's settlement account based on the membership points granted by the Company; and (ii) in accordance with the instructions of the Company, transfer corresponding fees to the Company's relevant account in Bailian Finance from Bailian Finance's settlement account based on the membership points received by the Company. The membership points granted by the Company, Bailian Group and their respective subsidiaries can be used by customers in purchasing goods or services from the Company, Bailian Group and their respective subsidiaries.

The parties and/or its subsidiaries will enter into individual membership points agency and settlement service contracts setting out specific terms of the provision of deposit, withdrawal and settlement services for membership points including the principles of service fee determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Membership Points Agency and Settlement Service Agreement. If there is any discrepancy between the terms of an individual membership points agency and settlement service contract and the Membership Points Agency and Settlement Service Agreement, the latter shall prevail.

Consideration and Payment

- (1) Once the Company grants membership points to its customers, the Company will instruct Bailian Finance to withdraw the corresponding fees from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account based on the membership points granted by the Company on the next day (or the next business day if such day is a public holiday).
- (2) Once the Company receives membership points from its customers, the Company will instruct Bailian Finance to transfer the corresponding fees from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance based on the membership points received by the Company on the next day (or the next business day if such day is a public holiday).
- (3) The Company and Bailian Finance will settle on a monthly or agreed period basis in cash or by bank transfer. No service fees will be charged to the Company by Bailian Finance for the provision of the membership points deposit, withdrawal and agency settlement services.
- (4) The Company will receive interests for the outstanding balance in the Company's relevant account in Bailian Finance from Bailian Finance according to the demand deposit interest rate of the PBOC.
- (5) Transactions contemplated under the Membership Points Agency and Settlement Service Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Finance on normal commercial terms and on terms not less favourable than those available from independent third parties.

Bailian Group is a substantial shareholder of the Company, and Bailian Finance is a subsidiary of the Bailian Group. As such, Bailian Group and Bailian Finance are connected persons of the Company. Therefore, the transactions contemplated under the Membership Points Agency and Settlement Service Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The maximum aggregate annual transaction amounts to be withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for each of the three years ending 31 December 2027 are RMB20 million.

The maximum aggregate annual transaction amounts to be transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement (including the interests to be paid by Bailian Finance) for each of the three years ending 31 December 2027 are RMB20 million.

As the highest applicable percentage ratio (other than profit ratio) in respect of the annual caps for the transactions contemplated under the Membership Points Agency and Settlement Service Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Membership Points Agency and Settlement Service Agreement are subject to the reporting, announcement, and annual review requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Report of the Directors

The actual amount withdrawn from the Company's relevant account in Bailian Finance to Bailian Finance's settlement account under the Membership Points Agency and Settlement Service Agreement for the year ended 31 December 2025 is approximately RMB8,571.9 thousand. The actual amount (including interests paid by Bailian Finance) transferred from Bailian Finance's settlement account to the Company's relevant account in Bailian Finance under the Membership Points Agency and Settlement Service Agreement for the year ended 31 December 2025 is approximately RMB4,096.5 thousand.

Please refer to the announcement of the Company dated 9 October 2024 for relevant details of the transactions.

Continuing Connected Transactions – Property Leasing Business Cooperation Framework Agreement

On 31 December 2024, the Company entered into the Property Leasing Business Cooperation Framework Agreement (the "Property Leasing Business Cooperation Framework Agreement") with Bailian Group, pursuant to which, the Group agreed to lease properties to Bailian Group and/or its subsidiaries for use as shopping mall, offices or other purposes for a term of three years commencing from 1 January 2025 to 31 December 2027 (both days inclusive).

The parties and/or their respective subsidiaries will enter into individual leasing contracts setting out specific terms including the transaction price determination, settlement method, payment terms and timing of payment. Such terms will be consistent with the principles and the terms of the Property Leasing Business Cooperation Framework Agreement. If there is any discrepancy between the terms of an individual leasing contract and the Property Leasing Business Cooperation Framework Agreement, the latter shall prevail.

Consideration and payment

- (1) The rental of the properties leased by the Company to Bailian Group under the Property Leasing Business Cooperation Framework Agreement is determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the market prices of comparable properties in same locations from time to time.
- (2) Depending on the specific usages of different properties, their specific locations, amount of the annual rent and the business scale of the counterparties, the rentals payable by Bailian Group under the Property Leasing Business Cooperation Framework Agreement are to be made by bank transfer on monthly basis or otherwise by period agreed between the parties to the individual contract and shall be consistent with the market payment terms of leasing the comparable properties.
- (3) The transactions contemplated under the Property Leasing Business Cooperation Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable than those available from independent third parties.

Bailian Group is a substantial Shareholder of the Company, and is therefore a connected person of the Company. Therefore, the transactions contemplated under the Property Leasing Business Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The maximum annual transaction amounts in respect of the lease of the properties to Bailian Group by the Company under the Property Leasing Business Cooperation Framework Agreement for each of the three years ending 31 December 2027 are RMB15 million.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Property Leasing Business Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Property Leasing Business Cooperation Framework Agreement are therefore subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount of the individual lease transactions under the Property Leasing Business Cooperation Framework Agreement for the year ended 31 December 2025 is approximately RMB8,464.4 thousand.

Please refer to the announcement of the Company dated 31 December 2024 for relevant details of the transactions.

Continuing Connected Transactions – Warehouse Leasing Framework Agreement

On 30 September 2022, the Company entered into the Warehouse Leasing Framework Agreement (the "Warehouse Leasing Framework Agreement") with Bailian Group, pursuant to which, the Group agreed to lease warehouses to Bailian Group and/or its subsidiaries for use as warehouses, offices or other purposes, for a term commencing from 1 January 2023 to 31 December 2025 (both days inclusive).

Both parties are entitled to conduct specific negotiations regarding the warehouse leasing business cooperation and are allowed to enter into individual lease agreements regarding the warehouse leasing business cooperation. The Company and Bailian Group will be allowed to authorise their subordinate operating units to perform the individual warehouse leasing business cooperation and to assume the relevant obligations. These authorised subordinate operating units are entitled to enter into, and execute, individual lease agreements regarding the warehouse leasing business cooperation. Individual lease agreements regarding the warehouse leasing business cooperation shall be subject to the principles and the terms of the Warehouse Leasing Framework Agreement. If there is any conflict between the terms of any such individual lease agreements and the Warehouse Leasing Framework Agreement, the latter shall prevail.

The rental of warehouses leased by the Group to Bailian Group and/or its subsidiaries under the Warehouse Leasing Framework Agreement is determined principally on arm's length commercial negotiations according to the principles of fairness and reasonableness with reference to the market rental of comparable properties.

Individual lease agreements to be entered into during the term of the Warehouse Leasing Framework Agreement regarding the warehouse leasing business cooperation should set out clearly the specific terms including the price determination method, settlement method, payment terms and timing of payment. Depending on the specific conditions of the transactions contemplated under the individual lease agreements, the rental payment under the specific lease agreements should be made by bank transfer on a monthly or agreed basis.

Report of the Directors

The transactions contemplated under the Warehouse Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company and Bailian Group on normal commercial terms and on terms not less favourable to the Company than those available to independent third parties.

Bailian Group is a substantial Shareholder of the Company and therefore is a connected person of the Company. As such, the transactions contemplated under the Warehouse Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The respective maximum annual rental payable by Bailian Group to the Company for each of the financial years ending 31 December 2025 under the Warehouse Leasing Framework Agreement is RMB20,000 thousand.

As the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Warehouse Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The actual transaction amount paid by Bailian Group under the Warehouse Leasing Framework Agreement for the year ended 31 December 2025 is approximately RMB15,915.5 thousand.

On 29 April 2025, the Company renewed Warehouse Leasing Framework Agreement with Bailian Group in order to continue the transactions under the Warehouse Leasing Framework Agreement, which will expire on 31 December 2025 respectively, pursuant to which, the Group agreed to lease warehouses to Bailian Group and/or its subsidiaries for use as warehouses, offices or other purposes, for a term commencing from 1 January 2026 to 31 December 2028 (both days inclusive).

The respective maximum annual rental payable by Bailian Group to the Company for the financial years ending 31 December 2026, 31 December 2027 and 31 December 2028 under the Warehouse Leasing Framework Agreement is RMB20,000 thousand.

As the highest applicable percentage ratio for the highest proposed annual cap for the transactions contemplated under the Warehouse Leasing Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under such agreement are subject to the reporting, annual review and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcements of the Company dated 30 September 2022 and dated 29 April 2025 for relevant details of the transaction.

Continuing Connected Transactions – Leasing Agreements

Bailian Nanqiao

The Bailian Nanqiao Lease Agreement (the “Bailian Nanqiao Lease Agreement”) dated 1 July 2010 was entered into between Century Lianhua Development as the lessee and Shanghai Bailian Nanqiao Shopping Centre Co., Ltd. (上海百聯南橋購物中心有限公司) (“Bailian Nanqiao”) as the lessor in respect of the property located at room G41-B01-1-001 at B1 floor and a portion of area at first and second floors of Shanghai Bailian Nanqiao Shopping Centre, No. 228-288 Bai Qi Lu, Shanghai, the PRC. The maximum annual amount of the transaction payable by Century Lianhua under this Bailian Nanqiao Lease Agreement are set out as follows:

Period	Maximum amount of the transaction (RMB)
From 1 January 2010 to 31 December 2010 (Note 1)	1,410,000
From 1 January 2011 to 31 December 2011	4,220,000
From 1 January 2012 to 31 December 2012	4,220,000
From 1 January 2013 to 31 December 2013	4,400,000
From 1 January 2014 to 31 December 2014	4,400,000
From 1 January 2015 to 31 December 2015	4,400,000
From 1 January 2016 to 31 December 2016	4,580,000
From 1 January 2017 to 31 December 2017	4,580,000
From 1 January 2018 to 31 December 2018	4,580,000

Period	Maximum amount of the transaction (RMB)
From 1 January 2019 to 31 December 2019	4,770,000
From 1 January 2020 to 31 December 2020	4,770,000
From 1 January 2021 to 31 December 2021	4,770,000
From 1 January 2022 to 31 December 2022	4,970,000
From 1 January 2023 to 31 December 2023	4,970,000
From 1 January 2024 to 31 December 2024	4,970,000
From 1 January 2025 to 31 December 2025 (Note 2)	2,490,000

Note 1: The maximum amount of the transaction represents the amount of the transaction for the period after the end of the rent-free period, i.e., from 28 September 2010 to 31 December 2010.

Note 2: The maximum amount of the transaction represents the amount of the transaction from 1 January 2025 to the expiration of the term, i.e., 27 May 2025.

The relevant details are set out in the announcement of the Company dated 1 July 2010. Century Lianhua Development is a subsidiary of the Company, and Bailian Nanqiao is accounted and consolidated as a subsidiary of Bailian Group. As Bailian Group is a substantial Shareholder of the Company, such transactions constitute continuing connected transactions of the Company.

The actual rent fee under the Bailian Nanqiao Lease Agreement paid by Century Lianhua to Bailian Nanqiao for the year ended 31 December 2025 is approximately RMB1,930.4 thousand.

Report of the Directors

On 30 June 2025, Shanghai Century Lianhua Supermarket Nanqiao Co., Ltd.* (上海世紀聯華超市南橋有限公司) (“Century Lianhua Nanqiao”, a subsidiary of the Company, as the tenant), and Bailian Nanqiao (as the landlord) entered into the Nanqiao Lease Agreement (the “Nanqiao Lease Agreement”), pursuant to which Bailian Nanqiao agreed to lease the Nanqiao Premise to Century Lianhua Nanqiao for use as hypermarkets for a lease term commencing from 1 July 2025 and ending on 30 June 2026 (both days inclusive).

Rental: The monthly rental payable by the Company during the term of the Nanqiao Lease Agreement is approximately RMB340.70 thousand (tax inclusive).

Property management fees: The monthly property management fee payable by the Company during the term of the Nanqiao Lease Agreement is approximately RMB60.93 thousand (tax inclusive), calculated based on the net usable area of approximately 9,106 sq.m. of the Nanqiao Premise.

Payment method: The Company shall pay the rental and property management fees under the Nanqiao Lease Agreement quarterly in advance.

The terms of the rentals payable under the Nanqiao Lease Agreement were determined after arm’s-length negotiations between the parties and are no less favourable than the terms and conditions offered by Independent Third Parties. The rentals were determined with reference to: (i) the prevailing market rentals for similar properties situated on comparable lots of the property leased under the Nanqiao Lease Agreement; and (ii) the current property condition and its leasing status, the Company considers that the terms of the Nanqiao Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The unaudited value of the right-of-use asset recognised by the Company under the Nanqiao Lease Agreement amounts to approximately RMB4 million, which is the present value of the total basic rental payable during the term of the Nanqiao Lease Agreement in accordance with HKFRS 16.

Based on HKFRS 16, the entering into of the Nanqiao Lease Agreement will require the Company to recognise the right-of-use asset in the consolidated financial statements of the Group in connection with the leasing of the Nanqiao Premise.

Bailian Group is a substantial Shareholder and Bailian Nanqiao is a subsidiary of Bailian Group, thus Bailian Nanqiao constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Nanqiao Lease Agreement and the transactions contemplated thereunder will be regarded as a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the respective highest applicable percentage ratio of the transaction under the Nanqiao Lease Agreement, calculated based on the value of the right-of-use asset of the Nanqiao Premise under the Nanqiao Lease Agreement to be recognised by the Company according to HKFRS 16, is higher than 0.1% and lower than 5%, the transaction contemplated under the Nanqiao Lease Agreement is subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Please refer to the announcement of the Company dated 30 June 2025 for relevant details of the transaction.

Pengpu

On 30 June 2025, Shanghai Century Lianhua Pengpu Supermarket Co., Ltd.* (上海世紀聯華彭浦超市有限公司) ("Century Lianhua Pengpu", a subsidiary of the Company, as the tenant), and Bailian Group (as the landlord) entered into the Pengpu Lease Agreement (the "Pengpu Lease Agreement"), pursuant to which Bailian Group agreed to lease No. 500, Linfen Road, Jing'an District, Shanghai, PRC (certain portion of Floors 1 to 3 of Block C, Pengcheng Baodu Commercial Center Project) (the "Pengpu Premise") to Century Lianhua Pengpu for use as hypermarkets for a lease term commencing from 1 July 2025 and ending on 30 June 2030 (both days inclusive).

Rent-free Period

The rent-free period under the Pengpu Lease Agreement shall be 12 months from 1 July 2025 to 30 June 2026, respectively.

Consideration and Payment Terms of the Pengpu Lease Agreement

Rental:

Subject to the relevant arrangements set out in the section headed "Rent-free Period" above, the rental payable (tax inclusive) by the Company during the term of the Pengpu Lease Agreement is RMB5 million per annum from 1 July 2025 to 30 June 2028, and RMB5.25 million per annum commencing from 1 July 2028.

Under the Pengpu Lease Agreement, Bailian Group agreed to bear the replacement costs incurred by Century Lianhua Pengpu that associated with the Pengpu Premise, including structural reinforcement, elevator updates and modifications, and external municipal infrastructure improvements, with a total amount not exceeding RMB6.2 million. The parties agreed that such amount shall be offset quarterly in equal installments against the rental payable by Century Lianhua Pengpu commencing from 1 July 2026.

Report of the Directors

Property management fees: No property management fees are payable under the Pengpu Lease Agreement as Century Lianhua Pengpu shall manage the Pengpu Premise on its own.

Payment method: The Company shall pay the rental under the Pengpu Lease Agreement quarterly in advance.

The terms of the rentals payable under the Pengpu Lease Agreement were determined after arm's-length negotiations between the parties and are no less favourable than the terms and conditions offered by Independent Third Parties. The rentals were determined with reference to: (i) the prevailing market rentals for similar properties situated on comparable lots of the property leased under the Pengpu Lease Agreement; (ii) an increase of approximately 5% in the unit rental for each of the leasing periods throughout the term of the Pengpu Lease Agreement with reference to, among others, a combination of the expected annual inflation rate over the lease term and the projected annual growth rate in market rentals of comparable properties in comparable locations; and (iii) the longer lease term under the Pengpu Lease Agreement. Taking into account the rental level, the impact of customer traffic from the location of the property, the Company considers that the terms of the Pengpu Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The unaudited value of the right-of-use asset recognised by the Company under the Pengpu Lease Agreement amounts to approximately RMB13 million, which is the present value of the total basic rental payable during the term of the Pengpu Lease Agreement in accordance with HKFRS 16.

Based on HKFRS 16, the entering into of the Pengpu Lease Agreement will require the Company to recognise the right-of-use asset in the consolidated financial statements of the Group in connection with the leasing of the Pengpu Premise.

Bailian Group is a substantial Shareholder and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Pengpu Lease Agreement and the transactions contemplated thereunder will be regarded as a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As the respective highest applicable percentage ratio of the transaction under the Pengpu Lease Agreement, calculated based on the value of the right-of-use asset of the Pengpu Premise under the Pengpu Lease Agreement to be recognised by the Company according to HKFRS 16, is higher than 0.1% and lower than 5%, the transaction contemplated under the Pengpu Lease Agreement is subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules .

Please refer to the announcement of the Company dated 30 June 2025 for relevant details of the transaction.

The independent non-executive Directors have reviewed the above transactions and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms (to the extent that there are comparable transactions) or if there are no comparable transaction to determine whether they are on normal commercial terms, on terms not less favourable to the Group than terms provided by or to (if applicable) independent third parties and conducted during the year under review; and

- (3) in accordance with the respective agreements and on fair and reasonable terms and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the above transactions and given written notice to the Board to confirm that the above transactions:

- (1) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (2) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not, in all material respects, conducted in accordance with the relevant agreements of the transactions;
- (3) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the pricing policies of the Company; and
- (4) nothing has come to the auditor's attention that causes the auditor of the Company to believe that the disclosed continuing connected transactions have exceeded the respective cap for each transaction.

By order of the Board

Pu Shao-hua

Chairman

30 March 2026

Shanghai, the PRC

Report of Corporate Governance

The Company focuses on the brand vision of “Increasing our customers’ loyalty to us”, establishes the brand mission of “Good commodities and good experience to build a good life”, and the brand values of “Staying customer-oriented, pursuing excellence, leading by innovation, upholding integrity, devoting to retail industry”. We adhere to the brand characteristics of “Integrity and reliability, sharing of favors, life inspiration, and family enjoyment”, and use a strong brand matrix to assist consumers in pursuing high-quality life.

The Company believes that a healthy corporate culture is the core of good corporate governance and is crucial for achieving our vision and strategy. All Directors of the Company lead by example, uphold integrity, set a good example of business ethics, and promote corporate culture throughout the Company through various means, so that all employees understand the core values and behaviors of corporate culture, and continuously strengthen the concept of “acting in accordance with the law, ethics, and responsibility”. In 2026, the Company will continue to strengthen emotional communication with consumers, enhance their impression and favorability towards the brand, and enable them to “Living wholeheartedly”.

The Group fully acknowledges its obligations to its shareholders and investors. Since its listing in 2003, the Company has been in strict compliance with the relevant requirements of the applicable laws, regulations and rules of domestic or overseas securities regulatory authorities and has been committed to improving the transparency of its corporate governance and the quality of information disclosure. The Group also attaches great importance on communication with its shareholders and investors and strives to ensure the timeliness, completeness and accuracy of its information disclosure to its shareholders and investors and to the protection of the interests of investors. The Board has strictly complied with the principles of corporate governance and is dedicated to improving the management quality of the Company and the standard of corporate governance continually in order to protect and enhance value for shareholders. Therefore, the Company has adopted the principles in the Code on Corporate Governance set out in Appendix C1 to the Listing Rules since 1 January 2005 with an aim to enhance the quality of corporate governance of the Group. Such adoption was reflected in the Articles of Association, internal rules and regulations and the corporate governance implementation practices.

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

Provision B.2.2 of the Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Articles of Association provides that each Director shall be appointed at the general meeting of the Company and for a term of not more than 3 years, and eligible for re-election. Having taken into account the continuity of the implementation of the Company’s operation and management policies, the Articles of Association contains no express provision for the mechanism of Directors’ retirement by rotation, thus deviating from the aforementioned provision of the Code.

Each of the relevant Directors appointed during the year ended 31 December 2024 and the six months ended 30 June 2025, namely, Ms. Zhang Hui-qin, Ms. Yang Qin, Ms. Shen Chen, Ms. Wang Xiao-yan, Mr. Cao Hai-lun and Mr. Zhu Ding-ping, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on Hong Kong laws as regards the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 30 January 2024, 24 May 2024, 6 September 2024, 27 November 2024, 1 December 2024 and 2 January 2025, respectively, and he/she has confirmed that he/she understood his/her obligations as a director of a listed issuer.

The code provision C.1.6 (which has been re-numbered as code provision C.1.5 since 1 July 2025) of the Code is regarding the non-executive directors' regular attendance and active participation in board meetings and general meetings.

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

Mr. Cao Hai-lun, a non-executive Director, and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the 2024 annual general meeting of the Company convened on 19 June 2025 (the "2024 AGM") due to their other business commitments.

Mr. Cao Hai-lun, a non-executive Director and Mr. Lee Kwok Ming, Don, an independent non-executive Director, were unable to attend the eleventh meeting of the eighth session of the Board convened on 19 June 2025 by the Company due to their other business commitments.

Mr. Cao Hai-lun, a non-executive Director, and Mr. Chen Wei, an independent non-executive Director, were unable to attend the twelfth meeting of the eighth session of the Board convened on 28 August 2025 by the Company due to their other business commitments.

Ms. Shen Chen, a non-executive Director, and Mr. Cao Hai-lun, a non-executive Director, were unable to attend the 2025 extraordinary general meeting of the Company convened on 18 December 2025 (the "2025 EGM") due to their other business commitments.

Ms. Shen Chen, a non-executive Director, and Mr. Cao Hai-lun, a non-executive Director, were unable to attend the thirteenth meeting of the eighth session of the Board convened on 18 December 2025 by the Company due to their other business commitments.

Ms. Shen Chen, a non-executive Director, Mr. Cao Hai-lun, a non-executive Director, and Mr. Chen Wei, an independent non-executive Director, were unable to attend the fourteenth meeting of the eighth session of the Board convened on 30 March 2026 by the Company due to their other business commitments.

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

Moreover, the Company has provided the relevant materials and all necessary information relating to the 2024 AGM and 2025 EGM (collectively referred to as the "2025 General Meetings") to all members of the Board before the 2025 General Meetings. All ordinary resolutions and special resolutions considered at the 2025 General Meetings were passed smoothly. The Company sent the related minutes of the 2025 General Meetings to all members of the Board after the 2025 General Meetings so that the Directors who were unable to attend the meetings were able to understand the resolutions passed at the meetings.

The Board

During the period under review, the Board of the Company consists of 11 Directors, three of whom are executive Directors including the vice Chairman of the Board and four of whom are non-executive Directors including the Chairman of the Board and four of whom are independent non-executive Directors. The number of independent non-executive Directors accounts for at least one third of the number of Directors. At least one of the independent non-executive Directors holds appropriate professional qualifications or accounting or related financial management expertise. Profiles and particulars of the chairman of the Company and other Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this report. The Board comprises a balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors), which provides the Board with strong independence and enables it to exercise independent judgement effectively.

Report of Corporate Governance

As approved at the 2022 AGM held on 15 June 2023, the eighth session of the Board was established and the term of office of each Director (including non-executive Directors) is three years, which will expire on the date of conclusion of the annual general meeting of the Company for the year 2025. Corresponding to the term of office, all the executive Directors have entered into service contracts, which are valid for a term ending on the date of conclusion of the annual general meeting of the Company for the year 2025, and such term is renewable subject to the laws and regulations. The names of the Directors referred herein are members of the eighth session of the Board as at the date of this report.

The principal responsibilities of the Board include:

- formulating overall strategies, monitoring operating and financial performance and determining proper policies to manage risks exposures arising in the course of achieving the Group's strategic goals;
- being responsible for the internal control system of the Company and reviewing its efficiency;
- being ultimately responsible for the preparation of accounts of the Company and assessing the Company's performance, financial position and prospects in a balanced, clear and comprehensible manner. Such responsibility is applicable during the preparation of the quarterly, interim and annual reports of the Company, other price-sensitive announcements issued and the financial information disclosed under the Listing Rules, reports submitted to the regulatory authorities and information disclosed under legal requirements;
- the executive Directors/officers in charge of various aspects of the operations of the Company are responsible for the day-to-day management of business of the Company. The Board is responsible for the policies, financial and shareholders' affairs affecting the overall strategy of the Company, including financial statements, dividends policies, material changes in accounting policies, annual operation budget, material contracts, major financing arrangements, major investments and risk management policies;
- the management has received clear directions and instructions in respect of their authorities, particularly in relation to the matters such as the circumstances under which they should report to the Board and seeking the Board's approval prior to making any decision or entering into any undertaking on behalf of the Company; and
- reviewing its responsibilities and functions and authorities delegated to the executive Directors/officers on a regular basis to ensure such arrangements are appropriate.

Board Meetings and General Meeting

The Company held four Board meetings, one 2024 AGM and one 2025 EGM during the year. Attendance record of the Directors is as follows:

Directors	Meetings Attended/Held		
	Board Meetings	2024 AGM	2025 EGM
Executive Directors			
Ms. Wang Xiao-yan (<i>Vice chairman</i>)	4/4	1/1	1/1
Ms. Zhang Hui-qin	3/4	1/1	1/1
Mr. Zhu Ding-ping (Note 1)	4/4	1/1	1/1
Non-executive Directors			
Mr. Pu Shao-hua (<i>Chairman</i>)	4/4	1/1	1/1
Ms. Shen Chen	2/4	1/1	0/1
Mr. Cao Hai-lun	0/4	0/1	0/1
Ms. Yang Qin	4/4	1/1	1/1
Mr. Wong Tak Hung (Note 2)	–	–	–
Independent Non-executive Directors			
Mr. Xia Da-wei	4/4	1/1	1/1
Mr. Lee Kwok Ming, Don	3/4	0/1	1/1
Mr. Chen Wei	3/4	1/1	1/1
Mr. Zhao Xin-sheng	4/4	1/1	1/1

Report of Corporate Governance

Notes:

1. Mr. Zhu Ding-ping was appointed as executive Director of the Company on 7 January 2025 and resigned as executive Director of the Company on 7 January 2026.
2. Mr. Wong Tak Hung resigned from the office of non-executive Director of the Company on 7 January 2025.

The attendance of the Directors by proxies (other Directors) has not been counted.

In addition to the above-mentioned regular Board meetings during the year, the Board would also hold meetings whenever Board's decision on any specific matter was required. All Directors will receive the notice of meeting, detailed agenda of the meeting and the relevant information at least 14 days prior to the meeting.

In addition to regular board meetings, the Chairman also held meetings with independent non-executive Directors without other Directors attending.

The members of the Board fully acknowledge their own duties and obligations in treating all shareholders on an equal basis and protecting the interests of all investors. The Company ensures that documents and information relating to the businesses of the Group are provided to Board members on a timely basis. The independent non-executive Directors perform their duties in compliance with relevant laws and regulations and safeguard the interests of the Company and its shareholders as a whole. The Company has received confirmation letters from each of the independent non-executive Directors in respect of their independence pursuant to Rule 3.13 of the Listing Rules.

To the best knowledge of the Board, no relationship (including financial, business, family or other material relevant relationship(s)) exists between members of the Board and senior management.

Trainings of Directors

All Directors shall participate in continuous professional development to develop and update their knowledge and skills to ensure that they are equipped with all the information and can continue to contribute to the Board when required.

During the period under review, the Company arranged trainings on the Listing Rules for its Directors. Relevant training materials were also sent to the Directors who were unable to attend the trainings for their reference.

Directors	Perusing the Training Materials on the Listing Rules	Participating in the Trainings on the Listing Rules Organised by the Company	Participating in the Trainings on the Listing Rules Organised by Other Organisations
Executive Directors			
Ms. Wang Xiao-yan	✓	✓	
Ms. Zhang Hui-qin	✓	✓	
Mr. Zhu Ding-ping	✓	✓	
Non-executive Directors			
Mr. Pu Shao-hua	✓	✓	
Ms. Shen Chen	✓		
Mr. Cao Hai-lun	✓		
Ms. Yang Qin	✓	✓	
Independent Non-executive Directors			
Mr. Xia Da-wei	✓	✓	
Mr. Lee Kwok Ming, Don	✓	✓	
Mr. Chen Wei	✓	✓	
Mr. Zhao Xin-sheng	✓	✓	

Board member and employee Diversity Policy

During the period under review, the Board adopted a board diversity policy (which was embodied in the terms of reference of the Nomination Committee) setting out the approach to achieve diversity on the Board. The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments by the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Report of Corporate Governance

The Nomination Committee has set measurable objectives based on four focus areas: gender, age, ethnicity and professional experience to implement the board diversity policy. The Nomination Committee will review the board diversity policy, as appropriate; the measurable objectives that the Board has set for implementing the board diversity policy; and the progress on achieving the objectives, to ensure its continued effectiveness from time to time. The Nomination Committee is of the view that the Board has realized a diversified and balanced combination and is suitable for the business of the Group. The proportion of female members on the Board of the Company is currently 36%, and the Company is expecting that the proportion of female members on the Board will at least remain at the current level. As at 31 December 2025, the proportion of female employees in the senior management and all employees (excluding the senior management) of the Company reached 50% and 68% respectively. The Company is expecting that the proportion of female employees in all employees (including senior managers) of our Company will at least remain at the current level. The Company will also build and maintain a diversified and balanced portfolio of employees by formulating diversification policies, optimizing recruitment and promotion, strengthening training culture, ensuring fair pay, and continuously monitoring disclosure.

Duties of the Board and the Management of the Company

During the period under review, the position of Chairman is assumed by Mr. Pu Shao-hua while the position of Manager (equivalent to “chief executive officer” under the Listing Rules) of the Company was assumed by Ms. Wang Xiao-yan, which complies with the requirement of Provision C.2.1 of the Code requiring that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman leads the Board and is responsible for approving and supervising the policies and strategies of the Group, approving annual budget and business plan, assessing the performance of the Company and supervising the work of the management of the Company. The Manager is responsible for the day-to-day operations

of the Group and leads the management of the Company to exercise the powers conferred by the Articles of Association and delegated by the Board.

The Manager of the Company reports to the Board and performs the following duties:

- (1) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board, and report work to the Board;
- (2) to organize the implementation of the Company’s annual business plans and investment plans;
- (3) to draw up the plan of the Company’s internal management;
- (4) to draw up the basic management system of the Company;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to propose the employment or removal of the deputy managers and financial officers;
- (7) to appoint or remove senior management officers of the Company other than those to be appointed or removed by the Board;
- (8) to convene and preside over the managements’ office meetings (on his own or by a deputy manager appointed by him), which shall be attended by the manager, deputy managers, and other senior management officers;
- (9) to decide on the rewards and penalties, promotion or demotion, pay rise or cut, appointment, employment, removal, and dismissal of employees of the Company; and
- (10) other powers prescribed by the Articles of Association and conferred by the Board.

Board Committees

The Company established the first session of Board Committees in 2003, including (1) the Remuneration and Appraisal Committee which establishes and determines the Company's reward and appraisal system; (2) the Strategic Committee which conducts consultation, survey, research and assessment on the Company's future investment strategies, and to enhances the Company's core competitiveness; (3) the Nomination Committee which optimizes the composition of the Board and the management of the Company; and (4) the Audit Committee which reviews the financial reporting procedures, internal control system and the completeness of financial reports of the Company.

A meeting of the Board of Directors was held on 17 June 2021 at which the seventh session of Environmental, Social and Governance (ESG) Committee was elected and established to guide and review the formulation of the Company's ESG policies and strategies to ensure that they are up-to-date, relevant and meet applicable legal and regulatory requirements. As approved by ordinary resolutions at the annual general meeting on 15 June 2023, the eighth session of the Board was established. On the same day, the Board established the eighth session of the Board Committees in accordance with the requirements of the Code. As at the date of publication of this annual report, members of each of the eighth session of the Board Committees are as follows:

Board Committees	Members				
The Audit Committee	Mr. Lee Kwok Ming, Don (Chairman)	Mr. Xia Da-wei	Mr. Zhao Xin-sheng	Ms. Yang Qin	–
The Remuneration and Appraisal Committee	Mr. Xia Da-wei (Chairman)	Ms. Zhang Hui-qin	Mr. Chen Wei	Mr. Zhao Xin-sheng	–
The Strategic Committee	Mr. Pu Shao-hua (Chairman)	Ms. Zhang Hui-qin	Ms. Wang Xiao-yan	Ms. Shen Chen	Mr. Cao Hai-lun
The Nomination Committee	Mr. Pu Shao-hua (Chairman)	Ms. Wang Xiao-yan	Mr. Chen Wei	Mr. Xia Da-wei	Mr. Zhao Xin-sheng
The Environmental, Social and Governance (ESG) Committee	Ms. Wang Xiao-yan (Chairman)	Mr. Cao Hai-lun	Mr. Lee Kwok Ming, Don	Mr. Chen Wei	–

Note:

- (1) The term of those current Directors above will end on the date of the 2025 annual general meeting of the Company.
- (2) Ms. Wang Xiao-yan, an executive Director, was appointed as a member of the Nomination Committee of the Company on 19 June 2025. The membership of the Nomination Committee of the Company has been increased from four to five.

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To further enhance the independence of the Board Committees, written terms of reference of each of the committees were formulated by such Board Committees under the authorisation of the Board.

Audit Committee

The Board passed a resolution on 15 June 2023 to establish the eighth session of the Audit Committee. The Audit Committee currently comprises four members, including three independent non-executive Directors (including the chairman) and one non-executive Director. The Board confirms that each member of the Audit Committee has extensive business experience and the Audit Committee has a desirable mix of operational, accounting and financial expertise. On 18 December 2025, the extraordinary general meeting of the Company has approved the proposed amendments to the Articles of Association of Lianhua Supermarket Holdings Co., Ltd. and the special resolution to abolish of supervisory committee, the thirteenth meeting of the eighth session of the Board convened on 18 December 2025 by the Company approved the revision of the Terms of References of the Audit Committee. The primary duties, roles and functions of the Audit Committee are:

- (1) to review the Company's finances affairs;
- (2) to supervise the performance of duties by directors and senior management personnel, and make recommendations for the dismissal of directors and senior management personnel who violate laws, administrative regulations, the Articles of Association of the Company, or shareholder resolutions;
- (3) to require directors or senior management personnel to rectify any behavior that damages the interests of the Company;
- (4) to verify the financial reports, business reports, profit distribution plans, and other financial information that the Board intends to submit to the shareholders' meeting. If any doubts are found, the company may entrust the external auditor to assist in the review in the name of the Company;
- (5) to propose to convene an extraordinary shareholders' meeting, and convene and preside over the shareholders' meeting when the Board fails to fulfill its duties of convening and presiding over the shareholders' meeting as stipulated by the Company Law;
- (6) to submit proposals to the shareholders' meeting;
- (7) to file lawsuits against directors and senior management personnel according to Article 189 of the Company Law;
- (8) to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and ratifying the remuneration and terms of engagement of the external auditor, as well as settling any questions raised by the resignation or dismissal of such auditor;
- (9) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the scope of the audit including the engagement letter. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;

- (10) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, 'external auditor' includes any entity that is under common control, ownership or management with the audit firm, or any entity as to a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (11) to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review financial statements and significant financial reporting judgements contained above mentioned reports. In reviewing the reports before submission to the Board, the Committee should focus particularly on: (1) any changes in accounting policies and practices; (2) major judgmental areas; (3) significant adjustments resulting from the audit; (4) the on-going concern assumptions and any qualifications; (5) compliance with accounting and auditing standards; and (6) compliance with the Listing Rules and legal requirements;
- (12) with regard to (11) above: (1) members of the Committee should liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the external auditor; and (2) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (13) to review with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;
- (14) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (15) to review the findings of internal investigations and management's response in any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations and to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (16) to review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the group;
- (17) to review the Group's financial and accounting policies and practices and be familiar with the financial reporting principles and practices applied by the Group in preparing its financial statements;

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- (18) to discuss with external auditors any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;
- (19) to ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;
- (20) to report to the Board on any matters in relation to the code provision relating to the Committee set out in the Corporate Governance Code of the Listing Rules;
- (21) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (22) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (23) to review the draft representation letter prior to submission to the Board for approval;
- (24) to evaluate the cooperation received by the external auditors from the management, including the external auditors' access to all requested records, data and information; obtain the comments from management regarding the responsiveness of the external auditor to the Group's needs; inquire into whether there have been any disagreements between external auditors and management which, if not satisfactorily resolved, would result in the issuance of a qualified report with reservation on the group's financial statements;
- (25) to seek from external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- (26) to the engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, prior approval from the Committee is required;
- (27) to apprise the Board of significant progresses in the course of performing the above duties;
- (28) to recommend to the Board any appropriate extensions to, or changes in, the duties of the Committee;
- (29) to reach agreement with the Board on the Company's policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether such hiring will bring any impairment to the auditor's judgment or independence in respect of an audit;

- (30) to make available this Terms of Reference, explaining its role and the authority delegated to it by the Board by including them on the website of The Stock Exchange of Hong Kong Limited and the Company; and
- (31) to consider other topics, as requested and delegated by the Board.

During the year ended 31 December 2025, the Audit Committee held three meetings and performed major work including review of annual and interim financial reports, internal control, continuing connected transactions and maintaining proper relationship between the Group and external and internal auditors and revised the Terms of References of the Audit Committee etc.

The Audit Committee held a meeting on 20 March 2025 to review and discuss matters including the internal control of the Group, annual financial reports, remuneration and re-appointment of domestic and international auditors and continuing connected transactions for 2024, including the review of the Company's annual financial report prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS"). The Audit Committee was of the view that the annual financial report of the Group for the year 2024 had complied with the applicable accounting standards and requirements of the Stock Exchange and the relevant laws and had made adequate disclosures. The Audit Committee also conducted a review on the risk management and internal control system of the Company and its subsidiaries and was of the view that the Group had an effective risk management and internal control system. The Audit Committee was of the view that domestic and international auditors of the Company had carried out their work with professionalism and independence, and agreed to make recommendations to the Board in respect of their remuneration for 2024 and suggested to re-appoint the domestic and international auditors for 2025. The Audit Committee confirmed that the continuing connected transactions of the Company in 2024 did not exceed their respective caps.

The Group's chief financial officer, auditors and internal auditors also attended the meeting to address queries raised by the Audit Committee.

The Audit Committee held a meeting on 20 August 2025 to review and discuss with the management the matters including internal controls and interim financial report, including the review of the Company's condensed interim financial report prepared in accordance with the HKFRSs. The Audit Committee was of the view that the Group's interim financial report for the six months ended 30 June 2025 had complied with the applicable accounting standards, requirements of the Stock Exchange and relevant laws, and had made adequate disclosures. In relation to its review of the Group's internal audit function, risk management and internal control, the Audit Committee concluded that the Group's internal audit function, risk management and internal control system were effective.

The Group's chief financial officer, auditors and internal auditors also attended the meeting to address queries raised by the Audit Committee.

The Audit Committee held a meeting on 18 December 2025 to review and approve the revision of the Terms of References of the Audit Committee.

Set out below is the attendance records of the members of the Audit Committee in 2025:

	20 March 2025	20 August 2025	18 December 2025
Independent Non-executive Directors			
Mr. Lee Kwok Ming, Don (<i>Chairman</i>)	Present	Present	Present
Mr. Xia Da-wei	Not Present	Present	Present
Mr. Zhao Xin-sheng	Present	Present	Present
Non-executive Director			
Ms. Yang Qin	Present	Not Present	Present

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Remuneration and Appraisal Committee

On 15 June 2023, the Board passed a resolution to establish the eighth session of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee currently comprises four members, including three independent non-executive Directors (including the chairman) and one executive Director. The primary duties, roles and functions of the Remuneration and Appraisal Committee are:

- (1) formulate and determine the remuneration plans or schemes of individual executive directors and senior management based on their job scope, responsibilities, significance and remuneration levels of similar position in other similar companies;
- (2) remuneration plans or schemes include but not limited to performance appraisal criteria, procedures, assessment system, and plan and system for awards and punishments;
- (3) review the fulfillment of duties of directors (non-independent directors) and senior management and appraise their annual performance;
- (4) monitor the implementation of remuneration system of the Company;
- (5) make recommendations to the Board on the Company's policy and structure for all directors' and senior managements' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (6) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (7) determine with the delegated responsibility the remuneration packages of individual executive directors and senior management; this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (8) make recommendations to the Board on the remuneration packages of non-executive directors;
- (9) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (10) review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;
- (11) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (12) ensure that no director or any of his associates is involved in deciding his own remuneration;
- (13) have access to independent professional advice if necessary;
- (14) handle specific matters related to employee equity incentives, report and make proposals to the Board (including reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules);
- (15) consider other responsibilities authorized by the Board.

During the year ended 31 December 2025, the Remuneration and Appraisal Committee held one meeting and performed major work including determining the policy for the remuneration of Directors, assessing the performance of the executive Directors and senior management of the Company, approving the terms of executive Directors' service contracts and making recommendations to the Board on their remuneration packages.

The Remuneration and Appraisal Committee held a meeting on 28 March 2025. Having taken into account the factors including, but not limited to, the remuneration paid by comparable companies, time commitment of the Director and the Director's duties, hiring standards of other positions within the Group and performance-based remuneration, the committee made recommendations to the Board on the remuneration packages of the executive Director and approved the remunerations to three executive Directors, a Supervisor, the senior management formed by general manager and deputy general managers for 2024.

Set out below is the attendance records of the members of the Remuneration and Appraisal Committee in 2025:

28 March 2025	
Name	
Independent Non-executive Directors	
Mr. Xia Da-wei (<i>Chairman</i>)	Present
Mr. Chen Wei	Present
Mr. Zhao Xin-sheng	Present
Executive Director	
Ms. Zhang Hui-qin	Present

Strategic Committee

On 15 June 2023, the Board passed a resolution to establish the eighth session of the Strategic Committee. The Strategic Committee currently comprises five members, including two executive Directors and three non-executive Directors (including the chairman). The primary duties, roles and functions of the Strategic Committee are:

- (1) research and make suggestions on the Company's long-term development strategic plan;
- (2) research and approve the revision and adjustment of the Company's long-term development strategic plan;
- (3) ensure that the Company's long-term development strategic plan is formulated based on objectively and comprehensively analyzing and predicting future business opportunities and risks;
- (4) ensure that the Company's long-term development strategy plan conforms to the national industry development plan and industrial policy, conforms to the strategic adjustment direction of the national economic structure, highlights the main business and helps to enhance the Company's core competitiveness;
- (5) ensure that the Company's long-term development strategic plan is operable;
- (6) review the Company's strategy implementation review report every year;
- (7) research and make suggestions on other major issues that affect the Company's development;
- (8) inspect the implementation of the above matters;

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- (9) deal with other responsibilities authorized by the Board.

During the year ended 31 December 2025, the Strategic Committee held one meeting. The main tasks performed include a review of the implementation of the Company's strategy in 2024.

Set out below is the attendance record of the members of the Strategic Committee in 2025:

Name	28 March 2025
Executive Directors	
Ms. Wang Xiao-yan	Present
Ms. Zhang Hui-qin	Present
Non-executive Directors	
Mr. Pu Shao-hua (<i>Chairman</i>)	Present
Ms. Shen Chen	Present
Mr. Cao-Hai-lun	Present

Nomination Committee

On 15 June 2023, the Board passed a resolution to establish the eighth session of the Nomination Committee. For the purpose of complying with the revised Corporate Governance Code as set out in Appendix C1 to the Listing Rules to be effective from 1 July 2025, Ms. Wang Xiao-yan, an executive director of the Company, has been appointed as a member of the Nomination Committee of the Company with effect from 19 June 2025. The Nomination Committee currently comprises five members, including one executive Director, three independent non-executive Directors and one non-executive Director (the chairman). The primary duties, roles and functions of the Nomination Committee are:

- (1) review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (2) consider the skills mix needed in respect of the appointed directors with due regard for the benefits of diversity of the Board, and make recommendations to the Board;
- (3) study the criteria and procedures in selecting directors and managers and make appropriate suggestions to the Board;
- (4) broadly search for and identify qualified candidates for directors and managers;
- (5) review, comment and make recommendations to the Board on the candidates for directors and managers;
- (6) review and comment on the candidates for other senior management, whose employment are subject to the approval of the Board;

- (7) review regularly the time to be committed by each director in order to perform their duties;
- (8) assess the independence of independent non-executive directors;
- (9) review the board diversity policy, as appropriate; and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives;
- (10) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive; and
- (11) deal with other responsibilities authorized by the Board.

During the year ended 31 December 2025, the Nomination Committee held three meetings. The meetings were in compliance with the provisions under the Terms of Reference for the Nomination Committee under the Board and performed major work including reviewing the time committed by each Director in order to perform their duties, and the structure, size and composition of the Board, making recommendation to the Board on the candidates for Directors of the eighth session of the Board, on the candidates for the members of the eighth session of the Board Committees and on the candidates of the management, which were approved and passed by way of resolutions at these meetings.

Please refer to the paragraph headed "Board Diversity Policy" for details on the Board's policy on board diversity, measurable objectives that it has set for implementation the policy and progress on achieving those objectives.

Please refer to the Terms of Reference of the Nomination Committee of the Company published on the website of the Stock Exchange for details of the policy for the nomination of directors.

Set out below is the attendance record of the members of the Nomination Committee in 2025:

Name	7 January 2025	28 March 2025	19 June 2025
Executive Director			
Ms. Wang Xiao-yan (Note)	–	–	–
Independent Non-executive Directors			
Mr. Chen Wei	Present	Present	Present
Mr. Xia Da-wei	Present	Present	Present
Mr. Zhao Xin-sheng	Present	Present	Present
Non-Executive Director			
Mr. Pu Shao-hua (Chairman)	Present	Present	Present

Note: Ms. Wang Xiao-yan was appointed as a member of the Nomination Committee of the Company on 19 June 2025.

Environmental, Social and Governance Committee

On 15 June 2023, the Board passed a resolution to establish the eighth session of the Environmental, Social and Governance (ESG) Committee. The Environmental, Social and Governance (ESG) Committee currently comprises four members, including an executive Director (the chairman), a non-executive Director and two independent non-executive Directors. The primary duties, roles and functions of the Environmental, Social and Governance (ESG) Committee are:

- (1) guide and review the formulation of Lianhua Supermarket's ESG policies and strategies to ensure that they are up-to-date, relevant and meet applicable legal and regulatory requirements;

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- (2) monitor the formulation and implementation of Lianhua Supermarket’s ESG goals, including: overseeing the formulation of Lianhua Supermarket’s ESG management performance goals; reviewing progress towards the achievement of the goals and advising on the actions required for the achievement of such goals;
- (3) monitor the external ESG trends and report to the Board on important trends which may affect the formulation of Lianhua Supermarket’s ESG policies and strategies as well as the goals;
- (4) guide and review the identification and sequencing of key ESG issues of Lianhua Supermarket;
- (5) review the Company’s annual Environmental, Social and Governance Report and other ESG-related disclosures and report to the Board;
- (6) identify the ESG risks related to Lianhua Supermarket, assess the impact of such risks on the Company and give advice to the Board on risk response;
- (7) provide the ESG-related training materials to the Board;
- (8) such other duties delegated by the Board.

During the year ended 31 December 2025, the Environmental, Social and Governance (ESG) Committee held one meeting. The meeting has reviewed and approved the 2024 ESG Report of the Company.

Set out below is the attendance record of the members of the Environmental, Social and Governance Committee in 2025:

Name		28 March 2025
Independent Non-executive Directors		
Mr. Lee Kwok Ming, Don		Present
Mr. Chen Wei		Present
Executive Director		
Ms. Wang Xiao-yan (<i>Chairman</i>)		Present
Non-Executive Director		
Mr. Cao Hai-lun		Present

Supervisory Committee

During the period under review and the existence of the Supervisory Committee, all members of the Supervisory Committee complied with the applicable requirements of the Company Law of the People’s Republic of China and Articles of Association, adhered to the principle of integrity and performed their supervisory duties in good faith to protect the interests of the Shareholders and the Group.

During the period under review, as a company listed on the Stock Exchange, the Company faced with the higher standards on governance imposed continuously by the Listing Rules, the Corporate Governance Code and the internal control policy. As such, the Supervisory Committee, during the existence of itself, focused on the following three aspects: (1) to further improve the corporate governance structure of the Group; (2) to urge the Company and the Board to provide an open, fair, impartial and transparent environment for its investors in strict compliance with the Listing Rules and other regulations; and (3) to monitor the major operating activities of the Group and remind the Board and the Group to avoid significant operational risks.

During the period under review, the Supervisory Committee held five meetings.

Name	28 March 2025	19 June 2025	23 July 2025	28 August 2025	19 November 2025
Mr. Li Feng (<i>Chairman</i>)	Present	Present	Present	Present	Present
Ms. Tang Hao	Present	Present	Present	Present	Present
Mr. Luo Yang-hong	Present	Present	Present	Present	Present

During the period under review and the existence of the Supervisory Committee, the Supervisory Committee reviewed the financial system, annual financial report and internal auditing report of the Group, and was of the view that the information included in the Group's financial budget, final accounts, annual report and interim report was true and reliable, and the audit opinion issued by the auditors was objective and fair.

During the period under review and the existence of the Supervisory Committee, the Supervisory Committee conducted supervision on the operating activities of the Group with respect to the financial control, operation control, compliance control and risk management, and considered that the Group had established an improved internal control system, has achieved significant progress in formulating and implementing internal procedures, and effectively controlled various corporate operating risks. The Group has performed its duties in accordance with the laws and regulations of the State, the Articles of Association and the procedures.

The Supervisory Committee, during the existence of itself, conducted supervision on the performance of the Directors and the management of the Company and the execution of resolutions of general meetings. The Supervisory Committee considered that the Directors and the management of the Company had duly performed their duties in accordance with the resolutions of general meetings. The Directors and the management of the Company actively protected the interest of the Group when performing their duties. None of the Directors and other management of the Company have been found to be in breach of the laws and regulations and the Articles of Association or involved in acts detrimental to the interests of the Shareholders during the execution of their duties.

The Supervisory Committee, during the existence of itself, conducted a review on the Group's operating activities such as mergers and acquisitions and disposal of assets. The Supervisory Committee considered that the considerations for the Group's merger and acquisition and assets disposal were fair and reasonable. It was not aware of any insider dealings or any event detrimental to the interests of Shareholders, in particular the interests of minority Shareholders.

The Supervisory Committee, during the existence of itself, conducted a review on the Group's connected transactions for the period under review which were subject to conditional exemptions. It confirmed that such connected transactions had complied with legal and statutory procedures and the transactions were conducted on fair commercial terms and in line with the financial policies of the Group and the transaction amounts did not exceed their respective caps.

The extraordinary general meeting of Shareholders of the Company convened on 18 December 2025 has approved the special resolution of the proposed amendment to the Articles of Association of Lianhua Supermarket Holdings Co., Ltd. and abolishment of the Supervisory Committee, and the relevant duties of the Supervisors Committee shall be exercised by the Audit Committee.

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Corporate Governance Functions

During the period under review, the Board and the Board Committees performed the below corporate governance duties:

- (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct applicable to the employees and Directors of the Company; and
- (v) to review the Company's compliance with the Corporate Governance Code and disclosure requirements in the Corporate Governance Report.

Directors' and Auditors' Responsibilities for the Accounts

The Directors hereby confirm their responsibilities for the preparation of the accounts of the Company. The Directors confirm that the preparation of the financial statements of the Group for this year complied with the relevant laws and applicable accounting standards and that the Group will publish the financial statements of the Company on timely basis. The responsibilities of external auditors to the Shareholders are set out on pages 131 to 132 of the annual report.

Compliance with Model Code

The Company has adopted the Model Code as the code of conduct for securities transactions by all Directors and relevant employees. After making specific enquiries with the Directors and relevant employees, the Board is pleased to confirm that all the Directors and relevant employees have fully complied with the provisions under the Model Code during the year ended 31 December 2025.

Remuneration of Auditors

The Audit Committee is responsible for considering the appointment of auditors and reviewing their remuneration. For the year under review, RMB4,085 thousand was payable by the Company to the external auditors (including the PRC and international auditors) as service charge for their audit and due diligence consultancy services. For the year under review, the external international auditors had not provided any non-auditing service to the Company.

Company Secretary

Ms. Xu Xiao-yi has been appointed by the Board as the company secretary of the Company with effect from 2 July 2023. Ms. Xu Xiao-yi is the company secretary, secretary of the Board of Directors and chief financial officer of the Company.

In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2025, Ms. Xu Xiao-yi received not less than 15 hours of the relevant professional training.

Risk Management and Internal Supervision

The Board confirms its responsibility to oversee the Company's and its subsidiaries' risk management and internal control systems on an on-going basis and to review their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in the performance of its regulatory and corporate governance role in the Group's finance, operation, compliance, risk management and internal controls, as well as financial and internal audit functions.

The Company has established an organizational structure featured with a clear level of accountability and reporting procedures. The Group's internal audit department assists the Board and/or the Audit Committee to continuously review the effectiveness of the Group's risk management and internal control systems. The Directors are regularly informed through such committees of significant risks which may affect the performance of the Group, hence, supplementing and improving risk control and management measures.

The structure also includes appropriate policy and monitoring systems being established and formulated to ensure that the secured assets will not be used or disposed of without authorization. The Group would comply with the relevant rules to maintain reliable financial and accounting records in accordance with the relevant accounting standards and regulatory requirements, as well as the proper identification and management of the major risks that may affect the performance of the Group. Relevant systems and internal controls can only provide reasonable but not absolute assurance against material misstatement or loss, and are designed to manage rather than eliminate the risk of failing to meet business objectives.

Internal Review

The Company's internal audit department coordinates corporate risk management and reviews the Group's significant risk management areas and is responsible for assessing the adequacy and effectiveness of the Group's risk management and risk monitoring systems and providing impartial advice on the system and reporting to the Audit Committee, the chairman and the relevant senior management to ensure that all issues have been satisfactorily resolved, depending on the nature of the business of the individual business unit and the risks involved. The scope of the internal audit department covers the review of all important aspects of internal control (including finance, operation, information, risk management, legal and compliance controls, etc.). The management of the Group regularly evaluates it and shall at least annually verify that the relevant matters are properly and effectively operated. The Company believes that this will strengthen its future corporate governance and business practices.

The internal audit department will meet at least once a year with the Audit Committee to review the risks identified by the internal audit department and other potential risks. According to the annual internal control and internal audit plan, the internal audit department will submit the Group's risk assessment and internal control report to the Audit Committee and the Board, which will be reviewed and approved at the end of the relevant year.

Report of Corporate Governance

The Audit Committee is responsible for the management of connected transactions, including the review on the management system for connected transactions, the review and approval of material connected transactions and the annual review report, and consideration and approval of connected transactions. The Audit Committee has designated the internal audit department to be responsible for routine review of connected transactions. The relevant materials of routine review and management findings of the Audit Committee will be submitted to independent Directors for their review. Independent Directors conducted review on, among others, the fairness of material connected transactions and the execution of internal review and approval procedure in order to minimize relevant risks of connected transactions and safeguard the interest of the Company and the shareholders. The Company regularly collates and calculates the reported total transaction amount of connected transactions to ensure that the annual cap is not exceeded.

Review of the Effectiveness of Risk Management and Internal Monitoring System

The Group's internal audit department provides independent assurance to the Board, the Audit Committee and the senior management of the Group as to whether the Group's internal controls are adequate and effective. The senior management of the Group is responsible for the design, implementation and monitoring of risk management and internal control systems with the assistance of the internal audit department of the Group and submits periodic reports on the effectiveness of such systems to the Board and/or the Audit Committee.

In 2025, the internal audit department worked closely with the operating units, senior management and the Directors to strengthen the risk management system. The work includes but not limited to increasing the number of training sessions; further harmonizing the internal control and risk assessment methods; normalizing internal control and risk assessment; and making the internal monitoring and evaluation more closely aligned with their potential risks. Moreover, the internal audit department collects potential risk information from operating units and assesses the level of risk based on implementation of risk management measures that would be facilitated, all of which form part of the process used by the Company to identify, evaluate and manage potential material risk. The key risks identified, managed and monitored during the year included downward pressure on China's economy and action plans to effectively respond to the identified risks were formulated and implemented during the year accordingly. The internal audit department has submitted to the Board and the Audit Committee the latest report on the monitoring of risk management during the year and to assist the Directors in reviewing the effectiveness of the Group's risk management and internal control systems.

In 2025, the Group's internal audit department conducted a selective review on the effectiveness of the Group's risk management and internal control systems in terms of financial, operational and compliance monitoring, focusing on intangible asset management, information system maintenance, inventory management, and procurement expenses to review the effectiveness of risk management and internal control system. In addition, the responsible person of the main business and corporate functions need to self-assess their own major monitoring matters. The results were reviewed by the Group's internal audit department and reported to the Audit Committee. The Audit Committee then reviewed the information and reported to the Board. The Audit Committee and the Board did not find any matter or failure which requires special attention relating to the Group's financial condition or results of operations. In case any material internal control defects are identified by the internal audit department, the responsible unit and the Board will discuss and assess the cause of the defect and an action plan will be formulated to rectify the defects. The Board has conducted a review and considered that the risk management and internal control system as a whole is adequate and effective, including the areas of accounting, internal audit and the Group's procedure for financial reporting and compliance with the Listing Rules are effective. There are sufficient resources, staff qualifications and experience in the financial reporting function, as well as adequate staff training courses and budget.

Inside Information

The Board is the governing body of the Company's inside information. The Chairman of the Board takes the main responsibility of the Company's inside information management. The disclosure committee under the Board is comprised of the Chairman of the Board and all executive Directors. It is responsible for managing the disclosure of the inside information. The company secretary is responsible for the Company's inside information monitoring, disclosure and insider registration, filing and other daily management work. The office of the Board is the only information disclosure department of the Company. It is responsible for the record management, the disclosure and the registration of insider of inside information and the daily custody of relevant information materials when inside information arises. Without the approval of the disclosure committee, review and consent of the company secretary, any department and individual of the Company shall not disclose, report or transmit the contents concerning the Company's inside information and information disclosure to any person prohibited by applicable laws and regulations.

Liability Insurance

The Company has insured directors and senior management responsibility insurance to protect the Directors and senior management of the Company from potential legal liability.

Organizational Structure

The Group has established an organizational structure, which sets out the relevant operating policies and procedures, duties and authorities.

Report of Corporate Governance

Authorities and Controls

The executive Director and senior management have been authorized to deal with relevant matters in respect of corporate strategies, policies and contractual undertakings. Budget controls and the budgets for operation of the financial reporting systems are formulated by relevant departments and are subject to review by the Directors in charge before implementation. The Group has formulated relevant procedures to assess, review and approve significant capital and recurrent expenses, while operating results will be compared against the budgets and reported to the executive Director on a regular basis.

Training on Internal Control

Directors and senior management have participated in internal control training courses provided by the Group, which are designed to equip them with proper and full knowledge on internal control, and provide guidance to them to apply internal control systems on a consistent basis.

Accounting System Management

The Group has implemented a comprehensive accounting management system, so as to provide the management with indicators to evaluate the financial and operating performance and financial information for reporting and disclosure purposes. Any deviation from expected objectives will be analysed and explained, or the budget objectives will be amended correspondingly in line with the change in business.

The Group has established appropriate internal control procedures to ensure comprehensive, proper and timely recording of accounting and management information, which will be reviewed and inspected on a regular basis to ensure the financial statements are prepared in accordance with the generally accepted accounting principles, the accounting policies of the Group and applicable laws and regulations.

Internal Audit

In order to assess the effectiveness and efficiency of the internal control system in a more effective manner, the internal audit department of the Company inspected, supervised and evaluated the disclosure of financial information, operations and internal controls of the Group and its associated companies on a regular basis and whenever required based on the potential risks and significance of the internal control systems of different businesses and procedures of the Group, with the aims to ensure the transparency of the information disclosure of the Company, operating efficiency and the effectiveness of its corporate control mechanisms, as well as to provide an objective opinion and advice in the form of an audit report. Internal audit staff shall be entitled to full access of all information of the Group and to make enquiries with relevant staff. The manager of the audit department shall directly report to the Chairman of the Board on the results and advice of such work.

The Company has established the systems and procedures to identify, measure, manage and control risks, including legal, credit, market, centralisation, operation, environment, behaviour and other risks which may affect the development of the Company.

Continuing Operation

During the year, there were no material events or conditions that may affect the operation of the Group as an on-going concern.

Anti-Corruption and Whistle-Blowing Policy

The Company has formulated an anti-corruption and whistle-blowing policy to regulate conduct and ensure compliance with anti-corruption policies and regulations. Employees are encouraged to report corruption, bribery, fraud and unethical behavior. The Company will also include publicity on anti-corruption and whistle-blowing policies in daily employee training.

Investor Relations

The Company reports to the Shareholders on the corporate information of the Group on a timely and accurate basis.

The Company places great emphasis on communication with the Shareholders and investors of the Company and in enhancing the Company's transparency. As such, a dedicated department has been set up and designated officers are assigned to handle relations with investors and analysts. During the period under review, the Company received 18 batches of fund managers and analysts and patiently answered their relevant inquiries. Site visits to stores were arranged for them so as to enhance their understanding of the Company's operation and also its latest business developments. The Company made disclosures in a careful, true, accurate, complete and timely manner in strict accordance with applicable laws and regulations, the Articles of Association and the Listing Rules. At the same time, the Company places great emphasis on collecting and analysing various comments and recommendations from analysts and investors on the Company's operation, which will be compiled into reports regularly and adopted selectively in its operation. The Company has set up a website, allowing investors to have access to the Company's particulars, statutory announcements, management and recent operating affairs. All published annual reports, interim reports, circulars and announcements since its listing are included in the "Investors Relations" section of the website. The Company persistently adheres to its information disclosure principle of honesty and integrity and actively initiates communications with various parties. In particular, it has held seminars, press conferences and one-on-one investor meetings following the announcement of interim and annual results and decisions on major investments. The Company also participates in a series of investor activities and conducts one-on-one communication with investors on a regular basis. During the period under review, through the above measures of communication with investors, the Company has reviewed and examined the implementation and effectiveness of the Shareholders' Communication Policy and is of the view that the Shareholders' Communication Policy of the Company was implemented fully and effectively.

Changes in Company's Constitutional Document

On 28 March 2025, the China Securities Regulatory Commission officially implemented the "Guidelines for the Articles of Association of Listed Companies" and the "Rules for Shareholders' Meetings of Listed Companies." In January 2025, the Stock Exchange published the "Consultation Conclusions on Further Expansion of Paperless Listing Mechanism and Other Listing Rule Amendments", which adopted suggestions regarding hybrid shareholders' meetings and electronic voting, requiring issuers to ensure that their articles of association allow for hybrid shareholders' meetings and provide electronic voting for the first annual general meeting held after 1 July 2025. In view of the above changes in laws and regulations, and in consideration of the actual situation of the Company, the Board proposes to amend the existing Articles of Association to comply with the Listing Rules and the relevant laws and regulations in China.

The main content of the proposed amendments to the Articles of Association includes (among others): (1) the abolition of the Supervisory Committee, with the related duties to be performed by the Audit Committee; (2) the establishment of employee representative directors; (3) the addition of electronic communication or online methods for attending and voting at Shareholders' meetings; (4) house keeping amendments made to align with the proposed amendments (collectively, the "Proposed Amendments"). Details of the proposed amendments are set out in the circular dated 3 December 2025 of the Company.

The extraordinary general meeting of Shareholders of the Company convened on 18 December 2025 has approved the special resolution of the proposed amendment to the Articles of Association of Lianhua Supermarket Holdings Co., Ltd. and abolishment of the Supervisory Committee.

Report of Corporate Governance

Shareholder's Rights

Convening extraordinary general meetings by shareholders

According to the provisions of Article 70 of the Articles of Association of the Company:

Shareholders demanding the convening of an extraordinary shareholders' meeting shall proceed in accordance with the following procedures:

- (I) Shareholders who individually or collectively hold more than ten per cent have the right to request the Board to convene an extraordinary shareholders' meeting, which shall be submitted to the Board in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, give written feedback on whether to agree or disagree to convene an extraordinary shareholders' meeting within ten days after receiving the request.

If the Board agrees to convene a shareholders' extraordinary meeting, it shall issue a notice on the convening of the shareholders' meeting within five days after the resolution of the Board is made, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

- (II) If the Board does not agree to convene a shareholders' extraordinary meeting or fails to provide feedback within ten days after receiving the request, shareholders who individually or collectively hold more than ten percent of the company's shares have the right to propose to the Audit Committee to convene a shareholders' extraordinary meeting and shall submit a request in writing to the Audit Committee .

If the Audit Committee agrees to convene a shareholder's extraordinary meeting, it shall issue a notice of convening the shareholders' meeting within five days of receiving the request. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

- (III) If the Audit Committee fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the Audit Committee has not convened and presided over the shareholders' meeting, and shareholders who individually or collectively hold more than ten percent of the company's shares for more than 90 consecutive days may convene and preside over it on their own.

Raising Proposals at General Meetings

According to the provisions of the Article 52 of the Articles of Association of the Company:

When the Company is to convene a meeting of shareholders, shareholders holding more than one percent (including one percent) of the Company's total voting shares shall be entitled to move new motions in writing to the Company. After receiving the motions, the Company shall notify other shareholders within two days and include into the agenda of the meeting the matters in the motions that comply with laws, administrative regulations and the Articles of Association of the Company and fall within the scope of duties of the shareholders' meeting, provided that such motions shall be delivered to the Company ten days before the shareholders' meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries (by post, fax or email) to the following address, fax number or email addresses of the Company:

13th Floor, No. 1258, Zhen Guang Road, Shanghai, the PRC

Fax: 86 (21) 5279 7976

Email: wuying@chinalh.com, chenxiating@chinalh.com

Independent Auditor's Report



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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
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Hong Kong

TO THE SHAREHOLDERS OF LIANHUA SUPERMARKET HOLDINGS CO., LTD.

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

OPINION

We have audited the consolidated financial statements of Lianhua Supermarket Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 133 to 229, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting 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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Independent Auditor's Report

KEY AUDIT MATTER (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment on certain identified property, plant and equipment and right-of-use assets</i>	
We identified impairment assessment on certain identified property, plant and equipment and right-of-use assets with unsatisfactory performance as a key audit matter because the amounts of these property, plant and equipment and right-of-use assets were significant and impairment assessment involved significant estimations and assumptions. The reasons of impairment loss made on these property, plant and equipment and right-of-use assets and details of the value-in-use calculations for these cash-generating units were set out in Note 20 to the consolidated financial statements. During the year ended 31 December 2025, the Group has recognised impairment losses of RMB1,611,000 and RMB6,658,000 on property, plant and equipment and right-of-use assets with unsatisfactory performance.	Our audit procedures in relation to the impairment assessment on certain identified property, plant and equipment and right-of-use assets include: • Understanding the management consideration and process for the identification of property, plant and equipment and right-of-use assets which have impairment indicators; • Understanding of internal controls in relation to the impairment assessment and evaluating the design and implementation of these controls; • Understanding the methodology and the process management applied in preparing the cash flow forecast, including the key assumptions such as the growth rate, discount rate and budgeted gross margin; • Assessing whether the management estimates and judgements are appropriate and reasonable with regards to our understanding and the operating performance of the Group; • Evaluating whether the model used by the management to calculate the value-in-use of the individual cash-generating unit is in compliance with the requirement under Hong Kong Accounting Standard 36 Impairment of Assets; and • Evaluating the disclosures relating to impairment assessment of property, plant and equipment and right-of-use assets in Note 20 to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 group 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kay Man Wo, Dick (practicing certificate number: P04540).

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Notes	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Revenue	5	17,753,295	19,710,114
Cost of sales		(15,665,639)	(17,338,195)
Gross profit		2,087,656	2,371,919
Other revenue	5	1,242,885	1,701,850
Other income and other gains and losses	7	668,883	636,073
Impairment losses under expected credit loss ("ECL") model, net of reversal	9	(291)	(2,345)
Distribution and selling expenses		(3,388,182)	(3,990,455)
Administrative expenses		(592,483)	(716,541)
Other expenses	10	(29,118)	(54,224)
Share of results of associates		6,016	6,226
Finance costs	8	(170,516)	(203,573)
Loss before tax	11	(175,150)	(251,070)
Income tax expense	12	(10,512)	(56,838)
Loss and total comprehensive expense for the year		(185,662)	(307,908)
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(200,255)	(358,765)
Non-controlling interests		14,593	50,857
		(185,662)	(307,908)
Loss per share – basic (RMB)	15	0.14	0.32

Consolidated Statement of Financial Position

At 31 December 2025

	Notes	31/12/2025 RMB'000	31/12/2024 RMB'000
Non-current assets			
Property, plant and equipment	16	2,713,764	2,954,612
Construction in progress	17	5,014	9,199
Right-of-use assets	18	3,576,117	4,363,238
Intangible assets	19	121,012	115,363
Goodwill	21	142,254	144,175
Interests in associates	22	243,487	237,525
Financial assets at fair value through profit or loss ("FVTPL")	23	69,849	67,565
Finance lease receivables-non-current	25	20,155	42,953
Term deposits	24	2,159,640	3,214,024
Deferred tax assets	27	67,315	83,028
Other non-current assets	28	42,777	150,701
		9,161,384	11,382,383
Current assets			
Inventories	29	1,539,286	1,879,688
Finance lease receivables-current	25	21,294	33,771
Prepaid rental	26	–	4,157
Trade and bills receivables	30	215,139	262,893
Deposits, prepayments and other receivables	31	702,359	735,843
Financial assets at FVTPL	23	1,358,596	1,333,454
Amount due from an ultimate holding company	32	508	8
Amount due from fellow subsidiaries	32	24,333	48,118
Amount due from an associate	33	684	581
Term deposits	24	3,167,336	2,005,933
Restricted bank balances	34	8,771	16,356
Cash and cash equivalents	34	1,552,688	1,602,613
		8,590,994	7,923,415
Assets classified as held for sale	39	266,392	356,572
		8,857,386	8,279,987
Total assets		18,018,770	19,662,370

(continued)

Consolidated Statement of Financial Position

At 31 December 2025

	Notes	31/12/2025 RMB'000	31/12/2024 RMB'000
Capital and reserves			
Share capital	40	1,479,600	1,119,600
Reserves		(1,609,769)	(1,406,239)
Equity attributable to owners of the Company		(130,169)	(286,639)
Non-controlling interests	41	304,151	354,570
Total equity		173,982	67,931
Non-current liabilities			
Deferred tax liabilities	27	136,093	161,006
Lease liabilities	38	2,818,025	3,698,516
		2,954,118	3,859,522
Current liabilities			
Trade and bills payables	35	4,121,750	3,870,893
Tax payable		73,044	108,714
Other payables and accruals	36	1,389,131	1,718,446
Lease liabilities	38	652,000	628,976
Coupon liabilities and advance from customers	37	8,199,593	8,730,204
Amount due to an ultimate holding company	32	114,033	61,545
Amounts due to fellow subsidiaries	32	151,686	195,673
Amounts due to associates	33	664	746
		14,701,901	15,315,197
Liabilities associated with assets classified as held for sale	39	188,769	419,720
		14,890,670	15,734,917
Total liabilities		17,844,788	19,594,439
Net current liabilities		(6,033,284)	(7,454,930)
Total equity and liabilities		18,018,770	19,662,370

The consolidated financial statements on pages 133 to 229 were approved and authorised for issue by the board of directors of the Company on 30 March 2026 and are signed on its behalf by:

Pu Shao-hua
DIRECTOR

Wang Xiao-yan
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the Company							Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Other reserve RMB'000 (Note b)	Statutory common reserve fund RMB'000 (Note c)	Accumulated losses RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000 (Note 41)	
At 1 January 2024	1,119,600	258,353	(235,497)	559,800	(1,630,130)	72,126	376,221	448,347
(Loss) profit and total comprehensive (expense) income for the year	-	-	-	-	(358,765)	(358,765)	50,857	(307,908)
Dividends to non-controlling interests	-	-	-	-	-	-	(72,508)	(72,508)
At 31 December 2024	1,119,600	258,353	(235,497)	559,800	(1,988,895)	(286,639)	354,570	67,931
(Loss) profit and total comprehensive (expense) income for the year	-	-	-	-	(200,255)	(200,255)	14,593	(185,662)
Dividends to non-controlling interests	-	-	-	-	-	-	(65,012)	(65,012)
Issuance of ordinary shares (Note d)	360,000	(3,079)	-	-	-	356,921	-	356,921
Acquisition of non-controlling interests	-	-	(196)	-	-	(196)	-	(196)
At 31 December 2025	1,479,600	255,274	(235,693)	559,800	(2,189,150)	(130,169)	304,151	173,982

Notes:

- (a) Capital reserve of the Company represents share premium arising from issue of H shares net of share issuance expenses.
- (b) Other reserve of the Group mainly represents:
- the fair value difference of a subsidiary's net asset, arising from a business combination in 2005, and the Group's original equity interest in that subsidiary;
 - the financial impact of adopting merger accounting to account for the acquisition of subsidiaries during the year ended in 2009 and 2011;
 - acquisition of additional equity interests in subsidiaries; and
 - share of the other comprehensive income of the associates.
- (c) Pursuant to the relevant regulations of the People's Republic of China (the "PRC") and the PRC entities' Articles of Association, the PRC entities are required to transfer 10% of their profit after tax, as determined under the PRC Company Law, to statutory common reserve fund until the fund aggregates to 50% of their registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders. No further transfer is required when the fund has reached 50% of the registered capital of the PRC entities.
- The statutory common reserve fund shall only be used to offset previous years' losses, to expand their operations, or to increase its capital. The statutory common reserve fund may be converted into the capital, provided that the balance of the reserve fund after such conversion is not less than 25% of the registered capital.
- (d) On 25 February 2025, the Company issued 360,000,000 new shares to Bailian Group Co., Ltd. ("Bailian Group") at the subscription price of RMB1 per share. The net proceeds received by the Company, after deduction of the underwriting commission and other expenses payable by the Company, amounted to RMB356,921,000.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(175,150)	(251,070)
Adjustments for:		
Depreciation of property, plant and equipment	316,256	329,007
Depreciation of right-of-use assets	754,649	918,304
Amortisation of intangible assets	25,850	28,462
Loss on disposal of property, plant and equipment	4,408	12,135
Net gain on termination of right-of-use assets and lease liabilities	(99,016)	(103,712)
Gain on disposal of subsidiaries	(187,126)	–
Reversals of impairment loss on right-of-use assets	(15,952)	(37,370)
Impairment loss on property, plant and equipment	1,611	–
Decrease in goodwill	1,921	1,921
Reversals of write-down of inventories	–	(3,644)
Impairment losses under ECL model, net of reversal	291	2,345
Gain on changes in fair value of financial assets at FVTPL	(60,675)	(84,088)
Dividends from financial assets at FVTPL	(1,382)	(1,309)
Income from breakage	(23,694)	(27,519)
Share of results of associates	(6,016)	(6,226)
Interest income on bank balances and term deposits	(163,417)	(230,198)
Finance lease income	(3,746)	(6,560)
Finance costs	170,516	203,573
Operating cash flows before movements in working capital	539,328	744,051
Decrease in inventories	338,110	507,757
Decrease (increase) in trade and bills receivables	48,336	(30,543)
Decrease (increase) in deposits, prepayments and other receivables	86,134	(183,053)
Decrease in prepaid rental	4,157	971
(Increase) decrease in restricted term deposits	(301,961)	498,588
Decrease (increase) in restricted bank balances	7,585	(28,570)
Decrease in finance lease receivables	39,021	794
Increase in amount due from an associate	(103)	(102)
Decrease (increase) in amount due from fellow subsidiaries and an ultimate holding company	23,425	(5,581)
Increase in amount due to an ultimate holding company	52,488	61,545
Increase in amounts due to fellow subsidiaries	1,565	38,076
Decrease in amounts due to associates	(82)	(4)
Decrease in trade and bills payables	(633,262)	(105,741)
(Decrease) increase in other payables and accruals	(251,651)	32,243
Decrease in coupon liabilities and advance from customers	(506,057)	(114,094)
Cash (used in) generated from operations	(522,967)	1,416,337
Income taxes paid	(59,895)	(123,507)
Interest received	203,340	150,906
Interest paid	(153,094)	(185,772)
Net cash (used in) from operating activities	(562,616)	1,257,964

(continued)

Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment and construction in progress	(135,531)	(123,601)
Proceeds from disposal of property, plant and equipment and intangible assets	996	5,982
Payments for purchase of intangible assets	(26,705)	(17,539)
Payments for rental deposits	(2,998)	(5,216)
Refund of rental deposits	3,345	9,156
Dividends from financial assets at FVTPL	1,382	1,309
Purchase of financial assets at FVTPL	(380,000)	(703,000)
Proceeds from disposal of financial assets at FVTPL	413,249	436,405
Advanced receipt from disposal of Target Companies (as defined in Note 39)	78,286	145,523
Placement of unrestricted term deposits	(2,710,058)	(1,565,000)
Withdrawal of unrestricted term deposits	2,855,000	1,055,015
Net cash from (used in) investing activities	96,966	(760,966)
FINANCING ACTIVITIES		
Proceeds from notes financing	3,612,578	2,682,199
Payments for notes financing	(2,740,000)	(3,050,000)
Dividends paid to non-controlling shareholders	(73,400)	(84,633)
Repayments of leases liabilities	(689,343)	(867,946)
Payments of issue costs	(547)	(2,532)
Proceeds on issuance of ordinary shares	360,000	–
Acquisition of non-controlling interests	(196)	–
Net cash from (used in) financial activities	469,092	(1,322,912)
Net increase (decrease) in cash and cash equivalents	3,442	(825,914)
Cash and cash equivalents at 1 January	1,602,613	2,447,620
Bank balances of subsidiaries eliminated upon transfer to assets classified as held for sale	(53,367)	(19,093)
Cash and cash equivalents at 31 December	1,552,688	1,602,613

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

1. GENERAL

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

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

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

As of 31 December 2025, the Group had net current liabilities of RMB6,033,284,000 (2024: RMB7,454,930,000). Taking into account of the historical settlement and addition pattern of the coupon liabilities (disclosed under coupon liabilities and advance from customers) and the Group’s ability to withdraw the non-current unrestricted term deposits of RMB1,855,000,000 (2024: RMB1,690,000,000), the directors of the Company consider that the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

New and amendments to HKFRS Accounting Standards in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

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

HKFRS 18 Presentation and Disclosure in Financial Statements

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

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations or asset acquisitions

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Leaves*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in an annual period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill, and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interests in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Interests in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 Financial Instruments ("HKFRS 9"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Non-current assets held for sale (Continued)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 5 and 37.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

The Group applies the short-term lease recognition exemption to leases for convenience stores that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

Lease liabilities (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

The Group as a lessor

Classification and measurement of leases

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

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Interest and rental income which are derived from the Group's ordinary course of business are presented as other revenue.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modifications

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

(i) Operating leases

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Lease modifications (Continued)

(ii) Finance leases

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification; and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. Otherwise, the Group accounts for the modification in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income and other gains and losses".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

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

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

Taxation

Income tax expense represents the sum current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

Current and deferred tax are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, for qualifying assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position.

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Impairment on property, plant and equipment, construction in progress, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, construction in progress, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, construction in progress, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

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

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

Financial instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

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

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is designated and effective hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Amortised cost and interest income

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

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (trade and bills receivables, other receivables, amounts due from an ultimate holding company/fellow subsidiaries/an associate, term deposits and bank balances and cash), and other items (finance lease receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate obtained from economic expert reports, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- significant deterioration in external market indicators of credit risk;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(iv) Write-off policy

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration the aging of the outstanding balances, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables, amount/amounts due to an ultimate holding company/fellow subsidiaries/associates are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in chain store operation including hypermarket, supermarket and convenience stores. The Group acts as the principal for daily sales of merchandise transactions as it controls the specified goods before it is transferred to the customer after taking into consideration of the key indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk on the merchandises.

Allocation of the consideration between lease components and non-lease components

For a contract that contains multiple lease components and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies judgements to allocate the consideration between the lease components and non-lease components. The assessment of stand-alone price for the non-lease components significantly affects the amount of lease liabilities and right-of-use assets recognised.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of certain identified property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgements and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the carrying value of an asset (as detailed in Note 20 for those identified property, plant and equipment and right-of-use assets); (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including growth rate, discount rate and budgeted gross margin. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Changing the assumptions and estimates, including the discount rate, the growth rates or the budgeted gross margins in the cash flow projections, could materially affect the recoverable amounts used in the impairment test.

As at 31 December 2025, the carrying amounts of those identified property, plant and equipment and right-of-use assets with impairment indicator are RMB112,037,000 (2024: RMB115,216,000) and RMB462,136,000 (2024: RMB630,288,000) respectively, after taking into account the impairment losses of RMB1,611,000 (2024: nil) and RMB6,658,000 (2024: RMB9,236,000) in respect of those identified property, plant and equipment and right-of-use assets that have been recognised, respectively. Details of the impairment of property, plant and equipment and right-of-use assets are set out in Note 20.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) at a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of future cash flows, a material impairment loss may arise.

As at 31 December 2025, the carrying amount of goodwill was RMB142,254,000 (2024: RMB144,175,000) (net of accumulated impairment loss of RMB31,672,000 (2024: RMB29,751,000)). Details of the impairment testing on goodwill are set out in Note 21.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Deferred tax assets

As at 31 December 2025, no deferred tax asset has been recognised in respect of the tax losses of RMB2,396,459,000 (2024: RMB3,220,445,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether taxable profits will be available in the foreseeable future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2025, the carrying amount of property, plant and equipment was RMB2,713,764,000 (net of accumulated depreciation and impairment losses of RMB3,129,272,000 (2024: RMB2,954,612,000 (net of accumulated depreciation and impairment losses of RMB3,165,849,000))).

Estimated store closure provision

The Group follows HKAS 37 Provisions, Contingent Liabilities and Contingent Assets to recognise store closure provision. Provisions are recognised when the Group has a constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Store closure provision comprises mainly lease termination cost and employee compensations with corresponding amounts included in other expenses. The determination of provision requires the use of estimates. As at 31 December 2025, the carrying amount of store closure provision was RMB96,726,000 (2024: RMB130,113,000).

Estimated amount of breakage

Determining the breakage amount requires an estimation of the ratio and proportion to the pattern of rights exercised by the customer. The Group recognises the amount at an expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilised by the customers for certain period of time. The breakage amounts are recognised as other income from coupon liabilities. During the year ended 31 December 2025, the income from breakage amounted to RMB23,694,000 (2024: RMB27,519,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OTHER REVENUE

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

(i) Disaggregation of revenue from contracts with customers

Type of Revenue

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Revenue		
Sales of merchandise	17,753,295	19,710,114
Services		
Income from suppliers (service income)	858,734	1,221,607
Franchising income from franchised stores	35,253	36,175
Commission income on coupon redemption at other retail shops	6,984	2,620
	900,971	1,260,402
Total	18,654,266	20,970,516

Timing of revenue recognition

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
At a point in time	17,760,279	19,712,734
Over time	893,987	1,257,782
Total	18,654,266	20,970,516

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

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Revenue from contracts with customers – sales of merchandise	17,753,295	19,710,114
Other revenue from contracts with customers – services	900,971	1,260,402
Rental income from leasing of shop premises	341,914	441,448
	1,242,885	1,701,850
Total revenue and other revenue	18,996,180	21,411,964

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OTHER REVENUE (Continued)

(ii) Performance obligations for contracts with customers

Sales of merchandise

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

Service income from suppliers

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

Franchising income from franchise stores

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

Commission income on coupon redemption at other retail shops

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

(iii) Leases

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
For operating leases:		
Fixed lease payments	338,168	434,888
For finance leases:		
Finance income on the net investment in the lease	3,746	6,560
Total revenue arising from leases	341,914	441,448

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

5. REVENUE AND OTHER REVENUE (Continued)

(iii) Leases (Continued)

Including granting of a licence that is distinct from other goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a licence that is distinct from other promised goods or services, the nature of the Group's promise in granting a licence is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a licence as a performance obligation satisfied over time. Otherwise, the Group considers the grant of licence as providing the customers the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the licence is granted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

5. REVENUE AND OTHER REVENUE (Continued)

(iii) Leases (Continued)

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

Sales of goods that result in rewarding credits for customers under the certain customer loyalty incentive program are identified by the Group as the contracts with multiple performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, for example, service contracts in which the Group bills at the rate of each service item specified in the contract, the Group recognises revenue in the amount to which the Group has the right to invoice.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

5. REVENUE AND OTHER REVENUE (Continued)

(iii) Leases (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

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

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

6. SEGMENT INFORMATION

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

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

- Hypermarket chain operation ("Hypermarket")
- Supermarket chain operation ("Supermarket")
- Convenience store chain operation ("Convenience store")
- Other operations

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

	Segment revenue		Segment results	
	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Hypermarket	7,632,300	9,174,143	(101,906)	(26,531)
Supermarket	9,993,472	10,705,355	(125,649)	(8,449)
Convenience store	1,302,653	1,470,005	(14,339)	(47,480)
Other operations	67,755	62,461	19,318	(7,586)
	18,996,180	21,411,964	(222,576)	(90,046)

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

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Segment results	(222,576)	(90,046)
Share of results of associates	6,016	6,226
Gain on disposal of subsidiaries (Note 39)	187,126	–
Unallocated interest income	9,854	30,139
Unallocated expenses	(157,952)	(211,193)
Unallocated gain on change in fair value of financial assets at FVTPL	2,382	13,804
Consolidated loss before tax	(175,150)	(251,070)

All of the segment revenues reported above are from external customers.

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results did not include share of results of associates, gain on disposal of subsidiaries, allocation of headquarter income and expenses (including certain interest income relating to funds centrally managed) and unallocated gain on change in fair value of financial assets at FVTPL. This is the measure reported to the Group's general manager for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. SEGMENT INFORMATION (Continued)

Segment assets

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

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
– Hypermarket	9,200,376	8,938,483
– Supermarket	6,163,945	7,212,326
– Convenience store	314,014	380,526
– Other operations	119,922	280,318
Total segment assets	15,798,257	16,811,653
Interests in associates	243,487	237,525
Deferred tax assets	67,315	83,028
Other unallocated assets	1,909,711	2,530,164
Total assets	18,018,770	19,662,370

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

Other segment information

Year ended
31/12/2025

	Hypermarket RMB'000	Supermarket RMB'000	Convenience store RMB'000	Other operations RMB'000	Total RMB'000
Amounts included in the measure of segment results or segment assets:					
Addition to non-current assets (Note)	171,422	334,861	29,101	15	535,399
Depreciation and amortisation	517,781	514,340	51,089	13,545	1,096,755
Reversals of impairment losses on property, plant and equipment and right-of-use assets	(14,341)	–	–	–	(14,341)
Impairment losses (reversals of impairment losses) on trade receivables and other receivables	486	674	(11)	(858)	291
Loss (gain) on disposal of property, plant and equipment	3,166	1,254	(142)	130	4,408
Net gain on termination of right-of-use assets and lease liabilities	(78,390)	(18,956)	(1,670)	–	(99,016)
Interest income on bank balances and term deposits	(100,872)	(52,185)	(91)	(415)	(153,563)
Interest income on finance lease receivables (Note 5)	(3,746)	–	–	–	(3,746)
Finance costs	105,644	62,520	2,352	–	170,516

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Year ended
31/12/2024

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

note: Addition to non-current assets include the additions of RMB90,563,000 to property, plant and equipment (2024: RMB102,262,000), RMB5,395,000 to construction in progress (2024: RMB16,050,000), RMB412,736,000 to right-of-use assets (2024: RMB762,047,000) and RMB26,705,000 to intangible assets (2024: RMB17,539,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

6. SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

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

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Interest income on bank balances and term deposits	163,417	230,198
Government grants (Note i)	39,265	40,225
Gain on disposal of subsidiaries (Note 39)	187,126	–
Gain on change in fair value of financial assets at FVTPL	60,675	84,088
Dividends from financial assets at FVTPL	1,382	1,309
Net gain on termination of right-of-use assets and lease liabilities	99,016	103,712
Reversals of impairment loss on right-of-use assets	15,952	37,370
Salvage sales	10,106	12,291
Income from breakage (Note ii)	23,694	27,519
Coupon charges	5,452	9,358
Penalty income	14,959	59,774
Others	47,839	30,229
Total	668,883	636,073

Notes:

- i. During the current year, the Group received unconditional government grants of RMB39,265,000 (2024: RMB40,225,000) from the PRC local government as an encouragement for the operation of subsidiaries in certain jurisdictions.
- ii. The Group recognises the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupons issued by the Group but not yet utilised by the customers for certain period of time. The breakage amounts are recognised as other income from coupon liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

8. FINANCE COSTS

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Interest expense on lease liabilities	153,094	185,772
Expense on discounting of bill receivables	17,422	17,801
	170,516	203,573

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Impairment losses (reversed) recognised on:		
– trade receivables	(642)	1,992
– deposits and other receivables	933	353
	291	2,345

Details of impairment assessment are set out in Note 46b.

10. OTHER EXPENSES

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Store closure expenses	19,258	27,576
Impairment loss on property, plant and equipment	1,611	–
Loss on disposal of property, plant and equipment	4,408	12,135
Others	3,841	14,513
	29,118	54,224

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

11. LOSS BEFORE TAX

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Loss before tax has been arrived at after charging (crediting):		
Amortisation and depreciation		
Depreciation of property, plant and equipment (Note 16)	316,256	329,007
Depreciation of right-of-use assets (Note 18)	754,649	918,304
Amortisation of intangible assets (Note 19)	25,850	28,462
Total amortisation and depreciation	1,096,755	1,275,773
Share of results of associates		
Share of results before tax	(8,190)	(8,221)
Share of income tax expense	2,174	1,995
	(6,016)	(6,226)
Reversals of impairment loss on right-of-use assets included in other income and other gains and losses	(15,952)	(37,370)
Impairment loss recognised on property, plant and equipment included in other expenses	1,611	–
Auditors' remuneration	5,681	6,100
Directors' remuneration (Note 13)	5,076	5,634
Salaries, wages and other employee benefits of other staff	1,470,560	1,740,536
Retirement benefits scheme contribution of other staff	159,702	189,569
Total staff costs	1,635,338	1,935,739
Impairment losses recognised under ECL model, net of reversal	291	2,345
Cost of inventories recognised as expenses (including write-down of inventories amounting to nil) (2024: reversal of RMB3,644,000)	15,665,639	17,338,195

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

12. INCOME TAX EXPENSE

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Current tax on the PRC Enterprise Income Tax ("EIT")	23,304	28,780
Under (over) provision of PRC EIT in prior years	921	(19)
Deferred tax (credit) expense (Note 27)	(13,713)	28,077
	10,512	56,838

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

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

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Loss before tax	(175,150)	(251,070)
Tax at PRC EIT tax rate of 25% (2024: 25%)	(43,788)	(62,768)
Tax effect of share of results of associates	(1,504)	(1,557)
Tax effect of expenses not deductible for tax purpose	468	281
Tax effect of income not taxable for tax purpose	(3,610)	(2,794)
Tax effect of tax losses not recognised	144,902	228,824
Tax effect of deductible temporary differences not recognised	(34,387)	(93,717)
Utilisation of tax losses previously not recognised	(47,066)	(10,853)
Under (over) provision of PRC EIT in prior years	921	(19)
Effect of different tax rates of subsidiaries	(5,424)	(559)
Income tax expense for the year	10,512	56,838

Notes to the Consolidated Financial Statements

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13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION

(1) Directors' emoluments

The remuneration of each director for the years ended 31 December 2025 and 2024 is set out below:

Name of director	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (Note a)		Retirement benefits costs		Medical benefits		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
RMB'000												
Executive/Non-executive Directors:												
Ms. Wang Xiao-yan (Note e)	-	-	842	94	499	-	106	9	40	3	1,487	106
Mr. Chong Xiao-bing (Note g)	-	-	-	1,287	-	50	-	110	-	37	-	1,484
Ms. Zhang Hui-qin (Note h)	-	-	294	294	1,071	3,018	109	104	29	28	1,503	3,444
Mr. Zhu Ding-ping (Note i)	-	-	841	-	499	-	106	-	40	-	1,486	-
Mr. Pu Shao-hua	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Hu Xiao (Note b)	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Shi Xiao-long (Note c)	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Dong Xiao-chun (Note d)	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Zhang Shen-yu (Note f)	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Yang Qin (Note i)	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Cao Hai-lun (Note j)	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Shen Chen (Note k)	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Wong Tak-Hung (Note m)	-	-	-	-	-	-	-	-	-	-	-	-
Independent Non-executive Directors:												
Mr. Xia Da-wei	150	150	-	-	-	-	-	-	-	-	150	150
Mr. Lee Kwok Ming, Don	150	150	-	-	-	-	-	-	-	-	150	150
Mr. Chen Wei	150	150	-	-	-	-	-	-	-	-	150	150
Mr. Zhao Xin-sheng	150	150	-	-	-	-	-	-	-	-	150	150
Total	600	600	1,977	1,675	2,069	3,068	321	223	109	68	5,076	5,634

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(1) Directors' emoluments (Continued)

Notes:

- (a) The discretionary bonus is determined based on the Group's and personal performance.
- (b) Ms. Hu Xiao resigned as the non-executive director of the Company on 24 September 2024.
- (c) Mr. Shi Xiao-Long resigned as the non-executive director of the Company on 7 February 2024.
- (d) Mr. Dong Xiao-Chun resigned as the non-executive director of the Company on 24 May 2024.
- (e) Ms. Wang Xiao-Yan was elected as the executive director of the Company on 27 November 2024.
- (f) Ms. Zhang Shen-Yu resigned as the non-executive director of the Company on 5 December 2024.
- (g) Mr. Chong Xiao-bing resigned as the executive director of the Company on 27 November 2024.
- (h) Ms. Zhang Hui-qin was elected as the executive director of the Company on 7 February 2024.
- (i) Ms. Yang Qin was elected as the non-executive director of the Company on 24 May 2024.
- (j) Mr. Cao Hai-lun was elected as the non-executive director of the Company on 5 December 2024.
- (k) Ms. Shen Chen was elected as the non-executive director of the Company on 24 September 2024.
- (l) Mr. Zhu Ding-ping was elected as the executive director of the Company on 7 January 2025, and resigned as the executive director subsequently on 5 January 2026.
- (m) Mr. Wong Tak-Hung resigned as the non-executive director of the Company on 7 January 2025.

The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. For in-service executive directors, they received all their emoluments from Bailian Group.

The non-executive director's emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the general manager waived or agreed to waive any emoluments during the years ended 31 December 2025 and 2024.

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13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(2) Supervisory committee members' emoluments

The remuneration of each supervisor for the years ended 31 December 2025 and 2024 is set out below:

Name of supervisor	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (Note a)		Retirement benefits costs		Medical benefits		Total	
			2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
RMB'000	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Mr. Li Feng (Note b)	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Tang Hao (Note b)	-	-	458	619	403	50	106	105	40	40	1,007	814
Mr. Luo Yang-hong (Note b)	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	458	619	403	50	106	105	40	40	1,007	814

Notes:

- The supervisors' emoluments shown above were for their services as supervisors of the Company. Certain supervisors did not receive emoluments from the Group and receive their emoluments from Bailian Group instead during the year. There was no arrangement under which a supervisor waived or agreed to waive any emoluments during both current and prior reporting period.
- The proposed abolishment of the Supervisory Committee and the amendment of the Articles of Association was approved by the extraordinary general meeting held on 18 December 2025, therefore Mr. Li Feng, Ms. Tang Hao and Mr. Luo Yang-hong resigned as the supervisors.

(3) Senior management's emoluments

The remuneration of each senior management for the years ended 31 December 2025 and 2024 is set out below:

Name of senior management	Fees		Basic salaries, allowances and benefits in kind		Discretionary bonus (Note a)		Retirement benefits costs		Medical benefits		Total	
			2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
RMB'000	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Mr. Liang Bao-long (Note g)	-	-	-	421	-	38	-	78	-	30	-	567
Ms. Zhang Hui-qin (Note b)	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Dong Gang	-	-	637	945	382	50	106	105	40	40	1,165	1,140
Ms. Xu Xiao-yi	-	-	513	682	302	50	106	105	40	40	961	877
Mr. Gu Feng-min (Note h)	-	-	437	732	72	50	61	105	23	40	593	927
Mr. Zhang Qi-qiang (Note c)	-	-	333	115	292	13	107	27	40	10	772	165
Ms. Tang Hai-li (Note d)	-	-	832	17	499	143	109	9	30	3	1,470	172
Mr. Li Xiao-xian (Note e)	-	-	457	63	269	-	106	9	40	3	872	75
Mr. Wei Qing (Note f)	-	-	393	49	230	-	106	9	40	3	769	61
Total	-	-	3,602	3,024	2,046	344	701	447	253	169	6,602	3,984

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

13. DIRECTORS', SUPERVISORS' AND EMPLOYEES' REMUNERATION (Continued)

(3) Senior management's emoluments (Continued)

Notes:

- (a) The discretionary bonus is determined based on the Group's and personal performance.
- (b) Ms. Zhang Hui-qin resigned from the Executive Deputy General Manager of the Company and was appointed as the Deputy General Manager of the Company on 27 November 2024.
- (c) Mr. Zhang Qi-qiang served as Deputy Secretary of the Party Committee, Secretary of the Commission for Discipline Inspection and person in charge of the Labor Union in September 2024.
- (d) Ms. Tang Hai-li was appointed to the position of Deputy General Manager of the Company on 5 December 2024.
- (e) Mr. Li Xiao-xian was appointed as the Chief Information Officer of the Company on 5 December 2024.
- (f) Mr. Wei Qing was appointed to the position of General Counsel of the Company on 5 December 2024.
- (g) Mr. Liang Bao-long retired as Deputy Secretary of the Party Committee, Secretary of the Commission for Discipline Inspection and head of the Trade Union in September 2024.
- (h) Mr. Gu Feng-min resigned as the position of Deputy General Manager in July 2025.

The senior managements' emoluments shown above were for their services as one of the key management teams rendered to the Company.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group include 3 directors (2024: 1) of the Company whose emoluments are set out above for the year ended 31 December 2025. The emoluments of the remaining 2 employees (2024: 4) for the year ended 31 December 2025 are as follows:

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Basic salaries, allowances and benefits in kind	1,097	878
Discretionary bonuses	1,463	8,490
Retirement benefits	218	414
Medical benefits	58	114
	2,836	9,896

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For the year ended 31 December 2025

14. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees include 3 directors (2024: 1) of the Company whose remuneration fell within the following bands:

	Number	
	Year ended 31/12/2025	Year ended 31/12/2024
HK\$1,500,001—HK\$2,000,000	5	—
HK\$2,000,001—HK\$2,500,000	—	1
HK\$2,500,001—HK\$3,000,000	—	3
HK\$3,500,001—HK\$4,000,000	—	1

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

15. LOSS PER SHARE

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

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Loss for the year attributable to owners of the Company	(200,255)	(358,765)

	Year ended 31/12/2025	Year ended 31/12/2024
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,425,353,000	1,119,600,000

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Transportation vehicles and equipment RMB'000	Operating and office equipment RMB'000	Total RMB'000
COST					
At 1 January 2024	3,447,015	1,898,063	232,142	1,125,234	6,702,454
Additions	–	68,192	3,335	30,735	102,262
Transfer from construction- in progress (Note 17)	–	21,190	–	–	21,190
Transfer to assets classified as held for sale (Note 39)	(18,896)	(164,120)	(16,376)	(85,635)	(285,027)
Disposals	–	(178,731)	(25,199)	(216,488)	(420,418)
At 31 December 2024	3,428,119	1,644,594	193,902	853,846	6,120,461
Additions	–	51,567	1,330	37,666	90,563
Transfer from construction- in progress (Note 17)	–	3,625	–	306	3,931
Transfer to assets classified as held for sale (Note 39)	(7,426)	(104,260)	(1,060)	(21,372)	(134,118)
Disposals	–	(139,759)	(17,405)	(80,637)	(237,801)
At 31 December 2025	3,420,693	1,455,767	176,767	789,809	5,843,036
DEPRECIATION AND IMPAIRMENT					
At 1 January 2024	1,149,831	1,293,706	181,889	855,159	3,480,585
Provided for the year	98,746	134,708	15,714	79,839	329,007
Transfer to assets classified as held for sale (Note 39)	(7,424)	(142,512)	(15,017)	(76,481)	(241,434)
Eliminated on disposals	–	(162,715)	(23,751)	(215,843)	(402,309)
At 31 December 2024	1,241,153	1,123,187	158,835	642,674	3,165,849
Provided for the year	92,565	149,035	8,400	66,256	316,256
Impairment loss recognised in profit or loss	–	656	–	955	1,611
Transfer to assets classified as held for sale (Note 39)	(7,056)	(94,910)	(968)	(19,113)	(122,047)
Eliminated on disposals	–	(138,990)	(16,472)	(76,935)	(232,397)
At 31 December 2025	1,326,662	1,038,978	149,795	613,837	3,129,272
CARRYING VALUES					
At 31 December 2025	2,094,031	416,789	26,972	175,972	2,713,764
At 31 December 2024	2,186,966	521,407	35,067	211,172	2,954,612

Notes:

The depreciation expense for the year amongst which RMB279,818,000 and RMB36,438,000 (2024: RMB290,256,000 and RMB38,751,000) were included in distribution and selling expenses and administrative expenses, respectively.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated, taking into account their residual values, on a straight-line basis as follows:

Buildings	25-40 years
Leasehold improvements	Over the shorter of the term of the lease, or 5-8 years
Transportation vehicles and equipment	5-8 years
Operating and office equipment	3-8 years

Details of the impairment assessment are set out in Note 20.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

17. CONSTRUCTION IN PROGRESS

	Construction in progress RMB'000
At 1 January 2024	14,339
Additions	16,050
Transfer to property, plant and equipment (Note 16)	(21,190)
At 31 December 2024	9,199
Additions	5,395
Transfer to property, plant and equipment (Note 16)	(3,931)
Transfer to intangible assets (Note 19)	(5,649)
At 31 December 2025	5,014

18. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	Buildings RMB'000	Total RMB'000
At 31 December 2025			
Carrying amount	651,889	2,924,228	3,576,117
At 31 December 2024			
Carrying amount	676,678	3,686,560	4,363,238
For the year ended 31 December 2025			
Depreciation charge	(24,789)	(729,860)	(754,649)
New leases entered	–	412,736	412,736
Lease modification	–	(19,980)	(19,980)
Lease termination	–	(348,461)	(348,461)
Reversal of impairment loss	–	15,952	15,952
Transfer to assets classified as held for sale (Note 39)	–	(92,719)	(92,719)
For the year ended 31 December 2024			
Depreciation charge	(24,789)	(893,515)	(918,304)
New leases entered	–	762,047	762,047
Lease modification	–	(62,869)	(62,869)
Lease termination	–	(302,575)	(302,575)
Reversal of impairment loss	–	37,370	37,370
Transfer to assets classified as held for sale (Note 39)	–	(174,559)	(174,559)

Note:

Details of the impairment assessment are set out in Note 20.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

18. RIGHT-OF-USE ASSETS (Continued)

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Expense relating to short-term leases	22,686	33,759
Variable lease payments not included in the measurement of lease liabilities	7,407	7,292
Total cash outflow for leases	872,530	1,094,769
Additions to right-of-use assets	412,736	762,047

For both years, the Group leases various chain stores for its operations. Lease contracts are entered into for fixed term of over 1 year to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has obtained all the land use right certificates for all leasehold lands.

The Group regularly enters into short-term leases for convenience stores. As at 31 December 2025 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Notes to the Consolidated Financial Statements

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18. RIGHT-OF-USE ASSETS (Continued)

Variable lease payments

Leases of retail stores are either with only fixed lease payments or contain variable lease payment that are based on 1.5% to 20% (2024: 0.3% to 8%) of sales and minimum annual lease payments that are fixed over the lease term. No variable payment term includes cap clauses. Such payment terms are common in retail stores in the PRC where the Group operates. The amounts of fixed and variable lease payments paid/payable to relevant lessors for both years are presented as follows:

For the year ended 31 December 2025

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores without variable lease payments	1,161	835,139	–	835,139
Retail stores with variable lease payments	43	7,298	7,407	14,705
	1,204	842,437	7,407	849,844

For the year ended 31 December 2024

	Number of stores	Fixed payments RMB'000	Variable payments RMB'000	Total payments RMB'000
Retail stores without variable lease payments	1,211	1,044,537	–	1,044,537
Retail stores with variable lease payments	45	9,181	7,292	16,473
	1,256	1,053,718	7,292	1,061,010

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

Restrictions or covenants on leases

In addition, lease liabilities of RMB3,470,025,000 are recognised with related right-of-use assets of RMB2,924,228,000 as at 31 December 2025 (2024: lease liabilities of RMB4,327,492,000 are recognised with related right-of-use assets of RMB3,686,560,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of impairment assessment of right-of-use assets are set out in Note 20.

Notes to the Consolidated Financial Statements

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19. INTANGIBLE ASSETS

	Software RMB'000
COST	
At 1 January 2024	350,922
Additions	17,539
Transfer to assets classified as held for sale (Note 39)	(10,285)
Disposals	(23,936)
At 31 December 2024	334,240
Additions	26,705
Transfer from construction in progress (Note 17)	5,649
Transfer to assets classified as held for sale (Note 39)	(9,349)
Disposals	(5,744)
At 31 December 2025	351,501
AMORTISATION	
At 1 January 2024	224,445
Charge for the year	28,462
Transfer to assets classified as held for sale (Note 39)	(10,102)
Eliminated on disposals	(23,928)
At 31 December 2024	218,877
Charge for the year	25,850
Transfer to assets classified as held for sale (Note 39)	(8,494)
Eliminated on disposals	(5,744)
At 31 December 2025	230,489
CARRYING VALUES	
At 31 December 2025	121,012
At 31 December 2024	115,363

Notes:

- (a) The amortisation expense for the year amongst which RMB6,502,000 and RMB19,348,000 (2024: RMB5,290,000 and RMB23,172,000) were included in distribution and selling expenses and administrative expenses, respectively.
- (b) Software has finite useful lives and is amortised on a straight-line basis over 5 to 10 years.

Notes to the Consolidated Financial Statements

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20. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

Due to the unsatisfactory performance of certain retail stores, the management concluded that there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment and right-of-use assets with carrying amounts of RMB112,037,000 and RMB462,136,000 (2024: RMB115,216,000 and RMB630,288,000), respectively. The Group estimates the recoverable amount of the cash-generating units ("CGUs") of retail stores to which the asset belongs are having impairment indicators.

The recoverable amount of respective CGU has been determined based on a value in use calculation. The Group uses cash flow projections based on financial budgets approved by the management covering the following 5 years with a pre-tax discount rate of 9.7% as at 31 December 2025 (2024: 9.8%). The annual growth rate used is ranging from nil to 2.5% (2024: from 2.0% to 4.7%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the five-year period are extrapolated within the lease term. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the CGUs' past performance and management judgements on expectations for the market development.

Based on the result of the assessment, management determined that the recoverable amounts of certain CGUs are lower than their corresponding carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal and its value in use. Based on the value in use calculation and the allocation, impairment of RMB1,611,000 (2024: nil) and RMB6,658,000 (2024: RMB9,236,000) has been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively within the relevant factions to which these assets related.

21. IMPAIRMENT TESTING ON GOODWILL

	RMB'000
COST AND CARRYING VALUE	
At 31 December 2023	146,096
Decreased (Note)	(1,921)
At 31 December 2024	144,175
Decreased (Note)	(1,921)
At 31 December 2025	142,254

Note: The decrease in goodwill for both years was mainly due to the effect of the subsequent decrease in deferred tax liabilities arising from business combination. Deferred tax liabilities decreased subsequently as the future taxable temporary difference arising from the fair value adjustment of the property, plant and equipment acquired on acquisition date has been decreased due to the additional depreciation and amortisation charged subsequent to acquisition date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

21. IMPAIRMENT TESTING ON GOODWILL (Continued)

For the purpose of impairment testing, goodwill has been allocated to each individual CGU identified according to the separate acquisition. The goodwill allocated to these CGUs is as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Hangzhou Lianhua Huashang Supermarket Group Co., Ltd. *		
(杭州聯華華商集團有限公司)	69,534	69,534
Guangxi Lianhua Supermarket Joint Stock Co., Ltd. *		
(廣西聯華超市股份有限公司)	47,638	47,638
Zhejiang Bailian Supermarket Co., Ltd. *		
(浙江百聯超市有限公司)	14,301	16,222
Others	10,781	10,781
	142,254	144,175

* English name is for the identification purpose only.

In addition to goodwill, property, plant and equipment, intangible assets and right-of-use assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amounts of the CGUs are determined based on a value-in-use calculations. Their recoverable amounts are based on certain similar key assumptions. The value-in-use calculations use cash flow projections based on financial budgets approved by the management covering a five-year period as extrapolated for perpetuity using a growth rate of 0% (2024: 0%). The annual growth rates are 0% to 8.6% (2024: 0.2% to 7.2%), which are Consumer Price Index and growth rate of online retail sales, as appropriate, and a discount rate at 9.7% (2024: 9.8%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted gross margin, such estimations are based on these relevant CGUs' past performance and the management's expectations for the market condition. The management believes that any reasonably possible change in any of these assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the relevant CGUs.

22. INTERESTS IN ASSOCIATES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Unlisted equity investments	470,118	470,118
Share of post-acquisition loss and other comprehensive expense net of dividends received	(226,631)	(232,593)
	243,487	237,525

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22. INTERESTS IN ASSOCIATES (Continued)

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of entity	Country of registration/ Principal place of business	Proportion of ownership interest and voting rights held by the Group		Principal activities
		31/12/2025 %	31/12/2024 %	
Shanghai Carhua Supermarket Co., Ltd. ("Carhua") * (上海聯家超市有限公司 ("聯家"))	The PRC	45.00	45.00	Hypermarket
Shanghai Sanming Taige information technology Co., Ltd. * (上海三明泰格信息技術有限公司)	The PRC	45.00	45.00	Trading Company
Shanghai Gude commerce Company * (上海谷德商貿合作公司)	The PRC	27.00	27.00	Trading Company
Tianjin Yishang Friendship Holdings Co., Ltd. ("Tianjin Yishang") * (天津一商友誼股份有限公司 ("天津一商"))	The PRC	20.00	20.00	Department Stores
Shanghai Aofa Trading Development Co., Ltd. * (上海澳發商貿發展有限公司)	The PRC	30.00	30.00	Trading Company
Bailian Financial Services Co., Ltd. ("Bailian Financial Services") * (百聯金融服務有限公司 ("百聯金服")) (Note i)	The PRC	11.77	11.77	E-commerce
Hangzhou Jiangtou Lianhua Supermarket Co., Ltd. * (杭州江投聯華超市股份有限公司)	The PRC	49.00	49.00	Supermarket

* English name is for the identification purpose.

Note:

- i. The Group is able to exercise significant influence over Bailian Financial Services as there is material transactions between the Group and Bailian Financial Services.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

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For the year ended 31 December 2025

22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRS Accounting Standards:

Tianjin Yishang

	31/12/2025 RMB'000	31/12/2024 RMB'000
Current assets	17,483	539,488
Non-current assets	625,337	664,134
Current liabilities	1,553,554	2,019,386
Non-current liabilities	–	–
	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Revenue	92,794	115,421
(Loss) profit and total comprehensive (expense) income for the year	(94,970)	442,752

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Net liabilities of Tianjin Yishang	(910,734)	(815,764)
Proportion of the Group's ownership interest in Tianjin Yishang	20%	20%
The Group's share of net liabilities of Tianjin Yishang	(182,147)	(163,153)
Goodwill	6,787	6,787
Carrying amount of the Group's interest in Tianjin Yishang (Note)	–	–

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22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Tianjin Yishang (Continued)

The Group has unrecognised share of losses of the associate:

	Year end 31/12/2025 RMB'000	Year end 31/12/2024 RMB'000
The unrecognised share of results of the associate for the year	(18,994)	88,550
	31/12/2025 RMB'000	31/12/2024 RMB'000
Cumulative unrecognised share of loss of the associate	(175,360)	(156,366)

Note:

The Group's interest in Tianjin Yishang has been reduced to zero. Additional losses are not provided because the Group has not incurred legal or constructive obligations or made payments on behalf of the associate.

Bailian Financial Services

	31/12/2025 RMB'000	31/12/2024 RMB'000
Current assets	7,844,653	8,370,825
Non-current assets	37,401	34,953
Current liabilities	5,833,032	6,419,579
Non-current liabilities	10,844	3,855
	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Revenue	125,138	109,523
Profit and total comprehensive income for the year	55,834	55,359

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22. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Bailian Financial Services (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Net assets of Bailian Financial Services	2,038,178	1,982,344
Proportion of the Group's ownership interest in Bailian Financial Services	11.77%	11.77%
The Group's share of net assets of Bailian Financial Services	239,792	233,223
Carrying amount of the Group's interest in Bailian Financial Services	239,792	233,223

Aggregate information of associates that are not individually material:

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
The Group's share of loss and total comprehensive expense for the year	(554)	(287)

	31/12/2025 RMB'000	31/12/2024 RMB'000
Aggregate carrying amount of the Group's interests in these associates	3,695	4,302

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23. FINANCIAL ASSETS AT FVTPL

	31/12/2025 RMB'000	31/12/2024 RMB'000
<i>Non-current</i>		
Unlisted equity instruments	797	797
Equity securities listed in Shanghai Stock Exchange	69,052	66,768
Total	69,849	67,565
<i>Current</i>		
Equity securities listed in Shanghai Stock Exchange	603	861
Unlisted financial products (Note)	1,357,993	1,332,593
Total	1,358,596	1,333,454

Note:

Unlisted financial products investments are managed by licensed financial institutions in the PRC to invest principally in certain financial assets including bonds, trusts, cash funds or unlisted equity investments in the PRC in accordance with the entrusted agreements entered into between the parties involved. The gain on change in fair value of RMB58,649,000 (2024: RMB58,969,000) is credited to "other income and other gains and losses" in the current year.

24. TERM DEPOSITS

	31/12/2025 RMB'000	31/12/2024 RMB'000
<i>Non-current</i>		
Restricted term deposits	304,640	1,524,024
Other non-current unrestricted term deposits	1,855,000	1,690,000
Total	2,159,640	3,214,024
<i>Current</i>		
Restricted term deposits	1,522,278	933
Other current unrestricted term deposits	1,645,058	2,005,000
Total	3,167,336	2,005,933

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

24. TERM DEPOSITS (Continued)

Term deposits are placed with banks in the PRC and denominated in RMB. Deposits with a maturity period over 3 months but within 1 year are presented as current assets whilst deposits with a maturity period over 1 year but not exceeding 5 years are presented as non-current assets.

Restricted term deposits are term deposits placed by the Group to certain banks as a security for coupons issued to customers and are not available for other use by the Group.

The remaining term deposits are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rates on term deposits range from 1.00% to 4.30% (2024: 1.35% to 4.30%) per annum for the Group. The carrying amounts of the term deposits of the Group approximated their fair value.

25. FINANCE LEASE RECEIVABLES

As part of the chain store operations, the Group entered into finance lease arrangements as an intermediate lessor for subleases of buildings. The average terms of finance leases entered into usually range from 3 to 12 years (2024: 3 to 12 years). All interest rates inherent in the leases are fixed at the contract date over the lease terms.

There is no guaranteed residual values for the lease contracts. The risk arising from unguaranteed residual value on buildings under lease is not significant, because of the existence of a secondary market with respect to the buildings.

	Minimum lease payment 31/12/2025 RMB'000	Present value of minimum lease payment 31/12/2025 RMB'000	Minimum lease payment 31/12/2024 RMB'000	Present value of minimum lease payment 31/12/2024 RMB'000
Finance lease receivable comprise:				
Within one year	23,443	21,294	39,021	33,771
In the second year	10,890	9,627	23,443	22,797
In the third year	8,518	7,967	10,890	9,627
In the fourth year	2,297	2,232	8,518	7,967
In the fifth year	343	329	2,297	2,234
After five years	–	–	343	328
	45,491	41,449	84,512	76,724
Unguaranteed residual values	–	–	–	–
Gross investment in the lease	45,491	N/A	84,512	N/A
Less: unearned finance income	(4,042)	N/A	(7,788)	N/A
Present value of minimum lease payment receivables	41,449	N/A	76,724	N/A
Analysed as:				
Current	23,443	21,294	39,021	33,771
Non-current	22,048	20,155	45,491	42,953
	45,491	41,449	84,512	76,724

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25. FINANCE LEASE RECEIVABLES (Continued)

Interest rates implicit in the above finance leases range from 5% to 8% (2024: 5% to 8%).

There is no accumulated impairment loss in the carrying amount of the above finance lease receivables as at 31 December 2025 and 2024.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in RMB, same as the functional currency of the group entities.

Details of impairment assessment are set out in Note 46b.

26. PREPAID RENTAL

Prepaid rental represents advance payment for the short-term lease of certain store premises and is amortised over the relevant lease periods.

27. DEFERRED TAX ASSETS/LIABILITIES

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

	31/12/2025 RMB'000	31/12/2024 RMB'000
Deferred tax assets	67,315	83,028
Deferred tax liabilities	(136,093)	(161,006)
	(68,778)	(77,978)

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27. DEFERRED TAX ASSETS/LIABILITIES (Continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during both years:

	Fair value adjustments RMB'000	ECL provision and inventory allowances RMB'000	Accrued income RMB'000	Lease liabilities RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2024	(66,537)	2,486	(55,880)	1,126,230	(1,058,257)	2,057	(49,901)
(Charge) credit to profit or loss	(17,396)	664	(19,824)	(152,349)	162,561	(1,733)	(28,077)
As at 31 December 2024	(83,933)	3,150	(75,704)	973,881	(895,696)	324	(77,978)
Credit (charge) to profit or loss	15,026	(168)	9,951	(201,261)	190,170	(5)	13,713
Transfer to assets classified as held for sale (Note 39)	–	(26)	–	(19,768)	15,281	–	(4,513)
As at 31 December 2025	(68,907)	2,956	(65,753)	752,852	(690,245)	319	(68,778)

The unrecognised tax losses and deductible temporary differences are as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Unrecognised unused tax losses	2,396,459	3,220,445
Unrecognised deductible temporary differences	558,495	696,040
	2,954,954	3,916,485

At the end of the reporting period, the Group had unused tax losses of RMB2,396,459,000 (2024: RMB3,220,445,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses and deductible temporary difference due to the unpredictability of future profit streams.

The unrecognised unused tax losses will expire as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Year of expiring		
2025	–	582,739
2026	360,958	596,225
2027	267,988	406,494
2028	537,873	719,692
2029	650,031	915,295
2030	579,609	–
	2,396,459	3,220,445

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28. OTHER NON-CURRENT ASSETS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Interest receivable on term deposits	42,777	150,701

29. INVENTORIES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Merchandise for resale	1,500,623	1,850,527
Low value consumables	38,663	29,161
	1,539,286	1,879,688

During the year 2025, the management assessed that there was no write-down of inventories (2024: reversal of write-down of inventories amounting to RMB3,644,000).

30. TRADE AND BILLS RECEIVABLES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Trade receivables – contracts with customers	223,509	270,006
Bills receivables	–	1,900
Less: impairment loss allowance (Note 46b)	(8,370)	(9,013)
	215,139	262,893

As at 1 January 2024, trade receivable from contracts with customers amounted to RMB239,429,000.

The aging analysis of the trade receivables net of allowance for credit losses at the end of the reporting period, arising principally from the Group sales of merchandise with credit terms ranging from 30 to 60 days (2024: 30 to 60 days), presented as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
0-30 days	198,658	250,710
61-90 days	12	1,189
Over 90 days	16,469	9,094
	215,139	260,993

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

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30. TRADE AND BILLS RECEIVABLES(Continued)

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

	31/12/2025 RMB'000	31/12/2024 RMB'000
0-180 days	–	1,900

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

	31/12/2025 RMB'000	31/12/2024 RMB'000
0-180 days	–	1,900

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

Aging of trade receivables which are past due:

	31/12/2025 RMB'000	31/12/2024 RMB'000
1-30 days past due	12	1,189
More than 30 days past due	16,469	9,094
	16,481	10,283

Details of impairment assessment of trade receivables and bills receivables are set out in Note 46b.

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31. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Deposits and prepayments	299,604	443,035
Value-added tax ("VAT") recoverable	54,434	47,672
Interest receivables	220,091	152,090
Receivables from promotion activities	59,313	40,242
Other receivables	74,858	55,390
Deferred issue costs (Note)	–	2,532
Less: impairment loss allowance (Note 46b)	(5,941)	(5,118)
	702,359	735,843

Note: On 12 May 2024, the Company entered into a share subscription agreement with Bailian Group to issue domestic shares. Deferred issue costs represent the qualifying portion of issue costs incurred up to 31 December 2024, which will be debited to equity of the Company as share issue costs in respect of the issue of new domestic shares to ultimate holding company upon the completion of subscription.

Details of impairment assessment of other receivables are set out in Note 46b.

32. AMOUNT/AMOUNTS DUE FROM/TO AN ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amount/amounts due from/to an ultimate holding company/fellow subsidiaries (31 December 2024: excluding amount of RMB145,523,000) are trade in nature, unsecured, interest free, with credit terms ranging from 30 to 60 days (2024: 30 to 90 days). As at 31 December 2025, balances of both amount/amounts due from/to an ultimate holding company/fellow subsidiaries (31 December 2024: excluding amount of RMB145,523,000) are all aged within 90 days (2024: 90 days).

As at 31 December 2024, amount of RMB145,523,000 represents the consideration received in advance in respect of the proposed disposal of subsidiaries, details of which are set out in Note 39.

33. AMOUNTS DUE FROM/TO ASSOCIATES

Amounts due from/to associates represent balances arising from expenses paid on behalf of certain associates and purchase of merchandise from associates. Balances are all aged within 90 days (2024: 90 days) and the credit terms of the trade balances aged from 30 to 90 days (2024: 30 to 90 days). Such balances with associates are unsecured and interest free.

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34. CASH AND CASH EQUIVALENTS/RESTRICTED BANK BALANCES

Cash and cash equivalents comprise cash on hand and short-term bank deposits, placed with banks with an original maturity of three months or less in the PRC and denominated in RMB.

Bank balances carry interest at prevailing market rates ranging 0% to 0.5% (2024: 0% to 1.6%) per annum as at 31 December 2025.

At 31 December 2025, restricted bank balances represent bank deposits which are mainly restricted for litigations and carry fixed rate interests ranging from 0.1% to 0.3% (2024: 0.1% to 1.1%) per annum.

Details of impairment assessment of bank balances are set out in Note 46b.

35. TRADE AND BILLS PAYABLES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Trade payables	2,115,038	2,765,969
Bills payables (Note)	2,006,712	1,104,924
	4,121,750	3,870,893

Note: During the years ended 31 December 2025 and 31 December 2024, certain of the Company's subsidiaries received bills from the other subsidiaries and discounted the bills to banks. At 31 December 2025, the outstanding balance of such bills which have not been matured was RMB1,990,000,000 (2024: RMB1,100,000,000). The cash flows of such transactions have been presented in cash flow statement as financing activities.

The aging analysis of trade payables at the end of the reporting period, arising mainly from purchase of merchandise with credit terms ranging from 30 to 60 days (2024: 30 to 60 days), is as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
0-30 days	503,378	769,929
31-60 days	398,359	540,407
61-90 days	321,566	381,477
Over 90 days	891,735	1,074,156
	2,115,038	2,765,969

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

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35. TRADE AND BILLS PAYABLES (Continued)

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

	31/12/2025 RMB'000	31/12/2024 RMB'000
0-180 days	2,006,712	1,104,924

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

	31/12/2025 RMB'000	31/12/2024 RMB'000
0-180 days	2,006,712	1,104,924

36. OTHER PAYABLES AND ACCRUALS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Payroll, staff welfare and other staff cost payable	189,834	221,490
VAT and other tax payables	89,323	100,291
Deposits from lessees, franchisees and other third parties	266,601	303,318
Dividend payable to non-controlling interests	56,046	64,434
Amounts payables to other retailers upon customers' redemption of coupon issued by the Group	5,603	4,291
Prepayments received from franchisees and other third parties	545,002	703,508
Payables for acquisition of property, plant and equipment and low value consumables	52,709	86,322
Store closure provision (Note)	96,726	130,113
Accruals	78,079	85,891
Other miscellaneous payables	9,208	18,788
	1,389,131	1,718,446

Note: As part of the daily management process, the management of the Group review and measure the operating performance of each segment reported by the regional management team to determine the operation and development strategy of the Group. Management will exercise judgement to close those stores which are unprofitable or not viable to continue taking into account the timescale and turnaround ability. Store closure provision comprises mainly lease termination cost and employee compensations with corresponding amounts included in other expenses. The Group utilised amount of RMB52,645,000 (2024: RMB79,160,000) during the year ended 31 December 2025.

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37. COUPON LIABILITIES AND ADVANCE FROM CUSTOMERS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Coupon liabilities issued by the Group (Note)	6,824,744	7,168,026
Coupon liabilities sold on behalf of fellow subsidiaries	1,224,199	1,425,938
Advance from customers	150,650	136,240
Total	8,199,593	8,730,204

A contract liability, mainly including coupon liabilities issued by the Group and advance from customers, represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

As at 1 January 2024, coupon liabilities amounted to RMB8,698,814,000.

Note:

Gift card carries no expiry date and 100% of its face value was paid by the customers for purchasing the gift cards.

The Group recognises the amount of breakage at expected redemption rate, which is formulated by reference to the ratio derived from historical information on proportion of coupon issued by the Group but not yet utilised by the customers for a period of time. Coupon charges are presented under "other income and other gains and losses".

In addition, amount of RMB700,865,000 (31 December 2024: RMB733,909,000) value added tax to be paid are included in the balance of coupon liabilities issued by the Group.

The following table shows how much of the revenue recognised in the current year relates to carried-forward coupon liabilities issued by the Group and advance from customers, and how much relates to performance obligations that were satisfied in prior years.

	Year ended 31/12/2025 RMB '000	Year ended 31/12/2024 RMB '000
Revenue recognised that was included in the balance of coupon liabilities issued by the Group and advance from customers at the beginning of the year	5,532,274	4,555,877

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38. LEASE LIABILITIES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Lease liabilities payable:		
Within one year	652,000	628,976
Within a period of more than one year but not exceeding two years	633,660	696,461
Within a period of more than two years but not exceeding five years	1,281,521	1,524,768
Within a period of more than five years	902,844	1,477,287
	3,470,025	4,327,492
Less: Amount due for settlement within 12 months shown under current liabilities	(652,000)	(628,976)
Amount due for settlement after 12 months shown under non-current liabilities	2,818,025	3,698,516

The incremental borrowing rates applied to lease liabilities is 3.42-3.84% (2024: 3.42-3.84%) per annum.

39. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

39A. Disposal of Yangpu Century Lianhua (as defined below)

On 19 November 2025, Shanghai Century Lianhua Supermarket Development Co., Ltd.* (上海世紀聯華超市發展有限公司) ("Century Lianhua Development"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Shanghai Dongran Industrial Co., Ltd.* (上海動燃實業有限公司) ("Shanghai Dongran"), a fellow subsidiary, pursuant to which Century Lianhua Development has conditionally agreed to sell, and Shanghai Dongran has conditionally agreed to purchase each of equity interest in Shanghai Century Lianhua Supermarket Yangpu Co., Ltd.* (上海世紀聯華超市楊浦有限公司) ("Yangpu Century Lianhua"), which owned and operated certain stores in the PRC. The cash consideration of the disposal of Yangpu Century Lianhua was approximately RMB78,286,000.

The disposal is still underway as at 31 December 2025 as certain conditions precedent have not yet been met. The transaction was approved by the shareholders of the Group on 18 December 2025. The management of the Group believes that the sale of Yangpu Century Lianhua is highly probable to be completed within twelve months from the date of classification. Assets and liabilities of each of Yangpu Century Lianhua, which are expected to be sold within twelve months, have been classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively, and are presented separately in the consolidated statement of financial position as at 31 December 2025 (see below). The results, assets and liabilities in relation to Yangpu Century Lianhua were included in the Group's hypermarket for segment reporting purposes (see Note 6). The net proceeds of disposal are expected to exceed the carrying amount of the relevant net assets and accordingly, no impairment loss has been recognised. The major classes of assets and liabilities of the Yangpu Century Lianhua as at 31 December 2025, which have been presented separately in the consolidation statement of financial position (see below).

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39. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

39A. Disposal of Yangpu Century Lianhua (as defined below) (Continued)

	31/12/2025 RMB'000
Property, plant and equipment	12,071
Right-of-use assets	92,719
Intangible assets	855
Deferred tax assets	19,795
Term deposits	50,000
Inventories	2,292
Trade receivables	60
Deposits, prepayments and other receivables	35,233
Cash and cash equivalents	53,367
Total asset classified as held for sale	266,392
Deferred tax liabilities	15,282
Lease liabilities	113,403
Trade payables	5,881
Other payables and accruals	29,649
Coupon liabilities and advance from customers	24,554
Total liabilities classified as held for sale	188,769

Subsequent to the end of the reporting period, the legal title transfer of Yangpu Century Lianhua has been completed.

39B. DISPOSAL OF SUBSIDIARIES

On 27 September 2024, the Company and Century Lianhua Development entered into 3 sale and purchase agreements with Shanghai Dongran, pursuant to which the Company and Century Lianhua Development has conditionally agreed to sell, and Shanghai Dongran has conditionally agreed to purchase each of equity interest in i) Lianhua Supermarket (Jiangsu) Co., Ltd.* (聯華超市(江蘇)有限公司) ("Jiangsu Lianhua"), ii) Anhui Century Lianhua Development Co., Ltd.* (安徽世紀聯華發展有限公司) ("Anhui Lianhua") and iii) Shanghai Century Lianhua Supermarket Hongkou Co., Ltd.* (上海世紀聯華超市虹口有限公司) ("Hongkou Century Lianhua") (collectively referred to as the "3 Former Subsidiaries"), which owned and operated certain stores in the PRC. The cash consideration of the disposal of the 3 Former Subsidiaries were approximately RMB145,523,000.

The disposal was underway as at 31 December 2024 as certain conditions precedent have not yet been met. The transaction was approved by the shareholders of the Group on 5 December 2024. The management of the Group believes that the sale of each of the 3 Former Subsidiaries is highly probable to be completed within twelve months from the date of classification. Assets and liabilities of each of the 3 Former Subsidiaries, which are expected to be sold within twelve months, have been classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively, and are presented separately in the consolidated statement of financial position as at 31 December 2024.

* English name is for identification purpose only

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39. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

39B. DISPOSAL OF SUBSIDIARIES (Continued)

Pursuant to the completion of the share transfer registration, the disposal of 3 Former Subsidiaries were completed in January 2025, on which dates the control of 3 Former Subsidiaries were passed to Shanghai Dongran.

Analysis of assets and liabilities over which control was lost on the date of disposal of 3 Former Subsidiaries:

	RMB'000
Property, plant and equipment	43,593
Right-of-use assets	174,559
Intangible assets	183
Finance lease receivables	9,995
Inventories	47,741
Trade and bills receivables	3,984
Deposits, prepayments and other receivables	45,210
Restricted bank balances	12,214
Cash and cash equivalents	19,093
Lease liabilities	(235,651)
Trade and bills payables	(75,865)
Other payables and accruals	(53,147)
Coupon liabilities and advance from customers	(55,057)
Net liabilities disposed of	(63,148)

Gain on disposal

	RMB'000
Consideration	145,523
Less: net liabilities disposed of attributable to owners of the Company	(63,148)
Amounts due from fellow subsidiaries	21,685
Amounts due to fellow subsidiaries	(140)
Gain on disposal	187,126
	RMB'000
Net cash inflow arising on disposal of 3 Former Subsidiaries	
Consideration	145,523
Less: consideration received in advance in 2024 (Note 19)	(145,523)
	—

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40. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Ordinary shares of RMB1.00 each		
Registered, issued and fully paid:		
At 1 January 2024 and 31 December 2024	1,119,600,000	1,119,600
Issuance of ordinary shares	360,000,000	360,000
As at 31 December 2025	1,479,600,000	1,479,600

The share capital of the Company as at 31 December 2025 and 2024 comprises:

	Number of shares of RMB1.00 each		Nominal value	
	31/12/2025	31/12/2024	31/12/2025 RMB'000	31/12/2024 RMB'000
Domestic shares	1,075,397,400	715,397,400	1,075,397	715,397
Unlisted foreign shares	31,602,600	31,602,600	31,603	31,603
H shares	372,600,000	372,600,000	372,600	372,600
	1,479,600,000	1,119,600,000	1,479,600	1,119,600

The H shares rank pari passu in all respects with the domestic shares and the unlisted foreign shares and rank equally for all dividends declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Taiwan, Macau Special Administrative Region of the PRC or any countries other than the PRC. The transfer of the domestic and unlisted foreign shares is subject to such restrictions as the PRC laws may impose from time to time.

41. NON-CONTROLLING INTERESTS

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Balance at beginning of year	354,570	376,221
Share of profit for the year	14,593	50,857
Dividends to non-controlling interests during the year	(65,012)	(72,508)
Balance at end of year	304,151	354,570

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41. NON-CONTROLLING INTERESTS (Continued)

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Lianhua Huashang and its subsidiaries (collectively referred to as the "Lianhua Huashang Group") at the end of the reporting period is set out below:

Lianhua Huashang Group

	31/12/2025 RMB'000	31/12/2024 RMB'000
Current assets	8,748,349	8,870,820
Non-current assets	5,097,515	5,582,213
Current liabilities	10,686,278	10,535,214
Non-current liabilities	2,460,160	3,057,093
Equity attributable to owners of the Company	447,989	561,809
Non-controlling interests	251,437	298,917

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Revenue	10,062,404	10,222,241
Total cost of sales, expense and other income	(9,999,227)	(10,013,145)
Profit and total comprehensive income for the year	63,177	209,096
Profit and total comprehensive income attributable to owner of the Company	46,945	157,365
Profit and total comprehensive income attributable to non-controlling interests	16,232	51,731
Dividends paid to the Group	160,765	187,898
Dividends paid to non-controlling shareholders	63,712	71,207
Net cash from operating activities	12,796	1,125,564
Net cash used in investing activities	(159,539)	(736,238)
Net cash from (used in) financing activities	238,259	(1,081,857)
Net increase (decrease) in cash and cash equivalents	91,516	(692,531)

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42. RETIREMENT BENEFIT PLANS

Defined contribution plans

The employees of the Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expenses recognised in profit or loss of RMB160,023,000 (2024: RMB189,792,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

43. OPERATING LEASE ARRANGEMENT

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 1 to 11 years (2024: 1 to 7 years). The lessee does not have an option to purchase the property at the expiry of the lease period.

Undiscounted minimum lease payments receivable on leases are as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Within one year	181,009	174,839
In the second year	100,370	108,434
In the third year	62,832	60,163
In the fourth year	26,424	38,072
In the fifth year	17,452	22,369
After five years	20,197	33,063
	408,284	436,940

44. CAPITAL COMMITMENTS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided in the consolidated financial statements	17,468	38,165

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45. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group generally represents equity attributable to owners of the Company, comprising issued share capital, various reserves, accumulated losses and non-controlling interests.

The management reviews the capital structure regularly. The Company considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as issue of new debts or the redemption of existing debts.

46. FINANCIAL INSTRUMENTS

46a. CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets

	31/12/2025 RMB'000	31/12/2024 RMB'000
Financial assets at FVTPL	1,428,445	1,401,019
Financial assets at amortised cost	7,389,065	7,408,359
	8,817,510	8,809,378

Financial liabilities

	31/12/2025 RMB'000	31/12/2024 RMB'000
Financial liabilities at amortised cost	4,778,300	4,606,010

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bills receivables, other receivables, financial assets at FVTPL, finance lease receivables, other non-current assets, term deposits, cash and cash equivalents, amount/amounts due from/to an ultimate holding company/fellow subsidiaries/associates, trade and bills payables, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and term deposits (see Notes 34 and 24 for details). The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank balances, related party borrowings and term deposits. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China benchmark rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

46. FINANCIAL INSTRUMENTS (Continued)**46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)*****Interest rate risk (Continued)***

Total interest income from financial assets and finance lease income is as follows:

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Interest income		
– Financial assets at amortised cost	163,417	230,198
– The net investment in the lease	3,746	6,560

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank balances and term deposits. The analysis is prepared assuming the variable-rate financial assets outstanding at the end of the reporting period were outstanding for the whole year. A 10-basis point (2024: 10-basis point) increase or decrease in the interest rates is the sensitivity rate used when reporting interest risk internally to key management personal and represent the management's assessment of the reasonably possible change in interest rates.

If the interest rate had been 10-basis point (2024: 10-basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the years ended 31 December 2025 and 2024 would have decreased/increased by approximately RMB5,166,000 and RMB5,129,000 respectively.

Other price risk

The Group is exposed to equity and debt security price risk in relation to its financial assets at FVTPL which mainly include listed equity investments. The unlisted equity investments and legal person shares are measured at FVTPL. In the management's opinion, the sensitivity of these investments is then insignificant to the Group.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

Credit risk and impairment assessment

As at 31 December 2025, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised as trade and bills receivables, other receivables, amount/amounts due from an ultimate holding company/fellow subsidiaries/associate, finance lease receivables, deposits, cash and cash equivalents, term deposits, financial assets at FVTPL and other non-current assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances based on provision matrix. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

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For the year ended 31 December 2025

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Amount/amounts due from an ultimate holding company/fellow subsidiaries and an associate

The Group regularly monitors the business performance of the ultimate holding company, the associate and fellow subsidiaries. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate or jointly control the relevant activities of these entities. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2025 and 2024, the Group assessed the ECL for amount/amounts due from an ultimate holding company/fellow subsidiaries and an associate are insignificant and thus no allowance was recognised.

Finance lease receivables

For finance lease receivables, the Group makes periodic individual assessment on the recoverability of finance lease receivables based on historical settlement record, past experience, and also quantitative and qualitative information that are reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2025 and 2024, the Group assessed the ECL for finance lease receivables are insignificant and thus no loss allowance is recognised.

Trade receivables

Trade receivables are due from regular institutional customers with an appropriate financial strength. The Group did not experience any significant defaults by the debtors.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current and the forecast direction of conditions at the reporting date.

46. FINANCIAL INSTRUMENTS (Continued)**46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)*****Credit risk and impairment assessment (Continued)****Trade receivables (Continued)*

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

At 31 December 2025

	Expected loss rate %	Gross amount of trade receivables RMB'000	Loss allowance RMB'000
Current (not past due)	2	202,942	(4,284)
1-30 days past due	–	12	–
More than 30 days past due	20	20,555	(4,086)
		223,509	(8,370)

At 31 December 2024

	Expected loss rate %	Gross amount of trade receivables RMB'000	Loss allowance RMB'000
Current (not past due)	2	256,361	(5,651)
1-30 days past due	2	1,213	(24)
More than 30 days past due	27	12,432	(3,338)
		270,006	(9,013)

Other receivables

For other receivables, most of which are interest receivables from bank and deposits paid to lessors or other third parties, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. During the year ended 31 December 2025, ECL on other receivables amounting to RMB933,000 was reversed (2024: RMB353,000 was recognised) in the profit or loss.

Deposits

The directors of the Company believe that there are no significant increase in credit risk of deposits since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2025 and 2024, the Group assessed the ECL for deposits were insignificant and thus no loss allowance was recognised.

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For the year ended 31 December 2025

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL

The credit risk on liquid funds, i.e., bank balances, restricted bank balances, and short-term term deposits, is limited because the counterparties are banks with high reputation in the PRC. In addition, the credit risk on long-term term deposits and unlisted financial products recognised as financial assets at FVTPL is also limited because the counterparties are either banks with high reputation or nationwide and regional renowned financial institutions in the PRC.

As at 31 December 2025, the Group's bank balances and term deposits deposited in the major five banks in the PRC accounted for 46.5% (2024: 56.5%) of total term deposits and cash and cash equivalents of the Group.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	Amount is >30 days past due or there have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and finance lease receivables, which are subject to ECL assessment:

2025	notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Amount due from an associate	33	Low risk	12m ECL	684
Amount due from fellow subsidiaries	32	Low risk	12m ECL	24,333
Amount due from an ultimate holding company	32	Low risk	12m ECL	508
Trade receivables	30	Low risk	Lifetime ECL (not credit-impaired)	202,942
		Watch list	Lifetime ECL (not credit-impaired)	12
		Doubtful	Lifetime ECL (not credit-impaired)	2,328
		Loss	Lifetime ECL (credit-impaired)	18,227
			Total	223,509
Other receivables	31	Low risk or watch list	12m ECL	280,146
		Doubtful	Lifetime ECL (not credit-impaired)	73,295
		Loss	Lifetime ECL (credit-impaired)	821
			Total	354,262
Deposits	31	Low risk	12m ECL	90,795
Finance lease receivables	25	Low risk	12m ECL	41,449
Term deposits	24	Low risk	12m ECL	5,326,976
Cash and cash equivalents	34	Low risk	12m ECL	1,552,688
Restricted bank balances	34	Low risk	12m ECL	8,771
Other non-current assets	28	Low risk	12m ECL	42,777

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46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL (Continued)

2024	notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Amount due from an associate	33	Low risk	12m ECL	581
Amount due from fellow subsidiaries	32	Low risk	12m ECL	48,118
Amount due from an ultimate holding company	32	Low risk	12m ECL	8
Trade receivables	30	Low risk	Lifetime ECL (not credit-impaired)	256,361
		Watch list	Lifetime ECL (not credit-impaired)	1,213
		Doubtful	Lifetime ECL (not credit-impaired)	10,735
		Loss	Lifetime ECL (credit-impaired)	1,697
			Total	270,006
Other receivables	31	Low risk or watch list	12m ECL	175,874
		Doubtful	Lifetime ECL (not credit-impaired)	71,192
		Loss	Lifetime ECL (credit-impaired)	656
			Total	247,722
Deposits	31	Low risk	12m ECL	90,603
Finance lease receivables	25	Low risk	12m ECL	76,724
Term deposits	24	Low risk	12m ECL	5,219,957
Cash and cash equivalents	34	Low risk	12m ECL	1,602,613
Restricted bank balances	34	Low risk	12m ECL	16,356
Other non-current assets	28	Low risk	12m ECL	150,701

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46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL (Continued)

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2025

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
Amount due from an associate	–	684	684
Amount due from fellow subsidiaries	–	24,333	24,333
Amount due from an ultimate holding company	–	508	508
Trade receivables	20,567	202,942	223,509
Other receivables	74,116	280,146	354,262
Deposits	–	90,795	90,795
Finance lease receivables	–	41,449	41,449

2024

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
Amount due from an associate	–	581	581
Amount due from fellow subsidiaries	–	48,118	48,118
Amount due from an ultimate holding company	–	8	8
Trade receivables	13,645	256,361	270,006
Other receivables	71,848	175,874	247,722
Deposits	–	90,603	90,603
Finance lease receivables	–	76,724	76,724

Notes to the Consolidated Financial Statements

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46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank balances, term deposits and financial assets at FVTPL (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2024	5,560	1,543	7,103
Changes due to financial instruments recognised as at 1 January 2024:			
– Transfer to credit-impaired	(78)	78	–
– Impairment losses recognised	1,960	76	2,036
– Impairment losses reversed	(44)	–	(44)
– Transfer to assets classified as held for sale (Note 39)	(82)	–	(82)
As at 31 December 2024	7,316	1,697	9,013
Changes due to financial instruments recognised as at 1 January 2025:			
– Transfer to credit-impaired	(60)	60	–
– Impairment losses recognised	272	370	642
– Impairment losses reversed	(1,284)	–	(1,284)
– Transfer to assets classified as held for sale (Note 39)	(1)	–	(1)
As at 31 December 2025	6,243	2,127	8,370

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As of 31 December 2025, the Group has net current liabilities of RMB6,033,284,000 (2024: RMB7,454,930,000). Taking into account of the historical settlement and addition pattern of the coupon liabilities and the Group's ability of withdrawal of non-current unrestricted term deposits of RMB1,855,000,000 (2024: RMB1,690,000,000) the directors of the Company consider the liquidity risk is significantly reduced and the Group is able to be continued as a going concern.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

46. FINANCIAL INSTRUMENTS (Continued)

46b. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 12 months RMB'000	1-5 years RMB'000	more than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
As at 31 December 2025						
Trade and bills payables	-	4,121,750	-	-	4,121,750	4,121,750
Other payables and accruals	-	390,167	-	-	390,167	390,167
Lease liabilities	3.42-3.84	810,552	2,200,303	3,156,939	6,167,794	3,470,025
Amount due to an ultimate holding company	-	114,033	-	-	114,033	114,033
Amounts due to fellow subsidiaries	-	151,686	-	-	151,686	151,686
Amounts due to associates	-	664	-	-	664	664
		5,588,852	2,200,303	3,156,939	10,946,094	8,248,325
As at 31 December 2024						
Trade and bills payables	-	3,870,893	-	-	3,870,893	3,870,893
Other payables and accruals	-	477,153	-	-	477,153	477,153
Lease liabilities	3.42-3.84	918,062	2,614,242	2,635,490	6,167,794	4,327,492
Amount due to an ultimate holding company	-	61,545	-	-	61,545	61,545
Amounts due to fellow subsidiaries	-	195,673	-	-	195,673	195,673
Amounts due to associates	-	746	-	-	746	746
		5,524,072	2,614,242	2,635,490	10,773,804	8,933,502

46c. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group discussed with banks (representing the counterparties of the Group's purchased financial assets at FVTPL) to perform the valuation. The chief financial officer works closely with the bankers to establish the appropriate valuation techniques, inputs to the model and verifies the indicated expected return with the actual return on date of maturity. The chief financial officer reports the findings to the board of directors of the Company at the end of each reporting period to explain the cause of fluctuations in the fair value of the assets.

Notes to the Consolidated Financial Statements

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46. FINANCIAL INSTRUMENTS (Continued)

46c. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS(Continued)

(i) ***Fair value measurements recognised in the consolidated statement of financial position that are measured at fair value on a recurring basis***

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31/12/2025 RMB'000	31/12/2024 RMB'000			
1) Investments in unlisted financial products which are managed by licensed financial institutions in the PRC classified as financial assets at FVTPL in the consolidated statement of financial position	1,357,993	1,332,593	Level 2	Discounted cash flows method, estimated based on expected return and market interest rate	Not applicable.
2) Investment in equity shares listed in Shanghai Stock Exchange classified as financial assets at FVTPL in the consolidated statement of financial position	69,655	67,629	Level 1	Quoted bid prices in an active market	Not applicable
3) Unlisted equity investments classified as financial assets at FVTPL	797	797	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.

There were no transfers between Level 1 and 2 during both years.

(ii) ***Fair value measurements recognised in the consolidated statement of financial position that are not measured at fair value on a recurring basis***

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost recognised in the consolidated financial statements approximate their fair values.

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47. RECONCILIATION OF LIABILITIES AND EQUITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable to non- controlling interests RMB'000 Note 36	Lease liabilities RMB'000 Note 38	Bills payables RMB'000	Deferred issue costs RMB'000	Share capital RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2024	76,559	5,138,198	1,450,000	–	1,119,600	(235,497)	7,548,860
Financing cash flows	(84,633)	(867,946)	(367,801)	(2,532)	–	–	(1,322,912)
Interest paid included in operating cash flows	–	(185,772)	–	–	–	–	(185,772)
Interest expense	–	185,772	17,801	–	–	–	203,573
Dividends to non-controlling shareholders	72,508	–	–	–	–	–	72,508
New lease entered	–	762,047	–	–	–	–	762,047
Lease modification	–	(62,869)	–	–	–	–	(62,869)
Lease termination	–	(406,287)	–	–	–	–	(406,287)
Transfer to assets classified as held for sale (Note 39)	–	(235,651)	–	–	–	–	(235,651)
At 31 December 2024	64,434	4,327,492	1,100,000	(2,532)	1,119,600	(235,497)	6,373,497
Financing cash flows	(73,400)	(689,343)	872,578	(547)	360,000	(196)	469,092
Interest paid included in operating cash flows	–	(153,094)	–	–	–	–	(153,094)
Interest expense	–	153,094	17,422	–	–	–	170,516
Dividends to non-controlling shareholders	65,012	–	–	–	–	–	65,012
New lease entered	–	412,736	–	–	–	–	412,736
Lease modification	–	93,423	–	–	–	–	93,423
Lease termination	–	(560,880)	–	–	–	–	(560,880)
Transfer to assets classified as held for sale (Note 39)	–	(113,403)	–	–	–	–	(113,403)
At 31 December 2025	56,046	3,470,025	1,990,000	(3,079)	1,479,600	(235,693)	6,756,899

48. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties for over 1 to 20 years. On the lease commencement, the Group recognised right-of-use assets of RMB412,736,000 and lease liabilities of RMB412,736,000 (2024: right-of-use assets of RMB762,047,000 and lease liabilities of RMB762,047,000).

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49. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into significant related party transactions during the year, the details of which are set out below:

(1) Related party transactions

	notes	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Sales to fellow subsidiaries	(a)	92,994	379,602
Purchases from associates	(a)	565	1,036
Purchases from an ultimate holding company and fellow subsidiaries	(a)	196,260	169,860
Sales return to/from other related parties	(l)	2,425	(175)
Rental income from fellow subsidiaries	(b)	24,380	28,057
Commission income arising from the redemption of coupon liabilities with a fellow subsidiary	(c)	4,124	4,404
Commission charges arising from the redemption of coupon liabilities with a fellow subsidiary	(c)	6,663	6,767
Service and platform usage fee charged by other related parties	(k)	8,558	9,437
Property management fee charged by fellow subsidiaries	(d)	8,534	8,941
Interest expenses on lease liabilities charged by fellow subsidiaries	(d)	460	1,933
Interest income earned from a fellow subsidiary	(e)	39,185	36,929
Platform usage fee charged by fellow subsidiaries	(f)	40,769	42,321
Logistics resource leasing fee charged by fellow subsidiaries	(g)	1,359	1,974
Logistics and delivery service fee charged by fellow subsidiaries	(h)	–	73
Logistics and delivery services income from the other related parties	(h)	974	2,028
Logistics and delivery services fee charged by the other related parties	(i)	25,438	22,895
Transaction amounts transferred from the Group's relevant account into a fellow subsidiary's settlement account	(j)	8,572	12,006
Transaction amounts transferred from a fellow subsidiary's settlement account into the Group's relevant account upon redemption of membership points by the customers	(j)	4,096	6,037
Financial services fee for financial Services Agreement	(m)	–	656
Securities management fees charged by fellow subsidiary	(n)	2,557	2,045
Performance-based compensation for securities charged by fellow subsidiary	(o)	691	3,164
Entrusted management income from fellow subsidiary	(p)	3,700	–

49. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

notes:

- (a) This represents sales to fellow subsidiaries and purchase from fellow subsidiaries, associates and an ultimate holding company in respect of various kinds of merchandise, including but not limited to food products, daily products and electrical appliances, which were determined in accordance with the terms of underlying agreements at the market price.
- (b) Certain areas of the Group's hypermarkets are leased to fellow subsidiaries which were charged in accordance with the terms of the underlying agreements at the market price.
- (c) According to the business agreement on the settlement of coupon liabilities entered into between the Group and a fellow subsidiary controlled by Bailian Group, when the coupons issued by one party are redeemed in exchange for products or services to the retailers contracted by the other party or when the coupon liabilities are settled through the other party's network, a commission would be charged at a rate of 0.5% (2024: 0.5%) as agreed between the two parties, based on the gross transaction amount on a monthly basis. The gross transaction amount owed by each other and the related commission income/charge are settled on a net basis each month.
- (d) These represent rental expenses and property management fee of certain hypermarkets charged by the fellow subsidiaries. Under HKFRS 16, except for lease contracts with short-term exemption, the lease expenses paid in the current period are divided into lease liabilities and related interest expenses, which were charged in accordance with the terms of the underlying agreements at the market price.
- (e) According to the financial services agreement entered into between the Group and a fellow subsidiary controlled by Bailian Group, the fellow subsidiary will provide deposits service and loan service to the Company at a rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.
- (f) This represents the platform usage fee charged by Bailian Omni-channel E-commerce Co., Ltd. ("Bailian Omni-channel") which is no more than 4% of the total transaction amount of goods sold through Bailian Omni-channel and/or its subsidiaries on behalf of the Group through their e-commerce platforms according to the terms of the underlying agreements.
- (g) These logistics resources leasing fees of the Group was charged by Bailian Group and fellow subsidiaries controlled by Bailian Group. The fee was charged in accordance with the terms of the contracts at the market price.
- (h) The logistics and delivery service fee and income of the Group was charged and collected by Bailian Group and fellow subsidiaries controlled by Bailian Group. The fee included but was not limited to delivery, allocation and returning services within the city of Shanghai, as well as delivery and warehousing services outside the city of Shanghai. Delivery service referred to the delivery of goods by Bailian Group to the Group at the various outlets of the Group, while warehousing service referred to the delivery of goods into the warehouse, storage, sorting and retrieval of goods from the warehouse.

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For the year ended 31 December 2025

49. RELATED PARTY TRANSACTIONS (Continued)

(1) Related party transactions (Continued)

notes: (Continued)

- (i) The logistics and delivery service fee of the Group was paid to the fellow subsidiaries of Alibaba (China) Technology Co., Ltd. ("Alibaba China"), which is a substantial shareholder and therefore is a connected person of the Group. The fee was charged in accordance with the terms of the contracts at market price.
- (j) These represent the transaction amounts transferred between Bailian Finance and the Group in respect of the membership bonus points earned/redeemed by the customers of Lianhua Group. Under the membership points agency and settlement service agreement between Bailian Finance and the Group, the Group will transfer the transaction amounts earned by the customers on consumption in Lianhua Group to Bailian Finance. Alternatively, Bailian Finance will transfer the transaction amounts on redemption of the membership bonus points by the customers to the Group.
- (k) This represents the service and platform usage fees paid by the Group to Alipay.com Co., Ltd ("Alipay"), Hangzhou Rajax Information Technology Co., Ltd. ("Hangzhou Rajax"), Rajax Network Technology (Shanghai) Co., Ltd., ("Rajax Network"), Zhejiang Haochao Network Technology Co., Ltd ("Zhejiang Haochao"). Alipay, Hangzhou Rajax, Rajax Network and Zhejiang Haochao are associates of Alibaba China.
- (l) This represents sales to other related parties, all of which are priced at market prices, including but not limited to food, daily necessities and electrical appliances.
- (m) According to the financial services agreement entered by the Group and Bailian Finance, Bailian Finance will provide other financial services to the Group, and the service fees charged should not exceed those charged by other financial institutions in PRC for similar businesses.
- (n) This represents management fees paid by the Group to Shanghai Securities, which is calculated daily based on the previous calendar day's planned net asset value with an annual management fee rate of 0.3%.
- (o) This represents the investment income paid by the Group to Shanghai Securities as performance-based compensation for the relevant period.
- (p) This amount represents the management fee charged by the Group, as the service provider, for providing operational management services and resource support services to Shanghai Dongran.

(2) Related party balances

The Group entered into a financial services agreement with a fellow subsidiary controlled by Bailian Group, pursuant to which the fellow subsidiary agreed to provide the Group the deposit and loan services at a rate equal to or more favourable than those offered by other major commercial banks in the PRC in respect of comparable deposits and loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

49. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party balances (Continued)

During the year ended 31 December 2023, the Group entered into a supplemental agreement to the Investment and Wealth Management Cooperation Framework Agreement with the fellow subsidiary, pursuant to which, the fellow subsidiary agreed to invest and manage the entrusted assets in accordance with the requirements of the applicable laws and regulations, regulatory requirements and investment guidelines provided under the supplemental agreement.

The summary of cash and cash equivalents, unrestricted term deposits, investment made in and borrowings owed to a fellow subsidiary is set out as below:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Cash and cash equivalents and unrestricted term deposits in a fellow subsidiary	1,835,982	1,200,000
Investment and wealth management cooperation with a fellow subsidiary	1,357,993	1,332,593

Summary of lease liabilities to related parties is as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Lease liabilities (Note)	92,157	80,362

Note: During the year ended 31 December 2025, the Group entered into several new lease agreements for the use of chain store operation with the related parties for 1 to 5 years. Except for short-term lease in which the Group applied recognition exemption, the Group has recognised an addition of right-of-use assets and lease liabilities of RMB19,503,000 and RMB19,503,000, respectively.

(3) Transactions/balances with other government related entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("Government Related Entities") including Bailian Group. Apart from the transactions with fellow subsidiaries disclosed above, the Group has also entered into various transactions, including sales, purchase, deposits placement, and bank borrowing with other Government Related Entities.

In view of the nature of the retail business operated by the Group, the directors of the Company are of the opinion that it is impracticable to identify the identities of the counterparties from the sales of merchandise as to whether they are Government Related Entities.

During both years, significant amount of the Group's purchase were from Government Related Entities and most of the Group's deposits and bank borrowing are placed with and advanced from banks which are also Government Related Entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

49. RELATED PARTY TRANSACTIONS (Continued)

(4) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Salaries and other short-term employee benefits	11,155	9,380
Post-employment benefits	1,128	774
Other long-term benefits	402	276
	12,685	10,430

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

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANYS

Details of the Company's principal subsidiaries at the end of the reporting period are set out below.

Name of entity	Date of establishment	Place of incorporation/ registration/ operations	Paid up issued/ registered capital RMB'000	Proportion voting power and ownership interest held by the Company				Principle activities
				Directly		Indirectly		
				2025 %	2024 %	2024 %	2023 %	
Shanghai Century Lianhua Supermarket Development Co., Ltd * (上海世紀聯華超市發展有限公司)	24 November 1997	The PRC	500,000	100.00	100.00	–	–	Hypermarket
Hangzhou Lianhua Huashang Group Co.,Ltd.* (杭州聯華華商集團有限公司)	1 June 2001	The PRC	120,500	74.19	74.19	–	–	Hypermarket and supermarket
Guangxi Lianhua Supermarket Joint Stock Co., Ltd. * (Note) (廣西聯華超市股份有限公司)	18 November 2001	The PRC	68,670	95.00	95.00	–	–	Hypermarket supermarket and convenience store
Shanghai Lianhua Supermarket Development Co., Ltd. * (上海聯華超級市場發展有限公司)	8 April 2006	The PRC	10,000	100.00	100.00	–	–	Supermarket
Lianhua Quik Stores Co., Ltd. * (上海聯華快客便利有限公司)	25 November 1997	The PRC	953,000	100.00	100.00	–	–	Convenience store
Shanghai Yanyu Trading Co., Ltd * (上海岩鈺貿易有限公司)	29 October 1998	The PRC	5,000	100.00	100.00	–	–	Purchase and distribution
Lianhua Logistic Co., Ltd. * (聯華物流有限公司)	17 October 2007	The PRC	50,000	100.00	100.00	–	–	Purchase and distribution
Lianhua E-business Co., Ltd. * (聯華電子商務有限公司)	4 October 1995	The PRC	55,000	100.00	100.00	–	–	Trading
Hualian Supermarket Holdings Company Limited * (Note) (華聯超市股份有限公司)	15 August 2006	The PRC	300,000	99.40	99.40	0.60	0.60	Supermarket

* English name is for the identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANYS (Continued)

Note: Guangxi Lianhua Supermarket Joint Stock Co., Ltd. and Hualian Supermarket Holdings Company Limited are companies limited by shares. Other entities above are all limited liability companies. None of the subsidiaries had issued any debt securities at the end of the year.

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Non-current assets		
Property, plant and equipment	141,868	148,905
Construction in progress	5,014	9,182
Intangible assets	13,674	11,124
Investments in subsidiaries	570,245	570,245
Interests in associates	243,098	237,137
Financial assets at FVTPL	6,084	6,160
Term deposits	150,000	350,000
Deferred tax assets	509	742
Other non-current assets	1,360	1,483
	1,131,852	1,334,978
Current assets		
Inventories	136,281	166,152
Deposits, prepayments and other receivables	85,305	179,005
Amount due from fellow subsidiaries	3,757	10,365
Amount due from subsidiaries	5,316,320	4,943,803
Amount due from an associate	684	581
Term deposits	100,000	100,000
Restricted bank balances	8,250	–
Cash and cash equivalents	292,864	390,138
	5,943,461	5,790,044
Total assets	7,075,313	7,125,022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Information about the statement of financial position of the Company at the end of the reporting period includes: (Continued)

	31/12/2025 RMB'000	31/12/2024 RMB'000
Capital and reserves		
Share capital	1,479,600	1,119,600
Reserves	2,403,825	2,245,155
Total equity	3,883,425	3,364,755
Non-current liability		
Deferred tax liabilities	1,193	1,212
Current liabilities		
Trade and bills payables	1,112,453	1,440,379
Tax payable	191	9,672
Other payables and accruals	187,574	245,450
Coupon liabilities and advance from customers	1,467,781	1,672,596
Amount due to an ultimate holding company	105,001	61,545
Amounts due to fellow subsidiaries	69,962	47,251
Amounts due to subsidiaries	247,069	281,416
Amounts due to associates	664	746
	3,190,695	3,759,055
Total liabilities	3,191,888	3,760,267
Total equity and liabilities	7,075,313	7,125,022
Net current assets	2,752,766	2,030,989
Total assets less current liabilities	3,884,618	3,365,967

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share capital RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory common reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2024	1,119,600	258,353	3,595	559,800	4,721,779	6,663,127
Loss and total comprehensive expense for the year	–	–	–	–	(3,298,372)	(3,298,372)
At 31 December 2024	1,119,600	258,353	3,595	559,800	1,423,407	3,364,755
Profit and total comprehensive income for the year	–	–	–	–	161,749	161,749
Issuance of ordinary shares	360,000	(3,079)	–	–	–	356,921
At 31 December 2025	1,479,600	255,274	3,595	559,800	1,585,156	3,883,425

52. EVENT AFTER THE REPORT PERIOD

In January 2026, registration for share transfer has been completed in respect of the Yangpu Century Lianhua and the outstanding amount of the consideration has been settled.

Environmental, Social and Governance Report

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PREPARATION OF REPORT

This report is the tenth Environmental, Social and Governance (ESG) Report of Lianhua Supermarket Holdings Co., Ltd., for the purpose of providing investors and other stakeholders with information on the concept which the Company upholds for ESG issues in the course of business, the management approach established, the work promoted and the performance achieved.

Scope of Reporting

This report covers Lianhua Supermarket Holdings Co., Ltd. (abbreviated as “Lianhua Supermarket”, “the Company”) and its subsidiaries (abbreviated as “the Group”, “We”). Unless otherwise stated, the scope is consistent with that of the consolidated financial statements of Lianhua Supermarket (stock code: 0980.HK) for the same period.

Full Name	Abbreviation in this report
Lianhua Supermarket Holdings Co., Ltd.	Lianhua Supermarket, the Company
Lianhua Supermarket and its subsidiaries	the Group
Bailian Group Co., Ltd.	Bailian Group
Shanghai Bailian Group Co., Limited	Shanghai Bailian
Shanghai Century Lianhua Supermarket Development Co., Ltd.	Century Lianhua
Shanghai Lianhua Supermarket Development Co., Ltd.	Lianhua Supermarket Development
Lianhua Logistics Co., Ltd.	Lianhua Logistics
Shanghai Lianhua Quik Convenience Stores Co., Ltd.	Lianhua Quik
Hangzhou Lianhua Huashang Group Co., Ltd.	Lianhua Huashang
Henan Century Lianhua Supermarket Co., Ltd.	Lianhua Henan Company
Guangxi Lianhua Supermarket Joint Stock Co., Ltd.	Lianhua Guangxi Company

Reporting Period

The reporting period is from 1 January 2025 to 31 December 2025. Unless otherwise stated, data included in this report is for the reporting period.

Basis of Preparation

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Code* (effective from 1 January 2025) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the *Environmental, Social and Governance (ESG) Indicator System for State-owned Listed Companies in Shanghai (Version 1.0)*.

Environmental, Social and Governance Report

Note for the Data

Data and cases in this report are from the formal record of the Group with respect to actual business operations.

The financial data in this report is presented in Renminbi. In case of inconsistency between these data and those provided in the Company's annual financial statements, the data of the annual financial statements shall prevail.

Reporting Principles

In the preparation, this report follows the principles stated below, to achieve the goal of effective communication with stakeholders of the Company by providing effective, complete, accurate and comprehensive information.

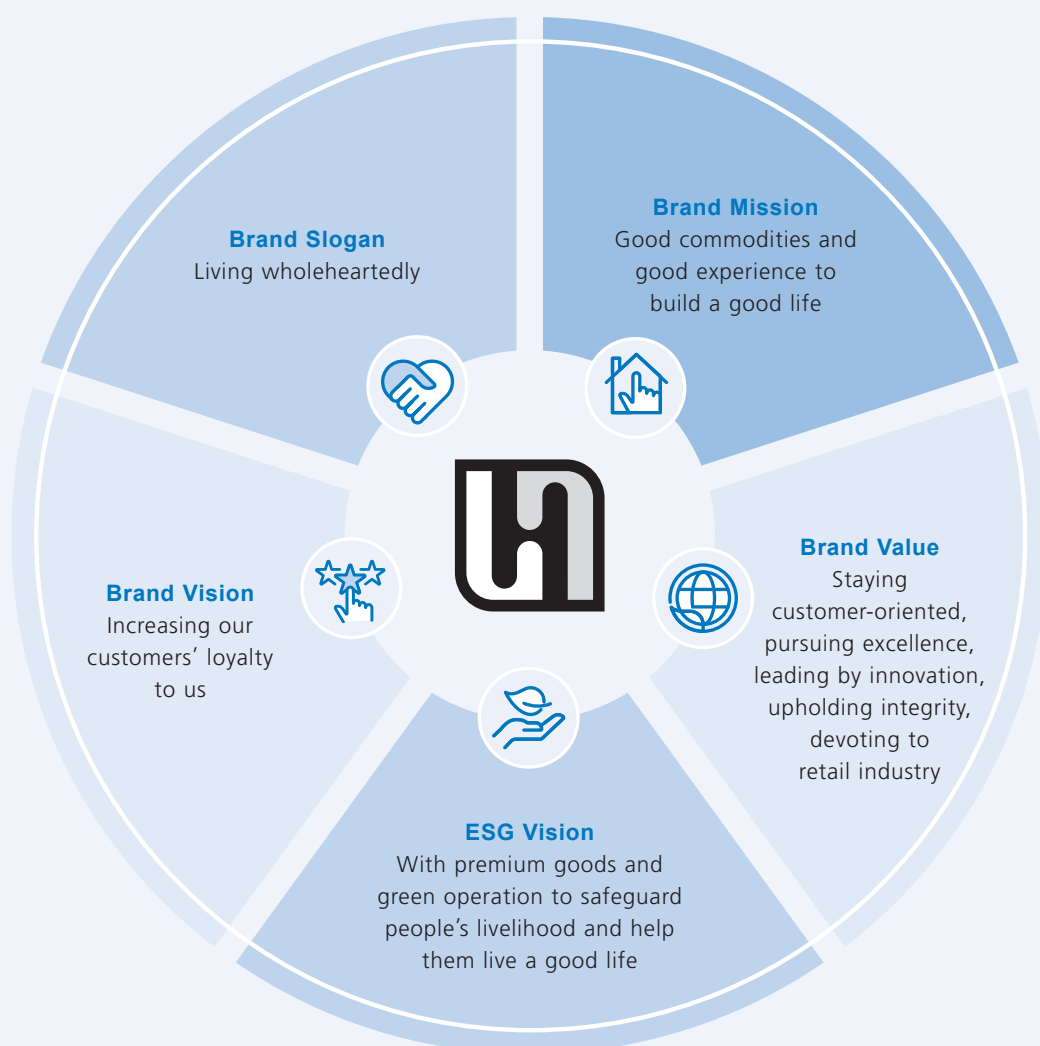
Materiality principle	In accordance with this principle, this ESG report determines the issues to be addressed in the report through stakeholder research and materiality analysis, and provides key information on environmental, social and governance issues that may have significant impact on investors and other stakeholders.
Quantitative principle	In accordance with this principle, this ESG report discloses key quantitative performance indicators, explains the meaning of the indicators, and describes the calculation basis and assumptions.
Balance principle	In accordance with this principle, this ESG report reflects the facts and discloses both positive and negative indicators.
Consistency principle	In accordance with this principle, this ESG report clearly describes the statistical methodology and the statistical caliber for the disclosed ESG key quantitative performance indicators, while ensuring the consistency of indicators and the calculation methodology in different reporting periods to reflect the trend of performance.

1. ESG MANAGEMENT

1.1 ESG Management Concept and Practices

ESG Management Concept

In line with its brand vision known as “increasing our customers’ loyalty to us (讓消費者更喜愛我們)”, the Group sets its corporate mission as “good commodities and good experience to build a good life (好商品、好體驗構建人情好生活)” with its ESG vision defined as “with premium goods and green operation to safeguard people’s livelihood and help them live a good life”, which reflects its ESG concept as an operator running business concerned with people’s livelihood: to ensure supply of daily necessities and help consumers realise high-quality lifestyle and to build a better living environment through offering high-quality products and services as well as eco-friendly and sustainable operation.



Environmental, Social and Governance Report

ESG Strategy

The Group has, after giving full consideration to its business and the appeals of its stakeholders, put forward the ESG management strategies covering four major aspects, i.e. goods and services, employee development, green operation, community and people's livelihood, and conducts the corresponding management practice in light of the strategy.

ESG Strategy and its Achievements in 2025

	Short to Mid-term Strategy (3-5 years)	Long-term Strategy (10 years)	Practice of Primary Responsibilities	Achievements in 2025
Goods and services	- Building integrity and compliance culture to safeguard the sound development of the Company's operations; - Continuously improving the quality management system, strengthening the quality review of suppliers, improving the quality control of private-label brands to guarantee the quality of products; - Improving the safety management of shopping malls in all aspects through store safety inspections, safety drills and the construction of a safety opinion system; - Establishing a smooth communication and complaint channel with customers and promoting staff's awareness of services, to ensure that customers' feelings and feedback are fully respected and valued.	Continuously improving the product quality management system to create an intelligent, convenient and comfortable way of shopping and achieve people's pursuit of a better life.	- Create a culture of responsibility that values integrity and compliance - Strictly guarantee the quality of goods - Provide safe and healthy food - Build a safe and enjoyable shopping environment - Continuously improve consumer satisfaction	- Anti-corruption training covered 100% of the Board members; - All 55 Lianhua Supermarket Development stores and 20 Lianhua Quik convenience stores achieved a 100% pass rate in audits in compliance with food safety laws and regulations, as well as the Group's standardised food safety manual; - The following Century Lianhua stores were named "2025 Trustworthy Food Safety Supermarkets": Wusong Store, Gucun Store, Shihua Store, Xiuzhou Store, Qingpu Store, Qiaozhi Wan Store and Caoying Store; - Offline customer complaints for Lianhua Supermarket Development fell by 28.97% compared with 2024, while those for Century Lianhua decreased by 19.44% compared with 2024.

Environmental, Social and Governance Report

	Short to Mid-term Strategy (3-5 years)	Long-term Strategy (10 years)	Practice of Primary Responsibilities	Achievements in 2025
Employee development	- Providing equal work and development opportunities, and adequate training resources for employees regardless of their gender and creating diverse and dynamic workplaces; - Protecting the basic interests of every employee to receive reasonable remuneration, rest and social security, and building a harmonious employment relationship with multi-level employee communication mechanisms and employee care actions.	Providing more opportunities of decent work, focusing on and continuously empowering women's career development to build an excellent employer brand in the industry.	- Ensure equal employment and democratic communication, and carry out employee care activities - Protect occupational health and safety of employees - Provide our employees with pieces of training and development opportunities	- Labour contract signing rate and social security contribution rate are 100%; - During the reporting period, zero work-related injuries or fatalities and zero occupational diseases were recorded; - Conducted 4,198 safety training sessions, with a cumulative total of 92,798 participants; - Promoted the cultivation of reserve talents and middle management personnel, completed annual job evaluation of 17 management trainees, and selected 10 people to participate in the "Yong Eagle Program" training program; - Training to support employees' development covered a total of 17,612 participations.
Green operation	- Promoting energy-efficient equipment to enhance the stores' energy efficiency and create green, low-carbon stores samples; - Vigorously advocating plastic use reduction in stores through measures such as environmental bag substitution and promotion of bring-your-own shopping bags; - Implementing green logistics and warehousing to reduce greenhouse gas and waste emissions during operations.	- Promoting the use of clean energy in storage to sustainably reduce carbon emissions and contribute to China's 2060 carbon neutrality target; - Exerting influence on upstream and downstream, and advocating sustainable consumption and production concepts to consumers and suppliers, so as to build a green and healthy ecology for the industry.	- Improve our environmental management system - Promote green stores - Improve green logistics and warehousing - Carry out green concept advocacy activities	- Electricity consumption of 2025 decreased by 11.80% compared with 2024, greenhouse gas emissions per unit area decreased by 43.44% and 3.57% compared with 2020 and 2024, respectively, and water consumption per unit area of 2025 decreased by 11.11% compared with that in 2020; - Green logistics was promoted, and pallets and turnover boxes of standard size were adopted to save transportation space; recyclable transit containers were adopted according to the characteristics of goods to support recycling practices..

Environmental, Social and Governance Report

	Short to Mid-term Strategy (3-5 years)	Long-term Strategy (10 years)	Practice of Primary Responsibilities	Achievements in 2025
Community and people's livelihood	- Actively carrying out community volunteer services, and gradually exploring and providing the social functions (e.g. providing summer shelters for sanitation workers, etc.) to create care stores samples and strengthen deep integration between stores and the community; - Playing the role of protection of people's livelihood and ensuring the supply of basic products in times of social emergencies.	Continuously expanding the coverage of care stores to build the Company's social welfare brand and improve its corporate social influence.	- Carry out public welfare activities in communities - Help farmers through purchase to revitalise rural development	- During the reporting period, a total of RMB436.5 thousand was invested in community charity activities, and 4,313 employees were engaged in voluntary services, with 64,244 hours of service; - The agricultural industrialisation and standardisation were promoted by fully developing the advantage of outlet scale and leveraging the advantageous resources of regions of paired-up assistance and the Group's marketing and transportation network, accumulating "Lianhua Experience" for the path of sustainable agricultural development and the rural revitalization.

The Group has set the ESG environmental management targets for energy use, greenhouse gas emissions and water use. In the first quarter of each year, the Board reviews the Group's ESG performance and achievement of the targets in the previous year, and ensures that the Group's ESG performance is disclosed in the ESG report, so as to promote the realisation of ESG performance targets. Refer to the subsection headed "Green Operation" for details and progress of the targets.

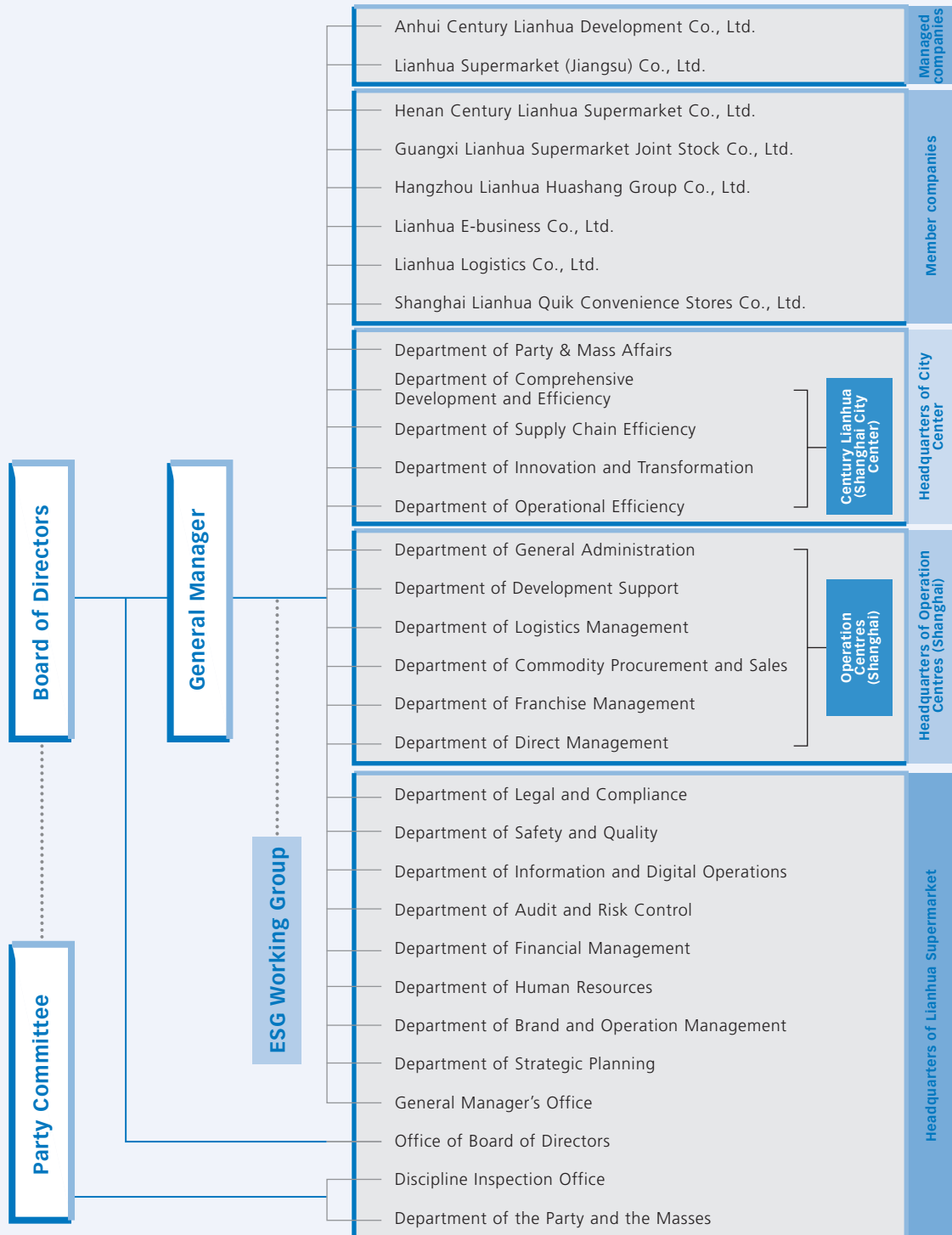
1.2 ESG Governance Structure

In line with the increasing concern over Chinese capital markets on ESG issues, the Board has strengthened its oversight and management of ESG matters. The Company has established the ESG Committee of the Board and formulated the *Terms of Reference for the Environmental, Social and Governance (ESG) Committee*, which further clarifies the ESG governance structure and the composition, responsibilities and rules of procedure of the ESG Committee. Furthermore, in order to further improve the ESG management system, the Company has also formulated the *ESG Management System* to ensure the effective implementation of ESG-related measures.

The Company's ESG Committee consists of 1 executive Director, 1 non-executive Director and 2 independent non-executive Directors, and it is chaired by the executive Director. The committee is responsible for the decision-making in respect of the Company's ESG issues as a whole; the Company has also established the ESG Working Group consisting of members from the relevant departments and affiliates to promote the implementation and improvement of specific ESG work. At the same time, the Company incorporated ESG-related aspects such as major safety, social stability, energy conservation and carbon reduction into the performance appraisal of the management.

In March 2025, the Company held the fourth meeting of the eighth session of the ESG Committee, at which the *2024 ESG Report* was considered and approved to actively perform ESG supervision duties. Furthermore, in order to enhance the Board's ability to supervise climate-related risks and opportunities, as well as the performance of its ESG duties, the Company organized a special training session titled *Interpretation of the Stock Exchange's New Climate Information Disclosure Regulations* for all directors. This ensures that Directors accurately grasp the key points of the new regulations and effectively enhance the Company's compliance level and decision-making efficiency in climate-related information disclosure and ESG. It also improves the Board's understanding and performance of the requirements and responsibilities of climate information disclosure and ESG.

ESG Governance Structure



Environmental, Social and Governance Report

ESG Management Structure and Respective Responsibilities

The Board is responsible for guiding the Company's ESG work, with specific responsibilities being:

- a) receiving the report of ESG work, approving relevant matters and directing the ESG management work of the Company.

The Board

The ESG Committee has overall responsibility for the Company's ESG performance, including:

- a) to guide and review the formulation of Lianhua Supermarket's ESG policies and strategies to ensure that they are up-to-date, relevant and meet applicable legal and regulatory requirements;
- b) to monitor the formulation and implementation of Lianhua Supermarket's ESG goals, including: overseeing the formulation of Lianhua Supermarket's ESG management performance goals; reviewing progress towards the achievement of the goals and advising on the actions required for the achievement of such goals;
- c) to monitor the external ESG trends and report to the Board on important trends which may affect the formulation of Lianhua Supermarket's ESG policies and strategies as well as the goals;
- d) to guide and review the identification and sequencing of key ESG issues of Lianhua Supermarket;
- e) to review the Company's annual Environmental, Social and Governance Report and other ESG-related disclosures and report to the Board;
- (f) to identify the ESG risks related to Lianhua Supermarket, assess the impact of such risks on the Company and give advice to the Board on risk response;
- g) to provide the ESG-related training materials to the Board;
- h) such other duties delegated by the Board.

ESG Committee

As the manager and coordinator of ESG issues to ensure the implementation of ESG tasks by each relevant department, the ESG Working Group has the following responsibilities:

- a) to formulate and implement specific ESG work plans in accordance with the Company's ESG management policies, strategies and goals;
- b) to regularly compile and analyse ESG performance data and submit the same to the ESG Committee for consideration so that it can understand the progress towards the achievement of the Company's ESG management performance goals;
- c) to regularly search negative ESG information and present the same to the ESG Committee for consideration so that it is aware of the Company's ESG risks;
- d) to assist in the preparation of the Company's annual ESG report and submit the same to the ESG Committee and the Board for consideration;
- e) other information required for the ESG Committee and the Board to make ESG decisions;
- f) such other duties delegated by the ESG Committee.

ESG Working Group

1.3 Communication with Stakeholders

The Group cares sincerely about the needs and concerns of its stakeholders, and identifies its key stakeholders and their focus on the basis of its own business and operations, with reference to those of its domestic and foreign counterparties. In addition, the Group explores diversified communication methods and actively responds to the requests of its stakeholders in its daily management and business practices.

Key Stakeholders of Lianhua Supermarket and Topics for Communication

Key Stakeholders	Topics of Interest	Communication and Response
Shareholder	• Corporate governance • Risk management and internal control • Business ethics and anti-corruption	• Information disclosure of listed companies • Shareholders' meetings • Shareholder communication meetings • Roadshow • Answering calls from investors • Receiving emails from investors • Responding to questions raised by investors via WeChat
Government and regulators (including the Market Supervision Administration, National Medical Products Administration, etc.)	• Corporate governance • Business ethics and anti-corruption • Food safety • Addressing climate change • Green operation • Reduction and recycling of packaging materials	• Policy implementation • Food safety management • Energy conservation and emission reduction actions • Actions for reduction of packaging materials
Consumers	• Commodity quality assurance • Food safety • Responsible marketing • Consumer relationship management • Information security and consumer privacy protection • Digital transformation	• Food safety management • Publicity on WeChat official account • Consumer consultation and complaint platform • Consumer satisfaction survey • Digital store establishment
Suppliers	• Supply chain environment and social management	• Supplier review and evaluation • Supplier meetings • Communication and visits • Sustainable supply chain building

Environmental, Social and Governance Report

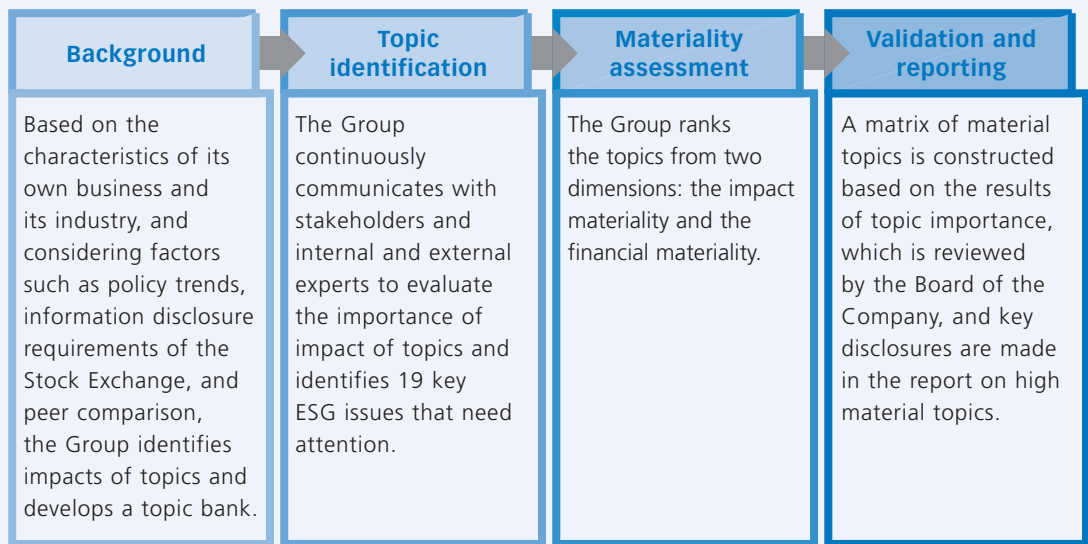
Key Stakeholders	Topics of Interest	Communication and Response
Employees	• Employees' benefits and welfare • Occupational health and safety • Employees' development and training	• Labour union and employee representative meetings • Activities • Fire drill • Employee training • Internal publications
Community and environment	• Addressing climate change • Green operation • Rural revitalization • Charity and volunteer activities • Community communication and development	• Energy conservation and emission reduction actions • Actions for reduction of packaging materials • Sales program for products based in remote areas • Community service activities • Communication through WeCom • Publicity through WeChat Official Accounts • Advocating by exhibition in stores

1.4 Analysis of Material Topics

The Group has established a material topic bank based on its own business and operational characteristics in accordance with the *Environmental, Social and Governance Reporting Code* of the Stock Exchange and national and industry policies, and with reference to the practices of its industry peers based domestically and overseas. After consulting the external experts and communicating with stakeholders, the Group identified 19 material ESG topics and ranked the materiality of these topics based on the impact materiality and the financial materiality.

To be specific, the dimensions of assessing the impact materiality include the likelihood of the impact occurring and its severity (impact scale, impact scope and irreparability of the impact); and the dimensions of assessing the financial materiality include the expected likelihood of the impact occurring in the short, medium and long term and the magnitude of the financial impact.

Process for Identification of Material Topics



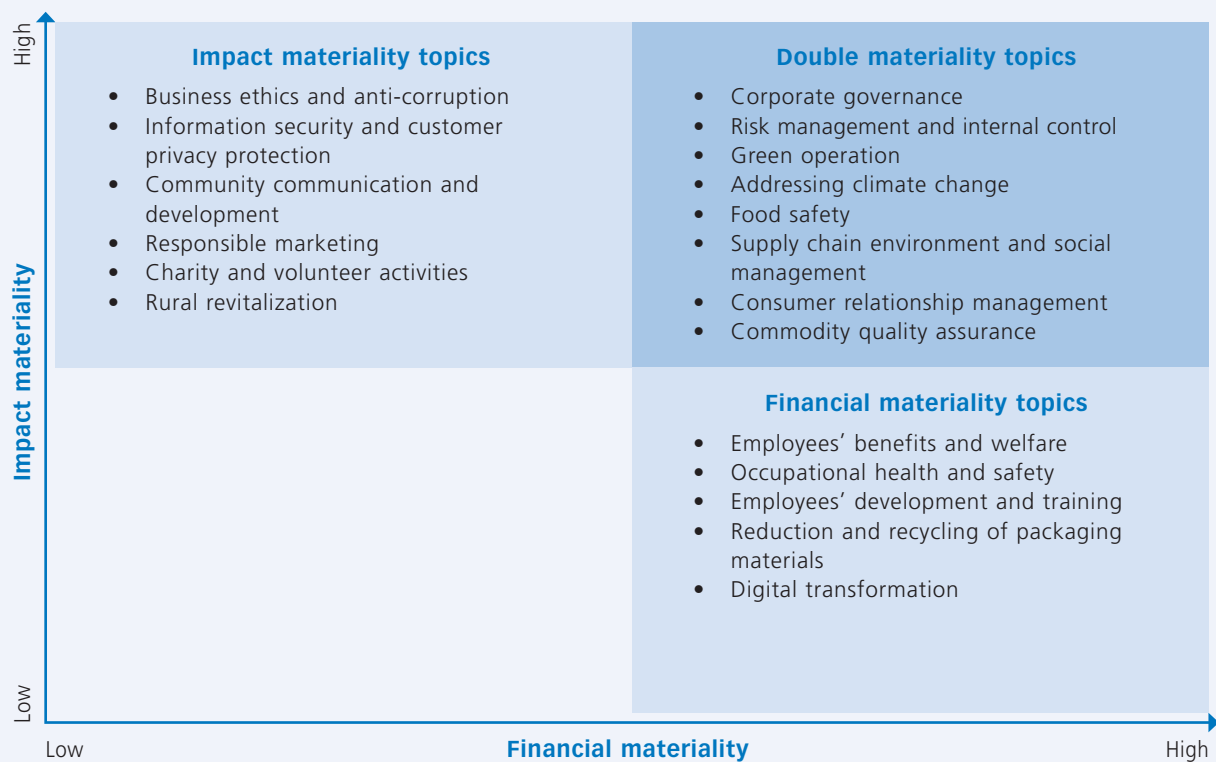
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In 2025, on the basis of the material topics for 2024, the Group, considering the policies of regulatory agencies and regulations of industry self-regulatory organizations and benchmarking against peers, identified 19 material topics through addition and expression revision. The changes in specific topics and the reasons are presented in the table below.

Table of Change in Material Topics for 2025 of Lianhua Supermarket

Material topics 2025	Material topics 2024	Changes	Reasons for changes
Addressing climate change	Climate change mitigation and adaptation	Revised expression	To align with national policy priorities and international standards on climate change focus areas, the topic expression has been refined.
Information security and customer privacy protection	Protection of consumers' information and privacy	Revised expression	Drawing on the Group's management practices, benchmarking against domestic and international standards and regulatory requirements, the topic expression has been adjusted to extend its implications.
Occupational health and safety	Safe production	Revised expression	To ensure consistency with national laws and regulations on work safety and occupational disease prevention, as well as domestic and international information disclosure standards, content related to employee occupational health has been incorporated to further extend its implications.
Corporate governance	Corporate governance	Revised expression	The topic expression has been revised to align with the linguistic conventions of the Stock Exchange.
Digital transformation	—	Additional topic	In active response to the national policy to develop the digital economy, and taking into account disclosure practices common in the retail sector, a new topic has been added.

Matrix of Material Topics of Lianhua Supermarket



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List of Material Topics for 2025 of Lianhua Supermarket and Corresponding Sections

Area	Name of Material Topic	Corresponding Section	
Governance	Corporate governance	2.1	Corporate Governance
	Risk management and internal control	2.2	Risk Management and Internal Control
	Business ethics and anti-corruption	2.3	Business Ethics and Anti-corruption
Environment	Green operation	3.1	Green Operation
	Reduction and recycling of packaging materials	3.2	Reduction and Recycling of Packaging Materials
	Addressing climate change	3.3	Addressing Climate Change
Society	Commodity quality assurance	4.1	Product Quality Management
	Food safety	4.1	Product Quality Management
	Supply chain environment and social management	4.2	Supply Chain Environment and Social Management
	Consumer relationship management	4.3	Consumer Relationship Management
	Digital transformation	4.4	Enhancing Digitalization
	Information security and customer privacy protection	4.4	Enhancing Digitalization
	Responsible marketing	4.5	Responsible Marketing
	Employees' benefits and welfare	5.1	Employees' Benefits and Welfare
	Occupational health and safety	5.2	Occupational Health and Safety
	Employees' development and training	5.3	Employees' Development and Training
	Community communication and development	6.1	Community Communication and Development
	Charity and volunteer activities	6.2	Charity and Volunteer Activities
	Rural revitalization	6.3	Rural Revitalization

Note: Topics in bold are double materiality topics

2. SOLIDIFYING THE FOUNDATION: IMPROVING GOVERNANCE AND SAFEGUARDING WITH RISK CONTROL

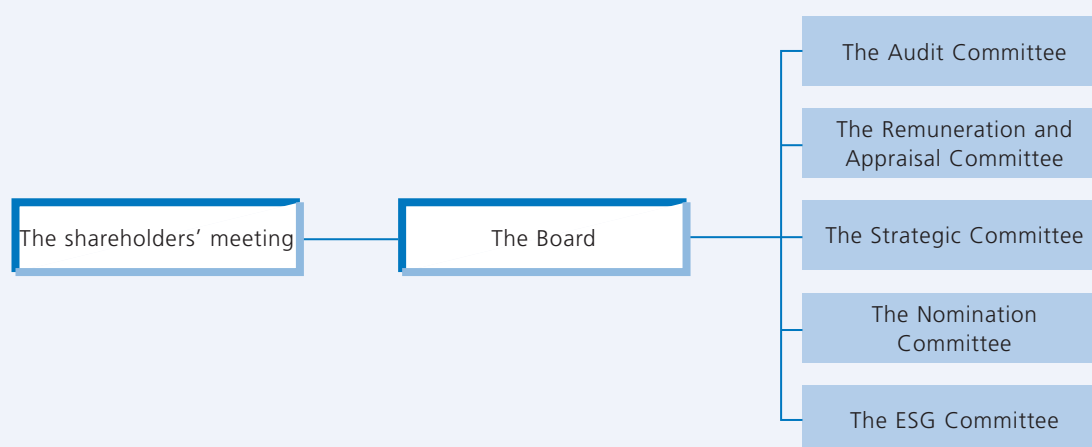
2.1 Corporate Governance

Corporate governance mechanism

The Company strictly abides by the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Guidelines for the Articles of Association of Listed Companies*, the *Corporate Governance Code* set out in Appendix C1 to the Listing Rules of the Stock Exchange and other laws and regulations and relevant requirements, and continuously improves its corporate governance system.

The Company has established a standard and orderly governance structure consisting of the shareholders' meeting, the Board and senior management, and has built the governance mechanism featuring clear responsibilities and powers of the organ of authority, the organ of decision making and the organ of implementation, mutual cooperation and checks and balances, thus effectively protecting the legitimate rights and interests of itself and Shareholders. In February 2025, the Company obtained a registration certificate from China Securities Depository and Clearing Corporation Limited for the issuance of 360 million new domestic shares, completed an increase of RMB360 million in its registered capital, and revised its *Articles of Association*. In the second half of 2025, the Company further amended its *Articles of Association* in accordance with the latest external regulations and regulatory requirements, including abolishment of the Supervisory Committee, amendments to the *terms of reference of the Audit Committee* to enhance its responsibilities, establishing the role of employee representative directors and improving the attendance and way of voting for the Shareholders, and continuously enhanced the standard of operational compliance, thereby consolidating a solid and sustainable governance foundation for the Company.

Corporate Governance Structure



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Board Committees' Responsibilities

Committee	Responsibilities
The Remuneration and Appraisal Committee	Establishing and determining the Group's incentive and performance review system
The Strategic Committee	Consulting about, conducting investigation and assessment for the Company's future investment strategies and relevant matters
The Nomination Committee	Improving the structure of the Board and the management of the Company
The Audit Committee	Supervising the conduct of Directors and senior management, and reviewing the Company's financial reporting procedures and internal control system
The ESG Committee	Guiding the Company's ESG policies and strategies, priorities and the setting of ESG targets, and controlling ESG management risks

All members of the Board of the Company acknowledge and fulfill their own responsibilities and obligations, treat every shareholder of the Company equally and protect the rights and interests of investors by all means. Among the 11 members of the Board, three serve as the executive Directors, four (including the Chairman) act as the non-executive Directors, and four serve as the independent non-executive Directors, who represent more than one third of the number of Directors. The Company adheres to a policy of diversity in board members, and appoints Directors based solely on merit, without bias based on personal characteristics such as gender, age or race. In 2025, in response to the Stock Exchange Listing Rules' requirements for diversity of members of the Nomination Committee, the Company added one female member to the Nomination Committee, further enhancing the level of governance diversity. There were four female Directors on the Board, accounting for 36.36% of the total members of the Board.

For other relevant important information in this section, please refer to the sections headed "Report of the Directors" and "Report of Corporate Governance" in the 2025 annual report of the Company.

Protection of Investors' Rights and Interests

The Company attaches great importance to the protection of investors' rights and interests, and effectively safeguards their legitimate rights and interests by standardizing information disclosure, maintaining smooth communication channels with investors, and strengthening the management of connected transactions.

Regarding information disclosure, the Company has formulated internal systems such as the *Management Regulations of Information Disclosure* in accordance with *Guidelines on Disclosure of Inside Information* issued by the Hong Kong Securities and Futures Commission and other laws, regulations and normative documents, and issued the *Notice on Establishing and Improving the Supervision Mechanism for Reporting and Handling Major Events and Public Opinion* to ensure that all Shareholders can obtain the Company's information equally and in a timely manner. Meanwhile, the Company has formulated and implemented the *Management Rules for Connected Transactions* to standardize the special approval process for connected transactions, strictly implement internal compliance review and external disclosure procedures, and summarize connected transaction information on a monthly basis, disclosing semi-annual and annual connected transaction information in the interim report and annual report.

In terms of investor relations management, the Company actively builds an efficient and smooth two-way communication mechanism to promptly inform the investors of the Company's strategic plans, operating results and investment highlights, and to provide feedback on the capital market's focus and opinions to the Board and management, thereby promoting positive interaction. The Company regularly organizes annual and semi-annual performance roadshows and responds to investor concerns through various channels such as investor hotlines, emails, and WeChat. Meanwhile, we organize and receive domestic and foreign investment institutions to conduct on-site research and store visits to further enhance investors' understanding and trust in the Company's business and operations.

Performance of Protection of Investors' Rights in 2025

- In 2025, the Company issued a total of 29 announcements and notices, 2 circulars, 2 proxy forms, 12 monthly reports, 2 constitutional documents (articles of association), and 2 electronic notices of the Company's communication arrangements (issued to registered Shareholders and unregistered Shareholders, respectively).
- In 2025, the Company completed 18 investor communication activities through telephone and WeChat.

2.2 Risk Management and Internal Control

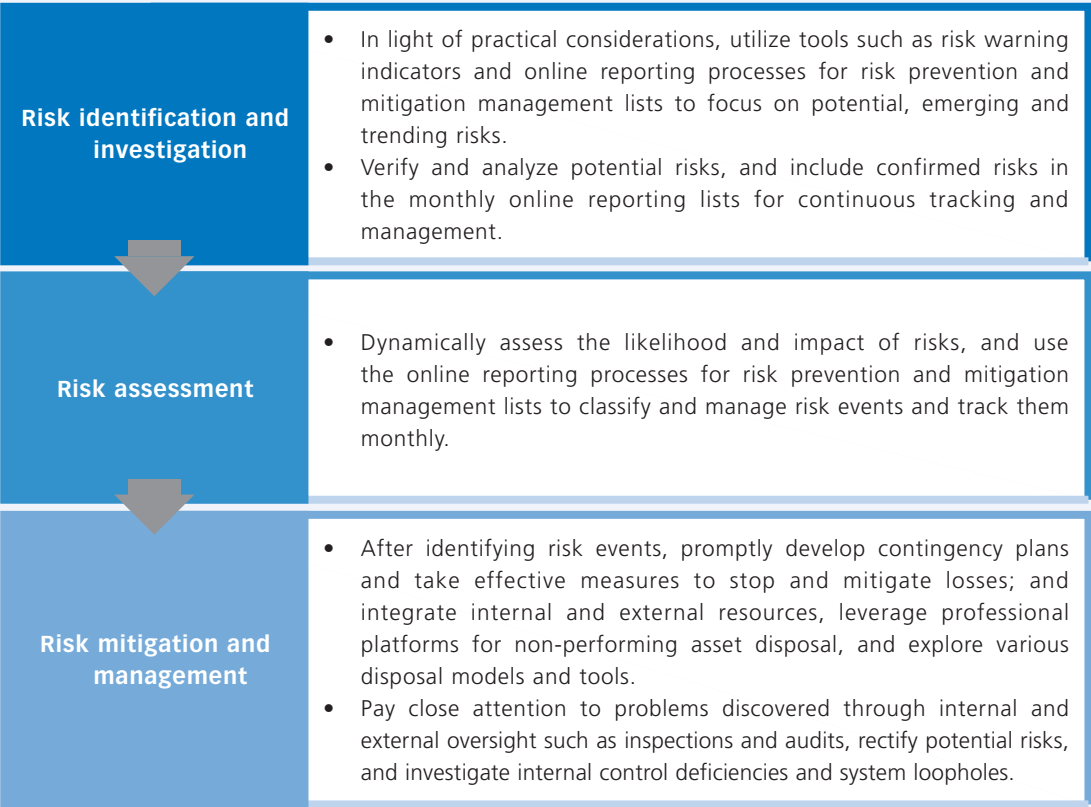
Risk management is an important basis for the Group's sound operation. The Group has formulated systems such as the *Internal Control Manual* and the *Work Plan on Preventing and Resolving Major Risks in Economic Fields* to establish a "three-line defense" risk management mechanism and comprehensively improve the Company's risk management and internal control capabilities.

Three lines of defense for risk management



The Group has established a comprehensive risk management process, covering three stages: risk identification and investigation, assessment, and mitigation and management. This ensures that the Group will fully strengthen its risk management work and effectively prevent and mitigate various risks and challenges to achieve the Group's long-term stable development.

Risk Management Process



The Group has identified five key risk areas of concern (strategic and investment risks, funding and financial risks, market and operational management risks, overseas risks and legal risks), and, under the leadership of the audit risk control department, has arranged for relevant departments at each headquarters to manage these specific risk areas.

In 2025, the Group focused on improving the effectiveness of risk management and internal control, continuously strengthening key tasks such as internal audit, audit rectification, internal control construction and risk prevention and control, systematically promoting the operation and optimization of the risk management mechanism, and effectively leveraging the supporting role of audit supervision and risk prevention and control in ensuring the sound operation of the business.

Key Tasks for Risk Management and Internal Control in 2025

Type	Main Description	Results
Conduct risk prevention and control	- A risk prevention and mitigation management list is compiled to form a list of key risks to focus on. - Complete the online submission of the risk list and urge the submission of risk events. - In conjunction with the organizational restructuring, review and evaluate the risk control system, and complete the permission changes.	In 2025, 32 risk events were urged to be submitted.
Advance internal audit	Focusing on six key tasks—“strategic transformation driven by projects, refined operation to increase efficiency, exploration of models to expand capabilities, in-depth cultivation of the supply chain to improve quality, increased digital empowerment and optimized organization to strengthen the foundation”—various internal audits were being carried out in an orderly manner according to plan.	In 2025, 444 audit projects were completed, and relevant departments put forward 92 audit opinions and suggestions.
Conduct audit rectification	In strict accordance with audit requirements, audit issues are managed through a ledger system for case closure, and follow-up audits and tracking are conducted.	The rectification and verification work for the 2023 annual performance audit of the subsidiaries has been completed, with a rectification completion rate of 90.91%.

In 2025, the Group established a special inspection team to conduct a comprehensive human resources internal control inspection of its subordinate companies. During the inspection, the special inspection team adhered to the principles of practicality and compliance with laws and regulations. They conducted on-site inspections of subordinate companies at all levels in batches, promptly urged rectification of management issues found, and reviewed the compliance of human resources-related approval processes to continuously improve the standardization of human resources management.

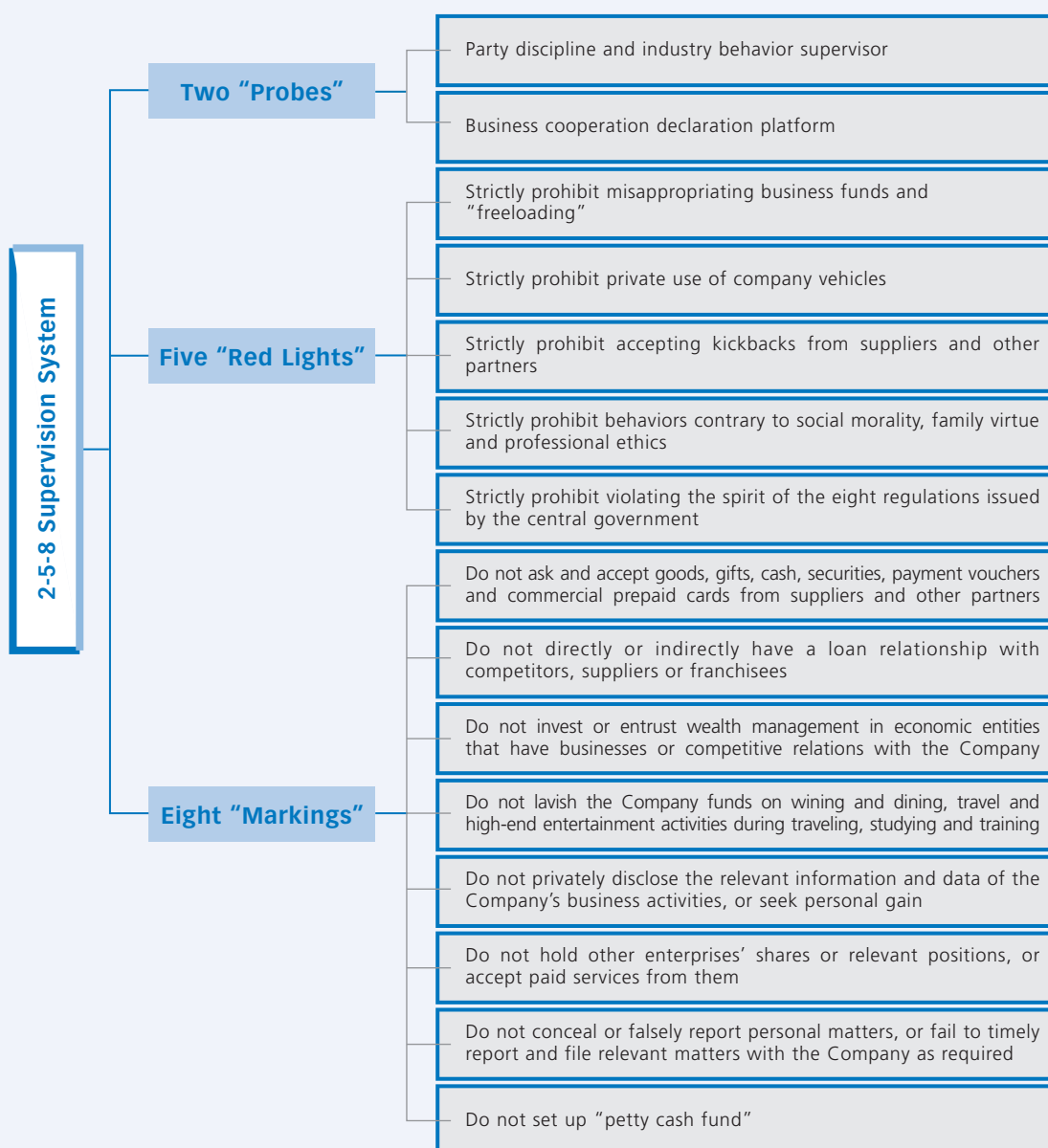
In addition, the Group attaches great importance to the capacity building of its internal audit team and continuously strengthens the professional training of internal auditors. In September 2025, all staff members of the audit risk control department participated in special training sessions on audit-related topics, including audit quality control, key business areas of internal audit, and sharing of internal audit practices. Meanwhile, employees of the audit risk control department actively participated in the “audit-based training” program, improving their professional skills and performance through practical experience, thus laying a solid talent-foundation for continuously strengthening internal audit and risk management.

2.3 Business Ethics and Anti-corruption

The Group strictly abides by the *Company Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and other laws and regulations as well as regulatory requirements. The Group has developed the *Accountability Mechanism of Clean and Honest Party Construction and Responsibility of Discipline Supervision* and the *Regulations on Management's Performance Wage and Business Expenses* and other regulations, and signed the *Responsibility Agreement on Clean and Honest Party Construction*, the *Letter of Commitment of Party Members* with employees who are Party members and the *Letter of Undertaking on Clean and Honest Practices* with personnel of key positions such as procurement and operations to raise their anti-corruption awareness.

The Group established the "2-5-8" supervision system in light of its own reality, under which 15 specific measures are in place to strictly regulate employees' behaviors to greatly reduce the corruption incidence.

"2-5-8" Supervision System



The Group continues to strengthen control over key processes, focusing on preventing, identifying and curbing various business ethics violations and integrity risks, and prioritizing the prevention and governance of unfair competition, thereby promoting a sound environment of integrity, compliance and honest business practices.

Key Management Measures for Business Ethics and Anti-corruption

Type	Main Description
Expand the anti-corruption oversight network	- The prevention of conflicts of interest and the implementation of the "Seven Prohibitions" has been reported comprehensively across the entire group, with a focus on effectively supervising low-ranking personnel with real power (referring to key positions where employees are not high-ranking but may use their influence to seek personal gain, which are prone to corruption and management risks). - Establishing the position of "clean governance observer" to build a three-dimensional supervision network of "public supervision + professional supervision".
Advance integrity training, publicity, and guidance	- Overseas lawyers were invited to conduct special training sessions for the Board and senior management on topics such as Listing Rules, anti-corruption, and directors' responsibilities. A total of all 11 Directors participated. - Launching the column "Lianhua Integrity Watch" on the Lianhua Party building WeChat official account, and conducting anti-corruption education through tongue twisters, short videos, illustrated contents, etc. In 2025, 10 episodes of "Clear Rules and Upright Conduct" – "Integrity" were released, along with the original anti-corruption skit "The Coffee Shop Under the Night".
Trade secret protection and fair competition management	- Establishing a confidentiality committee, formulating and implementing the <i>Management Measures for Confidentiality Work</i>, coordinating and promoting the construction of the confidentiality system, implementing national confidentiality policies and regulations, and reporting on work progress regularly in order to continuously strengthen the management of trade secrets. - Any form of unfair competition is strictly prohibited. We resolutely resisted false advertising, commercial defamation, price manipulation and other such practices to maintain a fair and orderly market competition environment.
Supervision and reporting mechanism	- We provided clear reporting channels such as emails, telephone and mailboxes, and attached great importance to suspected internal corruption and violations reported by employees. We also verified and handled each reported problem and clue. - We strictly protected the safety of whistleblowers and their information, and strictly kept confidential the identity of whistleblowers, their contact information, and the content of their reports. We held those who violated regulations and leaked secrets accountable in accordance with the law.

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In addition, the Group attaches great importance to anti-corruption management of suppliers, strictly controls the qualifications of new suppliers, and conducts investigations into bribery and unfair competition records of relevant suppliers in key business departments. In 2025, the Group revised the *Supplier Introduction and Elimination Management System and Process* to further strengthen supplier access review and integrity risk prevention and control. For more supplier management practices, please refer to the sub-section headed “Supply Chain Environment and Social Management”.

Performance of Business Ethics and Anti-Corruption in 2025

- In 2025, 100% of the Directors had received anti-corruption training.
- In 2025, the Group cumulatively checked 154 new suppliers, prohibited the introduction of 4 new suppliers, and added entities with bribery crime records to the Company’s “blacklist”.
- In 2025, the Group did not experience any incidents of embezzlement, bribery, extortion, fraud or money laundering, nor were there any lawsuits arising from the aforementioned matters.
- In 2025, the Group conducted inspections on 1,889 individuals, including cadres under the direct management of the Party Committee of Lianhua Supermarket and key personnel in core positions, to ensure the prevention of conflicts of interest and compliance with the “Seven Prohibitions”.

3. GREENING THE FUTURE: LOW-CARBON OPERATION AND ECOLOGICAL CO-DEVELOPMENT

3.1 Green Operation

The Group upholds the concept of eco-friendly development, and incorporates it into its daily operations in strict accordance with the *Environmental Protection Law of the People’s Republic of China* and the *Environmental Protection Tax Law of the People’s Republic of China*, and other applicable laws and regulations. Through the implementation of environmental management policies such as the *Operational Requirements for Energy Conservation and Consumption Reduction*, the *Manual Operations Standards* and the *Energy Conservation and Emission Reduction Implementation Plan*, the Group has standardized its green management processes, in an effort to reduce consumption of energy and natural resources, minimize waste while maximizing the use of eco-friendly products and services. During the reporting period, the Group did not experience any major environmental incidents or significant environmental pollution.

The Group has set clear environmental management targets and tracked the progress of their implementation by monitoring its annual performance.

Environmental Targets and Progress in 2025

Target	Description	Progress in 2025
Energy use	Reduce unnecessary energy consumption and gradually improve the proportion of renewable energy	Power consumption was 248,184.96 MWh in 2025, decreasing by 11.80% as compared with 281,400.47 MWh in 2024
Water use	Decrease water consumption per unit area in 2030, in comparison with 2020	Water consumption per unit area was 1.60 tons/m² in 2025, decreasing by 11.11% as compared with 1.8 tons/m² in 2020
Greenhouse gas emissions	Decrease greenhouse gas emissions per unit area in 2030, in comparison with 2020	GHG emissions per unit area was 86.33 kg CO₂e/m² in 2025, decreasing by 43.44% as compared with 152.63 kg CO₂e/m² in 2020
Waste management	Carry out waste sorting across all our stores, and ensure that all recyclable materials are recycled and other wastes are appropriately disposed of	Waste sorting was implemented across all our stores; all recyclable materials were recycled, and other wastes were appropriately disposed of

In 2025, Century Lianhua, a subsidiary of the Group, carried out a special training program themed “Breakthrough Training Camp: From Executor to Operator”, focusing on green operation concepts and practical techniques. It covered store managers and relevant procurement personnel from various stores in Shanghai, and comprised 6 offline theoretical lectures and 6 online training sessions, with a total of 30 participants. Following this training, store managers took the lead in conducting practical green operation training for all store employees in their respective stores, engaging a total of 1,400 participants.

Green Operation Training Modules

- I. Environmental Protection Concepts and Policy Publicity
- II. Practical Environmental Protection Skills in Operations

Proper use, routine maintenance, and emergency handling of energy-saving equipment (e.g., LED lighting, temperature control systems)
- III. Green Service Techniques

Frontline staff communication scripts for promoting eco-friendly practices, such as encouraging customers to use reusable shopping bags

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Management of Energy and Water Resources

The Group utilized various types of energy in its operations, such as electricity, natural gas, gasoline, and diesel. Energy and water usage mainly stem from the operation of our stores, warehouses, logistics, and daily office activities.

Sources of Energy and Water and Their Utilization

Category	Main source	Main utilization
Water	Water company	Domestic water
Electricity	State Grid	Lighting, air conditioning, power, and refrigeration systems
Natural gas (low pressure gas)	Gas company	Cafeteria
Gasoline	Purchased gasoline	Business vehicles
Diesel	Purchased diesel	Cargo vehicles

The Group complies with the *Energy Law of the People's Republic of China*, and strives to minimise the waste of energy and water resources based on the actual conditions of its stores. In terms of energy management, the Group guarantees the effective implementation of energy-saving measures by developing environmental protection policies and guidelines, establishing specific environmental protection targets, and optimizing its annual budget for the energy consumption efforts.

During its daily, warehousing and logistics operations, the Group adheres to its energy saving and emission reduction commitments from these 3 dimensions: green stores, green warehousing and logistics, and green office. The Group requires its stores to record and compile environmental data on a regular basis to monitor their environmental performance on an ongoing basis, checks their annual energy consumption and reviews the effectiveness of their energy conservation measures. Meanwhile, Lianhua Logistics has developed the *Measures of Lianhua Logistics for Energy Management* to further strengthen its logistics energy-saving efforts.

Energy Conservation Actions in 2025

Green stores	Optimisation of management: - The Group developed and implemented the <i>Energy-saving Measures and Standards for Operational Centers</i>, aiming to reduce electricity consumption by shifting from spot light sources to surface light sources (such as panel lights), meticulously setting different illumination standards for various areas, aiming to lower the overall average illumination. - Soft door curtains and air curtain machines were installed at the door to reduce heat exchange. - After closing the store, the air cabinets would be isolated with a night curtain to reduce loss of cooling capacity. - Stickers to turn off the lights were put beside the light switches. - We would close cold storage that is not needed.
	Purchase of energy-saving equipment: When purchasing equipment and facilities, we opted for those with Grade I-II energy consumption ratings.
	Improvement of system control: - We adopted an intelligent control system to control the compressor of our cold chain system and the anti-condensation system of our freezers, to rationalize the startup frequency of compressors and thus reduce energy consumption. - We upgraded the cooling system, replaced the long-distance air-cooled condenser with a water-cooled system, to further improve efficiency and reduce energy consumption.
	Use of renewable energy: - Century Lianhua's Gucun Store and Kongjiang Store installed rooftop distributed photovoltaic power generation, which generated a total of 784.64 MWh of electricity in 2025, reducing carbon emissions by 421.05 tons CO₂e. - Lianhua Huashang Warehouse installed rooftop distributed photovoltaic power generation project with an installed capacity of approximately 1,694 kWp, operating under the model of "self-generated electricity for self-use, surplus power fed back to the grid", with an annual power generation capacity of 2,000 MWh.

Green warehousing and logistics	Use of energy-saving equipment: - We adopted the energy-saving compressors to control energy consumption with frequency converters and the power regulating modules, and upgraded the re-steam room and the air curtain machine at the inlets and outlets of the cold storage, implementing automated door closure through camera monitoring systems. We also upgraded the compressor components to optimize cooling efficiency, reduce condensation and energy consumption. - We shifted to energy-saving LED lights for the lighting systems in our industrial parks and warehousing areas, with sound-activated and radar lighting systems installed in certain less frequently visited areas, such as the corridors.
	Regular maintenance of equipment: - We regularly inspected the high-voltage distributor rooms and promptly replaced any damaged capacitors, so as to reduce reactive power. - We shut down the automatic sorting lines, adjusted the forklift charging schedules and replaced the forklift batteries, to reduce equipment wear and tear and electricity consumption.
Green office	Data analysis: - We monitored electricity and water consumption in real-time, and promptly analyzed and fixed any abnormalities. - We managed energy-related costs by analyzing them to identify opportunities for savings and refining our cost-control efforts.
	Optimisation of management: - We have established the Customer Service Department to monitor energy consumption on a daily basis, and raise our employees' awareness of energy conservation. In addition to circulating the <i>Energy Management System of Lianhua Logistics</i>, Lianhua Logistics also set annual energy use KPIs for relevant departments. - Electronic communication and online methods have been added for Shareholders to attend the shareholders' meetings and vote, reducing the energy consumption associated with Shareholders' travel. - Stickers were put beside the light switches to remind our employees to turn off the lights when they finish work.
	Paperless office: In response to the paperless arrangement of the Stock Exchange, we reduced the volume of distribution of paper documents and adopted more paperless electronic document distribution. The printing quantity of annual reports, interim reports and circulars decreased by approximately 75% compared with the period before the implementation of paperless practices, effectively reducing the energy consumption generated by printing paper documents.

With regard to water usage, the Group regularly inspects and maintains its water consuming equipment, repairs and replaces damaged components in a timely manner, especially ensuring frequent closure of cold storage doors during summer months and regular upgrade of the condenser fan, to enhance water cooling efficiency and save water.

In addition, the Group gathers data on resource (such as water and office supplies) consumption, analyzes the reasons for excessive consumption, devises plans to reduce it, and monitors the implementation and effectiveness of these plans, as well as conducts environmental protection publicity to employees at irregular intervals to enhance their awareness of water conservation. In mid-2025, Lianhua Logistics identified an underground water pipe leak due to the abnormal increase in water charges and promptly carried out emergency repairs, preventing further waste of water resources.

The Group has obtained a water utilization permit in compliance with the regulations and has been paying water fees on time. It has no difficulties to secure water sources and no significant impact on the environment.

Discharge and Waste Management

The waste generated by the Group is divided into non-hazardous waste and hazardous waste. Non-hazardous waste consists of wasted packaging materials during operations, paper for printing shopping receipts, and expired perishable food items; hazardous waste consists of waste LED lights, toner cartridges, batteries, discarded air cabinets, and conductive cabinets with built-in electronic thermometers.

The Group categorizes primary wastes into wet garbage, dry garbage, and recyclable waste, and different management methods are adopted for different types of garbage to ensure reasonable treatment and reuse of waste.

Waste Categorization and Management Measures

Category	Type	Management methods
Wet garbage	Expired fresh produce, etc.	➤ Our employees are required to sort the garbage when they are replenishing and working on the inventories of the fresh produce areas; ➤ Wastes are collected in the designated location for disposal and management; ➤ We engage local waste disposal companies to dispose of the wastes.
Dry garbage	Waste packaging materials, shopping receipts, posters, waste LED lights, etc.	
Recyclable waste	Packaging cartons, KT boards, wrapping film, thermal containers, etc.	➤ Recyclable waste is collected and recycled by the designated waste packaging disposal companies.
Obsolete assets	Idle furniture and equipment	➤ We disposed of idle equipment and assets in an efficient and beneficial manner.

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In terms of emissions, the Group generates various types of emissions. Wastewater includes domestic wastewater generated from office and logistics operation areas, and oily wastewater discharged during vehicle maintenance process, etc.; exhaust emissions mainly contain exhaust gas discharged during the operation of logistics and official vehicles.

The Group adopts a number of treatment measures for these emissions. Lianhua Logistics, a subsidiary of the Group, has constructed a secondary sewage treatment tank to treat the oily wastewater generated from vehicle maintenance in the logistics and warehousing links prior to discharge. The waste oil and wastewater from our cafeterias are separated by the Group using an oil-water separator to ensure that the discharge meets the environmental standards. Furthermore, the Group puts urea solution in the vehicles and optimises fuel consumption management when performing vehicle maintenance, to systematically decrease hazardous exhaust emissions from fleet operations. The addition of urea directly reduces nitrogen oxide emissions, while control of fuel consumption indirectly reduces emissions of greenhouse gases including carbon oxides.

Biodiversity Conservation

Conservation of biodiversity is crucial to the promotion of harmonious co-existence between human beings and nature, and plays an irreplaceable role in maintaining the stability of the ecosystem. The Group attaches great importance to the impact on biodiversity during the production and operation of its self-managed vegetable bases and promotes the protection of biodiversity through such measures as direct base management, green picking and pesticide residue control.

Biodiversity Protection Measures for Self-managed Vegetable Bases

Direct Base Management and Supervision	Dispatch employees to our self-owned bases for direct management, track the sowing varieties, sowing time and the use of fertilizers and pesticides throughout the process, prohibit the use of pesticides that are strictly forbidden by the state, ensure that the planting process meets environmental protection standards, effectively reduce damage to the soil ecosystem, protect the biodiversity around the bases, and enhance a healthy agricultural ecological environment.
Green Picking	Adopt eco-friendly picking methods to maintain soil health, water quality and microhabitat stability, provide living space for animals and plants, and protect habitat integrity.
Pesticide Residue Control	Ensure that the pesticide residues in vegetables from our self-owned bases meet national standards through strict supervision and testing, and reduce the negative impact on soil, water sources and biodiversity during the subsequent vegetable cleaning process.

3.2 Reduction and Recycling of Packaging Materials

The Group uses a large amount of packaging materials which include recyclable transit containers required for the warehousing and logistics process, as well as the shopping bags used by customers in our stores. We are committed to reducing the use of packaging materials to protect our environment, for which we have established and implemented the Standards for the *Use of Vegetable Packaging* and the *Standards for the Use of Fruit Packaging*. We exercise tight control of the use of packaging materials in both the warehousing and retail sales processes. Through active approaches such as reducing the use of packaging materials, promoting recycling, and advocating for sustainable activities, we have contributed to the societal tendency towards low-carbon operation.

Major Actions for Packaging Reduction and Recycling

Green store	Green warehousing and logistics
• Our stores maintained inventory based on sales and customer traffic, and centrally collected and recycled recyclable packaging materials after shelving the products. • We display friendly reminders in the designated store areas where plastic shopping bag rolls are available, encouraging our customers to opt for reusable cloth bags and bring their own grocery baskets, thus decreasing the reliance on single-use plastic bags. • National standards were strictly implemented across all our stores, dissuading our customers from taking plastic shopping bags at checkout counters and offering non-woven shopping bags instead. • Proprietary brand's egg packaging was gradually evolved towards biodegradable packaging materials, such as paper boxes. • We standardized and unified the packaging methods for vegetables and fruits, provided training and on-site demonstrations for our employees to reduce unnecessary packaging waste. • We promoted rational recycling of plastic products and reuse of eco-friendly materials with our official account on the social media, in an effort to encourage more people to engage in a green and low-carbon lifestyle.	• We used pallets and transit boxes of standard size to save space during cargo transportation. • We used recyclable cold-chain transit boxes, vegetable baskets, room-temperature transit boxes, and those specialized for production lines as well as thermal containers for different types of goods, and reused them afterwards. • With the growth of dismantling business, distribution of full-box was shifted to transit boxes, and in order to reduce the usage of packaging materials, recyclable partitions were used to partition and fix the goods transit boxes.

3.3 Addressing Climate Change

The consumption of energy and resources is strongly correlated with climate change. Global climate change not only triggers diverse extreme weather events but also significantly impacts our economic and social activities. The Group proactively responds to the concerns of the government, our investors and stakeholders in addressing climate change, identifies risks and opportunities related thereto with reference to the recommendations of the International Financial Reporting Sustainability Standard 2-Climate-related Disclosures (IFRS S2) released by the International Sustainability Standards Board (ISSB), and continuously improves its management based on the results, so as to minimize the carbon footprint generated by its operating activities.

Governance

To enhance climate governance, the Group has integrated climate-related responsibilities into its overall ESG Management Structure, establishing a top-down structure under which all levels systematically implement climate governance and management initiatives in accordance with the *ESG Management System*.

Climate Change Governance Structure of Lianhua Supermarket

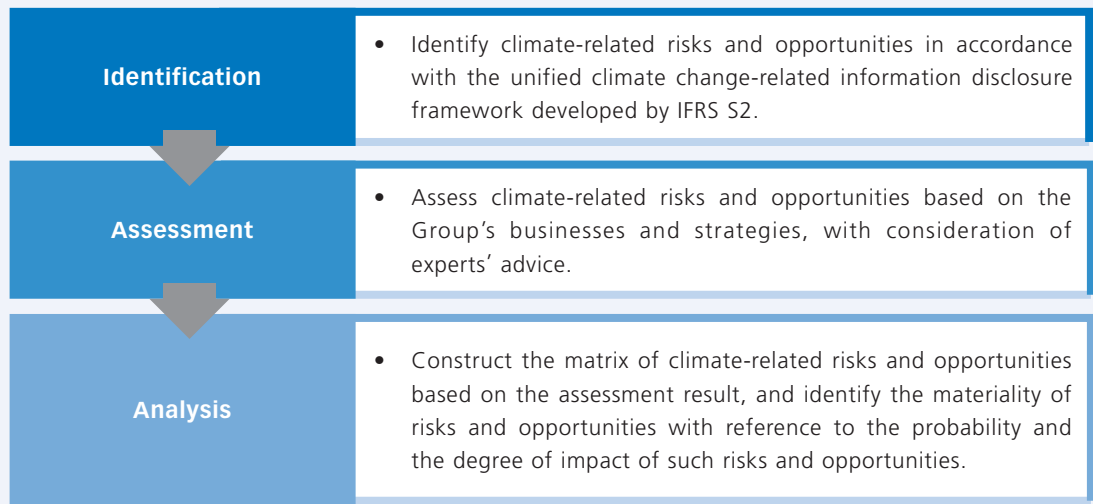
Board of Directors	• Bear the ultimate responsibility for climate-related governance, review, assess and approve the Group's climate-related risks, climate strategy, medium and long-term goals and major climate-related decisions, and supervise the overall effectiveness; • Review the ESG report covering the material topic of "Addressing Climate Change" annually.
ESG Committee	• Monitor the trends of climate-related policies, supervise the identification and assessment of climate-related risks and opportunities, guide the formulation of climate strategies and goals, monitor the progress of the goals, review climate-related disclosure information, and report to the board of directors once a year.
ESG Working Group	• Identify and assess climate-related risks and opportunities, as well as their impact on the business and finance of the Group. Take the lead in formulating climate strategies, setting targets, developing policies, and improving management. Review climate performance and reporting, and ensure operational compliance.

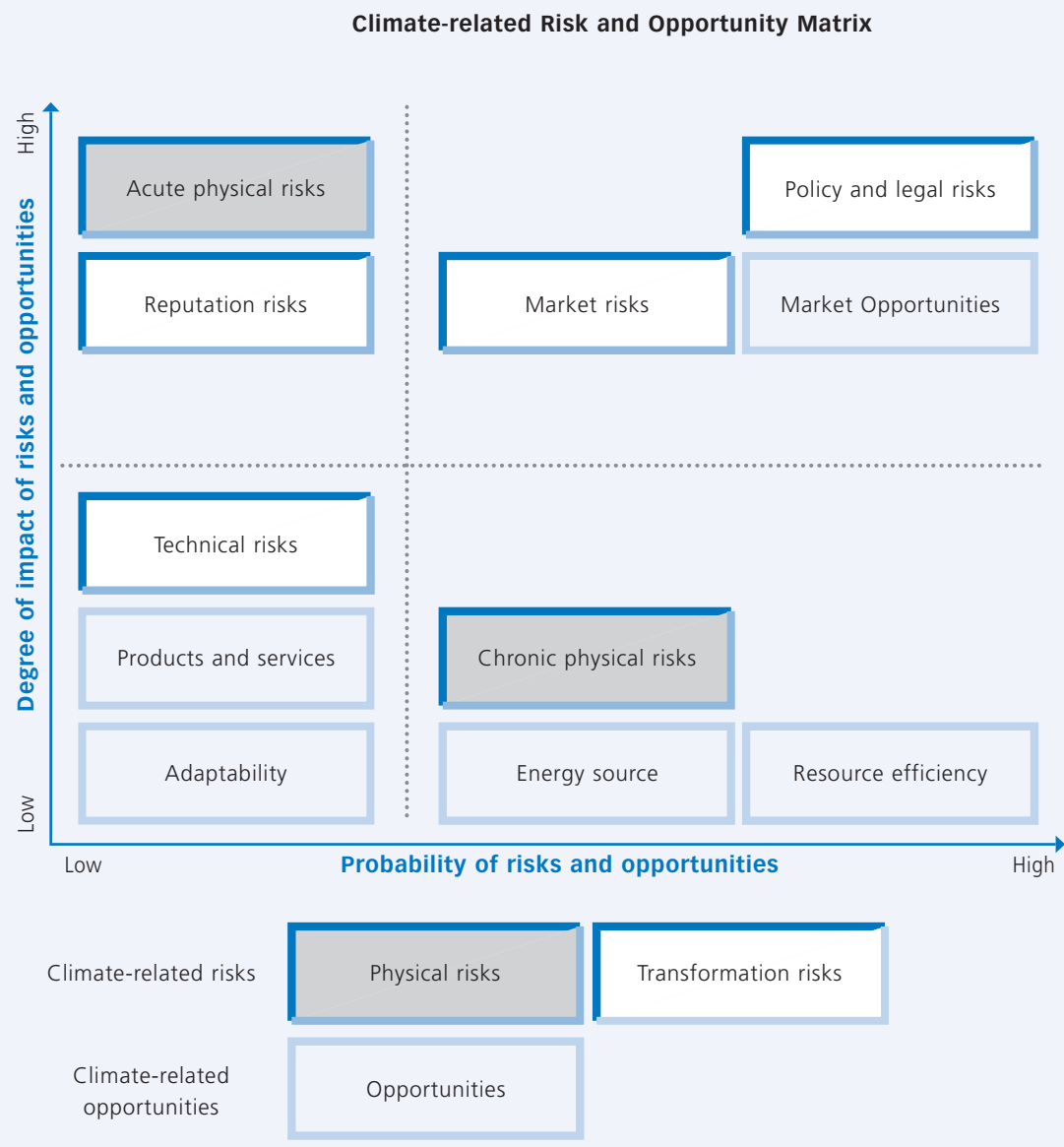
In the future, the Group plans to incorporate the achievement of greenhouse gas emission reduction targets into the performance assessment indicators of departments within the ESG Working Group responsible for climate change issues.

Strategy

In order to address the potential risks and opportunities associated with climate change, the Group identifies climate change-related risks and opportunities linked to its own operations through policy research while referring to the practices of industry peers and expert opinions, aiming to accurately evaluate the impact of these risks and opportunities on its financial position.

Approach for Analysis of Climate-related Risks and Opportunities





Analysis of the Financial Impact of Climate-related Risks and Opportunities

Identification of the main climate change-related risks and opportunities				Time horizon ¹	Potential financial impact
Risks	High	Policy and legal risks	The Group and its product suppliers may face risks of being held accountable, being taken regulatory measures, being given disciplinary sanctions, loss of property or business reputation due to non-compliance with climate-related policies or laws; The risk of rising operating costs due to the opening of the carbon market and the rising clean energy pricing.	Short-, Medium- and Long-term	Operating income ↓ Operating costs ↑ Credit risk ↑
		Market risks	The introduction of relevant policies such as carbon neutrality has given rise to the market demand for climate-friendly products or services and thus the Group will face market risks.	Medium- and Long-term	Operating income ↓ Credit risk ↑
	Medium	Acute physical risks	Severe climate changes such as typhoons and floods will cause extreme weather or natural disasters, which may affect the normal operation of the Group's stores, thereby affecting the Group's business.	Short-, Medium- and Long-term	Operating income ↓ Operating costs ↑ Value of fixed assets ↓
		Chronic physical risks	Long-term natural pattern changes such as sea level rise and sustained high temperatures may affect the Group's normal operations.	Medium- and Long-term	Operating costs ↑ Value of fixed assets ↓
		Reputation risks	As the public is paying more and more attention to green operation, the Group's failure to meet the expectations of stakeholders may bring reputational risks to the Group's operations.	Medium- and Long-term	Operating income ↓ Operating costs ↑
	Low	Technical risks	In the process of low-carbon technology transformation, the development and application of energy-saving and environment-friendly technologies such as renewable energy and new energy may have a certain impact on the Group's operations and businesses.	Medium- and Long-term	Value of fixed assets ↓ Operating costs ↑

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Identification of the main climate change-related risks and opportunities				Time horizon ¹	Potential financial impact
Opportunities	High	Market opportunities	The introduction of relevant policies on carbon neutrality and climate change has a guiding effect on the green product market, and focusing on the business of developing climate-friendly products is conducive to opening up new growth space for the Group.	Medium- and Long-term	Operating income ↑ Credit risk ↓
	Medium	Resource efficiency	Energy conservation and emission reduction are promoted by improving resource and energy use efficiency and will help reduce operating costs.	Short-term	Operating costs ↓
		Energy source	The use of clean energy and low-carbon energy to replace traditional energy will help reduce the Group's energy expenditure in the future.	Short-, Medium- and Long-term	Operating costs ↓
	Low	Adaptability	Business research and industry exchanges related to climate change will help improve the Group's ability to respond to climate risks and seize climate opportunities, and enhance the brand image of fulfilling social responsibilities.	Medium- and Long-term	Credit risk ↓
		Products and services	The Group's purchase of eco-friendly products and efforts to promote sustainable consumption are an appropriate response to consumers' requirements for eco-friendly products, which can strengthen the competitiveness of products and services.	Short-, Medium- and Long-term	Operating income ↑ Credit risk ↓

Note 1: Time horizons are defined as: short-term (within 1 year, inclusive), medium-term (1 to 5 years, inclusive), and long-term (over 5 years).

Risk Management

To address risks and opportunities related to climate change and enhance climate resilience, the Group actively formulates climate risk management measures and climate response strategies.

In view of the increasing frequency and intensity of extreme weather events in recent years, the Group has continuously improved flood control and drainage systems, equipment protection, and emergency management measures at its major operating stores. Regular emergency drills are also conducted to mitigate the potential impact of climate-related physical risks on production operations and asset safety. In 2025, related costs amounted to approximately RMB3.781 million¹. Based on the information currently available, the aforementioned risks and opportunities did not have a significant financial impact on the Company's asset status, operating costs, or cash flow during the reporting period. Furthermore, under the current management measures, they are expected to have no material impact on the Company's financial position or operating results in the foreseeable future.

Counter Measures for Climate-related Risks

Daily management	• Improve environmental management and climate change-related management system; • Uphold green development concept, focusing on green, low-carbon products procurement and sales; • Publish energy-saving measures and green products involved in store operations promptly to enhance their impact; • Replace energy-consuming materials in the stores with low energy-consuming materials; • Install LED lamps in the workplace; • Acquire low energy-consuming refrigerators and other equipment; • Purchase products with sustainability certificates and resort to localized procurement.

¹ Costs include: the purchase of disaster prevention facilities and equipment, expenditures on safety information systems, expenditures on emergency rescue equipment, and the development of emergency response teams.

Dealing with extreme weather	Daily prevention • Require that the head of each major region should be primarily responsible for flood control and typhoon prevention, form flood control and emergency response teams and construct a flood response network; • Emergency response team members shall keep communication open, and stores shall promptly receive and implement the Company's flood prevention requirements; • Stores shall conduct special safety inspections on important facilities and places for flood control and typhoon prevention; • Improve the configuration of flood control equipment in stores. Disaster emergency response • Arrange personnel on duty during typhoons and rainstorms, and take preventive measures in advance; • Pay attention to meteorological forecasts regularly and report major situations to higher authorities; • Stores encountering water ingress or severe leakage should carry out emergency repairs and inform the insurance company immediately.

Case Study

Carry out safety precautions for Typhoon “Co-may”

In 2025, facing the threat of Typhoon “Co-may”, the 8th typhoon of the year, the Group immediately activated a Level II emergency response for flood control and typhoon prevention, making every effort to ensure the safety of personnel and property.

The Company’s flood control and typhoon prevention leading group promptly convened a special deployment meeting and established dedicated “Co-may” information communication groups (via WeChat/Feishu) to ensure timely and effective information transmission. Four specific requirements were issued to all member enterprises:

- I. Strengthen accountability. The flood control responsibilities were conveyed and implemented at all levels and assigned to individuals, through the business and safety lines.
- II. Strengthen on-duty and standby arrangements. Principal officers and safety management personnel of all member enterprises were fully in position, maintaining 24-hour duty shifts.
- III. Conduct dynamic monitoring. “Point-to-point” tracking and monitoring were implemented for logistics and warehousing, over 100 delivery vehicles, online and offline operations of more than 2,000 stores in Shanghai and Jiangsu, as well as the safety status of all employees. Status reports were submitted hourly; if there are no abnormalities, it indicates a safe situation.
- IV. Ensure emergency support. The asset engineering and maintenance departments were coordinated with each other, emergency repair personnel were on 24-hour standby, and regional maintenance forces were all fully staffed and in position.

Through these measures, the Group achieved safe and stable operations throughout the passage of Typhoon “Co-may”.

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Metrics and Targets

Based on its strategic positioning, the Group has established qualitative targets for greenhouse gas emission reduction (the targets were not revised this year). The ESG Working Group is responsible for executing implementation pathways, while the ESG Committee oversees the implementation progress and regularly reports to the Board of Directors. The Board reviews target progress and comprehensively manages target-setting in accordance with the Company's development and external factors. In 2025, the greenhouse gas emission density of the Group continued to decline compared to 2024, demonstrating the Group's positive achievements in energy conservation, emission reduction and low-carbon operations.

We are now conducting desk research and engaging in stakeholder communication, and plan to establish climate-related quantitative targets in the future to actively support the Paris Agreement and the carbon neutrality goals in Mainland China and the Hong Kong region.

Lianhua Supermarket's Greenhouse Gas Emission Reduction Targets and Progress in 2025

Short-to-medium term target	Decrease of GHG emissions per unit area in 2030, in comparison with 2020		
Comparison year	2020		
GHG Emission density in comparison year	152.63 kg CO ₂ e/m ²		
Organizational scope covered by target	Consolidated reporting scope determined by the operational control approach		
GHG Emission Scopes covered by target	Scope 1 + Scope 2	Scope 1 + Scope 2	Scope 1 + Scope 2
Year	Comparison base year	2024	2025
Annual carbon emission density (kg CO₂e/m²)	152.63	89.53	86.33

In addition, the Group is conducting feasibility assessments and preliminary research on the scale of assets or business activities susceptible to climate-related risks and those involving climate-related opportunities, related capital allocation arrangements, and the applicability of internal carbon pricing in operational decision-making. These efforts are still in the evaluation phase and have not yet yielded quantitative results that are consistent and comparable. The Group has disclosed climate-related information required under Part D of the *Environmental, Social and Governance Reporting Code* of the Stock Exchange of Hong Kong in accordance with the "comply or explain" principle. The Group will advance relevant arrangements in due course, taking into account regulatory requirements and its own actual circumstances. For details at the current stage, please refer to the index table of the *Environmental, Social and Governance Reporting Code* of the Stock Exchange in this report.

4. CRAFTSMANSHIP SELECTION: QUALITY ASSURANCE AND CUSTOMER TRUST

4.1 Product Quality Management

Commodity Quality Assurance

The Group complies strictly with the relevant laws and regulations such as the *Product Quality Law of the People's Republic of China*, the *Food Safety Law of the People's Republic of China*, the *Measures for Supervision and Administration of Quality and Safety of Agricultural Products on Sale in Food Markets*, the *Measures for Retrospective Management of Food Safety Information in Shanghai*, as well as its quality guidelines known as "Priority to safety, focus on prevention, take proactive actions, and service empowerment", and has established corresponding internal management systems for each aspect of product quality assurance, including the *Proprietary Brand Quality Control Process*, the *Review Procedures for Private-label Products*, the *Measures for Management of Product Certificates and Invoices* and the *Management Measures for Defective Goods*, etc.

The merchandise procurement management by the Group's headquarters and merchandise sales by Century Lianhua and Lianhua Supermarket Development (excluding franchised supermarkets) obtained the ISO 9001 quality management system certification.

The Group has established a comprehensive three-level quality management system and continued to carry out the three-level inspection and rectification and three-level training in 2025 in order to strengthen its internal quality management.

Three-level Quality Management Framework



Three-level Quality Management System

Three-level inspection and rectification	Self-inspection by stores, random inspection by Century Lianhua/Lianhua Supermarket Development/member enterprises, and supervision by the safety and quality department at the Headquarters.
Three-level feedback	Rectification, feedback and verification of problems according to the three-level (store – Century Lianhua/Lianhua Supermarket Development/member enterprises – the Headquarters) feedback.
Three-level training	Training for front-line employees held by stores, training for store managers by Century Lianhua/Lianhua Supermarket Development/member enterprises, and training for key managers of Century Lianhua/Lianhua Supermarket Development/member enterprises by the headquarters.
Three-level notification	Regulations and notices are passed down through the three-level hierarchy.
Three-level reporting	Complaints and random checks are reported through the three-level hierarchy.

In 2025, the Group conducted quality management system training through an “on-site course delivery (送課到店)” model, which covered various departments and offices at the headquarters, Century Lianhua, Lianhua Supermarket Development and member enterprises, with a total of 444 participants. In particular, 100 employees took part in the system internal auditor training, and all participants passed assessments after the training.

The Group, as a principal product seller, prioritizes product quality assurance through strengthened daily management, rationalized inventory, reliable procurement sources, proper staffing, and information traceability to ensure the quality and safety of on-shelf products.

Commodity Quality Management Initiatives

Enhancing daily management and risk alerts	• Reinforcing the daily management including claims for certificates and invoices, import inspection, storage and transportation, production and processing, cleaning and disinfection, temperature management, supervision and inspection, examination and testing, and shelf-life management; • Increasing the promotion of goods quality management through training, and WeChat group, etc., to enhance risk awareness and ensure the basic protection work.
Rationalizing inventory arrangement and focusing on shelf-life management	• Rationalizing the inventory of goods, semi-finished products, finished products, food ingredients, promotional items, etc. to avoid expiry and wastage; • Prioritizing the supervision of shelf life for food at every stage, intensifying inspection work, and diligently adhering to the management requirements for food nearing its expiration date.
Standardizing procurement management and strengthening promotion supervision	• Strictly implementing the claims for certificate and invoice measure to ensure the traceability of goods imported; • Strengthening the supervision and management of promotions, special sales, exhibitions and other activities; • Conducting rigorous evaluations of supplier qualifications, product qualifications, and sales processes to ensure legal and compliant operations.
Ensuring staffing for proper handling of emergencies	• Properly deploying personnel to ensure the orderly implementation of goods quality supervision and strengthening management of key processes; • Effectively managing emergencies such as government regulations and customer complaints, promptly addressing them in accordance with incident handling procedures and reporting requirements; • Assigning designated emergency contacts to ensure prompt handling and reporting.
Implementing information traceability and regulating the operation of special foods	• Ensuring the proper execution of information traceability by timely uploading traceability information and ensuring the accuracy of data; • Establishing regulations for the operation of specialty foods, including the separate display of such products and the prohibition of mixing them with regular food items; • Providing clear sales warnings and consumer alerts, and strictly prohibiting the dissemination of false advertisements and promotions.

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For the defective goods found during the daily inspection process, the Group will take a series of measures according to the *Defective Case Handling Process*, e.g., ceasing the sales of and withdrawing such defective products from the shelves, returning them to their suppliers and demanding that the suppliers to rectify the defects. Only after they have corrected all the defects and obtained the test reports recognized by the provincial and municipal quality supervision bureau or health bureau, can those products be put back on the shelves for sale.

The Group strictly observed the quality and safety of the products it sold by means of engaging third-party inspection, sampling and giving feedback to the suppliers, and for the defective products, the Group took such measures as withdrawing them from the shelves, recalling and returning them to the suppliers in the first instance, while getting the relevant departments together to analyse the causes of the problems and carry out rectification. In 2025, the Group experienced a total of 11 cases involving sales of defective goods. In all cases, the Company took immediate measures to withdraw the defective goods from the shelves and recall them, analysed the causes of the defects, and assisted the suppliers and production enterprises to carry out rectification and consolidation. Moreover, the Group actively cooperated with the relevant law enforcement authorities to handle the incidents in a timely and effective manner.

Food Safety

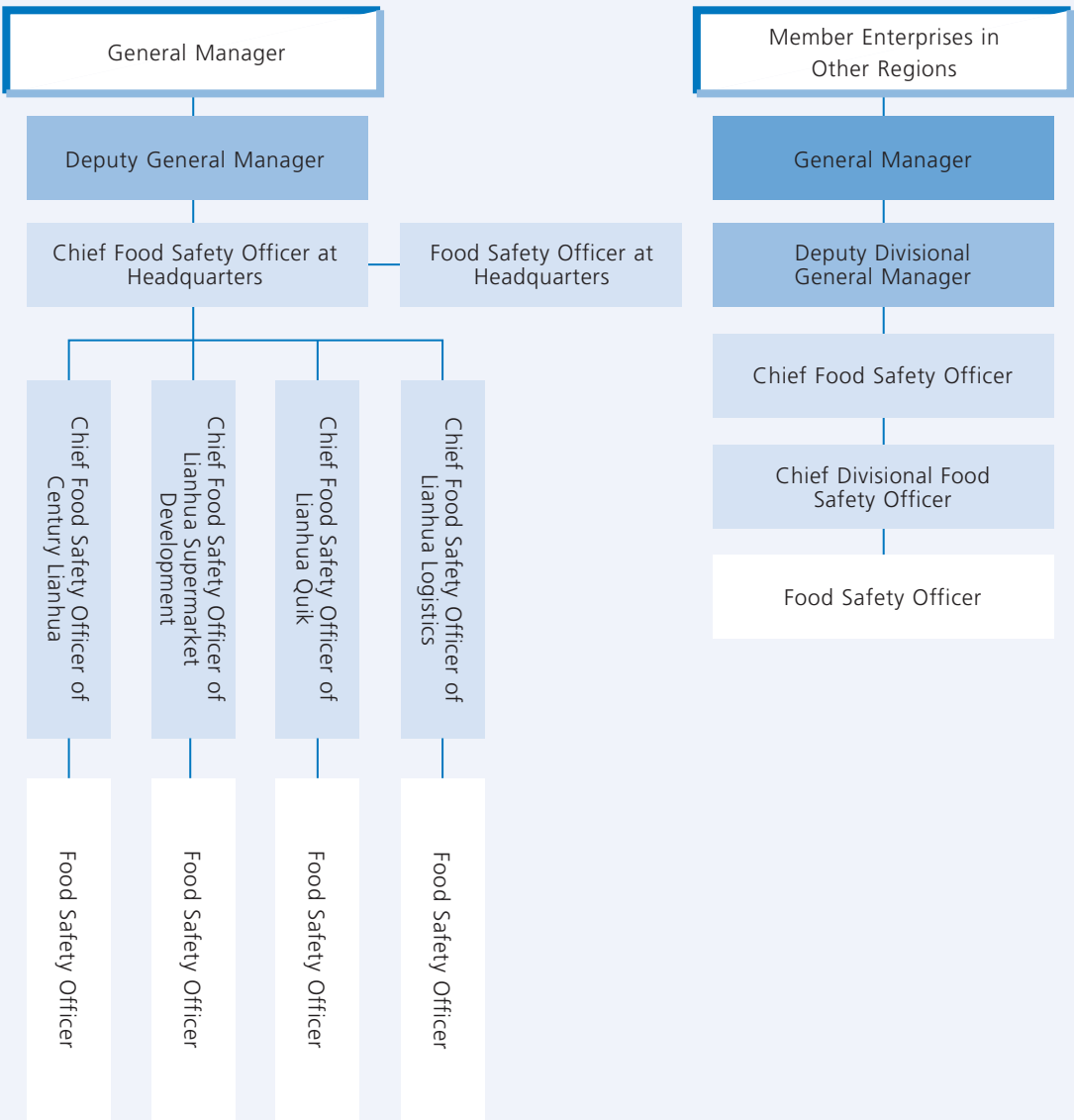
Food safety is directly linked to the health and safety of the consumers, and is therefore the Group's top priority. In accordance with the *Food Safety Law of the People's Republic of China*, the *Food Safety Law Implementation Regulations*, the *Measures for Supervision and Administration of Quality and Safety of Agricultural Products on Sale in Food Markets*, the *Food Safety Regulations in Shanghai*, the *Measures for Retrospective Management of Food Safety Information in Shanghai*, the *State Administration of Market Supervision – Provisions on the Supervision and Administration of the Implementation of Main Responsibility for Food Safety by Enterprises* and other relevant laws and regulations, the Group has established internal food safety management systems such as the *Food Safety Management Standardized Manual for Food Business Enterprises* and the *Emergency Response Plan for Food Safety Incidents*, laying a solid foundation for the management of food safety.

The Group established an overall corporate food safety framework and formulated a three-tier management structure comprising the top-level executives, the chief food safety officer and the food safety officer, and implemented a working mechanism of daily control, weekly checkup and monthly scheduling at each level. Both the Group's headquarters and its various local members have formulated their food safety management structure in accordance with the above system.

Lianhua Supermarket's Three-Level Food Safety Management Framework



Food Safety Organization Structure of Lianhua Supermarket

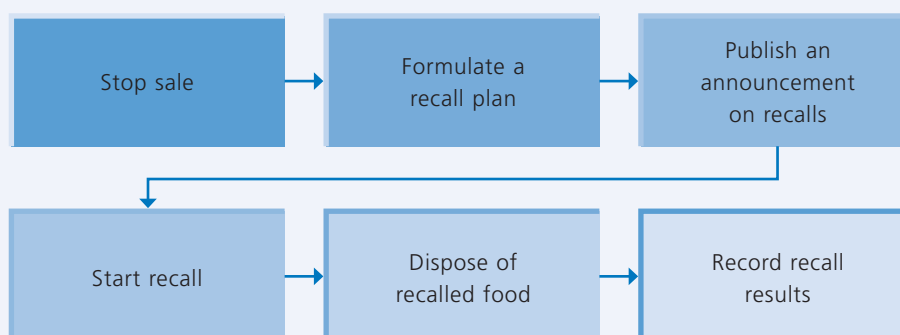


Food Safety Workflow



In addition, the Group has formulated the *Food Recall Management Procedures* to guide and facilitate timely recall of the defective food and goods so as to protect the health of consumers.

Food Recall Process



The Group attaches great importance to effective food safety management. While utilizing cutting-edge technologies to ensure food safety, the Group has been pushing forward the implementation of food safety inspection and food safety standardization assessment. In addition, the Group has launched various training activities focusing on food safety to enhance the competence of its staff in food safety.

Food Safety Management Measures

Category	Measures	Achievements in 2025
Principal Responsibility Assessment for Stores	Each store of the Group has been issued a QR code for principal responsibility assessment by the local market supervision bureau. The store's Food Safety Officer then conducts such assessment via the Suishenban App.	
Food Safety Online Inspection	- Establish an online food safety inspection platform for our stores based on the digital platform; - The platform enables the summarization and analysis of online store inspection data, ensuring record traceability, process visibility and automated analysis, thereby streamlining the management process covering "store inspection, feedback on defects, notification for rectification, and feedback verification".	The digital platform for food safety inspection conducted a total of 815 inspections, including 27 of the Century Lianhua stores, 380 of the Lianhua Supermarket Development directly-operated stores, 204 of the Lianhua Supermarket Development franchised stores, 49 of the Lianhua Quik directly-operated convenience stores, and 155 of the Lianhua Quik franchised convenience stores.

Category	Measures	Achievements in 2025
Food Safety Training	- Develop and launch a “Bailian iLeaning” APP to provide its staff with web-based micro training programs under the name of “Lianhua’s Monthly Discussion on Safety” (the “Monthly Discussion”); - Organize the second rotation training course on supermarket food safety management and operational process control evaluation with the Shanghai Food Safety Federation; - Lianhua Logistics provides daily pre-shift reminders and education on food safety for front-line employees. The Human Resources Department conducts food safety training every two months.	- We completed five online training sessions of the “Monthly Discussion” on food topics, including “Ensuring Safety During the Spring Festival”, “Building Satisfying Consumption Together for 315”, “Major Updates in Packaging Standards”, “Cooking Food Thoroughly and Reducing Raw Food”, and “General Rules for Pre-packaged Food Labeling”, with a total of 10,542 participants; - A total of 61 individuals from various member units participated in the rotation training course, with 46 attendees from the Group.
Logistics Food Safety Optimization	- Recyclable partitions are used to divide and secure goods within the transit boxes; - EPP insulated boxes are used to deliver chilled goods that are susceptible to food safety issues due to temperature fluctuations, with remote temperature sensors installed inside the boxes during delivery; - Install thermal blankets in the warehouse loading area to ensure food products have reached the target temperature before loading, safeguarding quality from the source; - Optimize the cleaning process for transit boxes and perform regular maintenance on cleaning equipment to ensure the boxes are kept clean.	

Case Study

Building a collaborative food safety governance system involving the government, enterprises and the public

During the “315” International Consumer Rights Day period in 2025, the Safety and Quality Department of the Company, in collaboration with government agencies including the Shanghai Food Safety Federation and the Putuo District Food and Drug Safety Committee Office, organized a public welfare campaign themed “Building Satisfying Consumption Together: 315 Food Safety Science Education in Supermarkets.” This initiative aimed to strengthen the whole-chain food safety management through transparent communication and digital tools, effectively safeguarding the food safety of consumers.

The themed charity event was held at the Shanghai Zhonghuan Bailian Commerce Plaza, featuring five interactive modules:

- Knowledge Popularization: 350 citizens enhanced their risk identification capabilities by scanning a QR code to participate in food safety knowledge quizzes;
- Practical Teaching: Staff conducted on-site demonstrations of methods to identify expired food, empowering consumers with self-inspection skills;
- Expert Q&A: Food safety experts were invited to address hot-topic questions regarding additives, storage standards, etc., helping to bridge information gaps;
- Instant Testing: Free rapid testing services for pesticide residues on vegetables and clenbuterol in meat were provided to the public, offering an immediate “on-site testing for immediate results” experience;
- Public Opinion Guidance: Public opinion was collected through the “You Choose, We Inspect” voting system. Subsequently, the Putuo District Food and Drug Safety Committee Office translated the voting results into a targeted regional sampling and inspection plan, forming a closed-loop governance where “the public raises concerns, and the government provides solutions.”

Case Study

Participation in National Food Safety Regulatory Training for sharing Lianhua's full-chain management experience

To strengthen our capabilities in managing the entire food safety chain, the Chief Food Safety Officer of the Company, representing Shanghai-based companies, attended a specialized training program organized by the State Administration for Market Regulation at the Central Party School (National Academy of Governance) in Beijing.

The training featured lectures delivered by key officials, including Luo Wen, Director of the Office of the Food Safety Commission of the State Council and Party Secretary of the State Administration for Market Regulation; Li Jinsong, Director of the Department of Import and Export Food Safety of the General Administration of Customs; and Li Yi, Vice President of the Central Party School. The sessions provided in-depth policy interpretations and analyses of trends related to full-chain food safety supervision.

During the group discussion sessions, Lianhua Supermarket, as a representative of Shanghai production and operation enterprises, systematically reported on the learning experience, and highlighted the Group's achievements in food safety, demonstrating the corporate responsibility in government-enterprise collaborative governance.

Food Safety Management Performance for 2025

- In 2025, Pony Testing International Group Shanghai Co., Ltd. * (譜尼測試集團上海有限公司) conducted food safety inspections for 55 Lianhua Supermarket Development stores, 13 Century Lianhua stores, 20 Lianhua Quick convenience stores, and Lianhua Logistics in accordance with food safety laws and regulations as well as the Group's Food Safety Management Standardized Manual. The pass rate for the 13 Century Lianhua stores was 76.9%², and that of the 55 Lianhua Supermarket Development stores and the 20 Lianhua convenience Quick stores was 100%.
- Century Lianhua stores, including Wusong Store, Gucun Store, Shihua Store, Xiuzhou Store, Qingpu Store, Qiaozhiwan Store and Caoying Store, were selected as "2025 Food Safety Trustworthy Supermarkets."

² Due to impending closures or renovations, three Century Lianhua stores failed to meet the standardized audit requirements for certain on-site hardware maintenance and product management. During the Reporting Period, one of these stores completed its closure process, while the other two stores met the standards after renovation.

4.2 Supply Chain Environment and Social Management

High-quality value chain support is an important foundation for the long-term development of a business. As a retail enterprise, Lianhua Supermarket's main suppliers include merchandise suppliers, asset suppliers, and engineering suppliers. The Group places great emphasis on supply chain management, ensuring the quality of products from suppliers through prudent management and rigorous scrutiny. For the fresh ingredients supply chain, we have established a model combining direct purchase from the production bases with self-purchase from markets to guarantee the quality of fresh ingredients. Furthermore, the Group accelerates the development of a sustainable supply chain by collaborating with supply chain partners who demonstrate a higher degree of sustainability, to provide consumers with environmentally friendly products and reduce the environmental impact across the value chain.

Supplier admission and assessment

The Group's merchandise suppliers mainly include proprietary branded merchandise suppliers and non-proprietary branded merchandise suppliers, while asset and engineering suppliers mainly consist of asset suppliers and engineering teams. The Group formulated various policies to standardise supplier management, including the *Merchandise Procurement Management Standards* and the *Private Label Product Procurement Management Standards*. In 2025, the Group developed the *Supplier Admission and Elimination Management System and Procedures*, which clearly defines the standards for supplier admission and elimination.

In respect of the admission of suppliers, the Group has formulated the *Measures for Management of Product Certificate and Invoice*, and ensures that its suppliers' licenses meet the requirements of relevant laws and regulations by strengthening basic certification and packaging label certification in the procurement process. The Safety and Quality Department of the Group is responsible for the quality audits of its suppliers, who will examine the qualifications of each one of them carefully. In 2025, the Group conducted strict control over the qualifications of new suppliers, and inquiries into their criminal records for bribery behaviours. Advance checks on business access qualification and criminal records of bribery behaviours of suppliers were performed for key departments such as merchandise, assets and engineering. Suppliers were urged to fill out the *Letter of Commitment of No Conflict of Interest*, to ensure those with incomplete qualifications, false certificates, quality issues or those blacklisted will be resolutely rejected.

In respect of supplier evaluation and audit, the Group has established a supplier evaluation system to optimise the supplier structure, implement supplier classification management, adopt corresponding cooperation methods and management strategies for different types of suppliers, reduce procurement risks, explore supplier potential, and maximise the overall value of the procurement department.

Supplier Evaluation System

Scope of Evaluation	Partner suppliers of current year
Evaluation Indicators	Sales revenue, sales percentage, total revenue, overall revenue contribution rate, turnover days, promotional inputs, category-specific revenue contribution rate, etc.
Evaluation Methods	- Suppliers are scored based on their sales revenue weighted score and their overall revenue score. - Suppliers are scored based on the year-on-year growth performance of their sales revenue, overall revenue, and overall revenue rate. - Suppliers are scored on their performance in promotional support efforts based on the price compensation rate. - Suppliers are scored on their turnover performance based on product category turnover days.

In 2025, the Group's procurement strategy for Lianhua Supermarket Development focused on a dual-engine approach of "de-homogenization" and "key products": eliminating homogeneous suppliers through precise product selection; anchoring the key product strategy to extend upstream supply chain cooperation, and establishing long-term strategic collaborations with core suppliers to ensure a stable supply of critical resources.

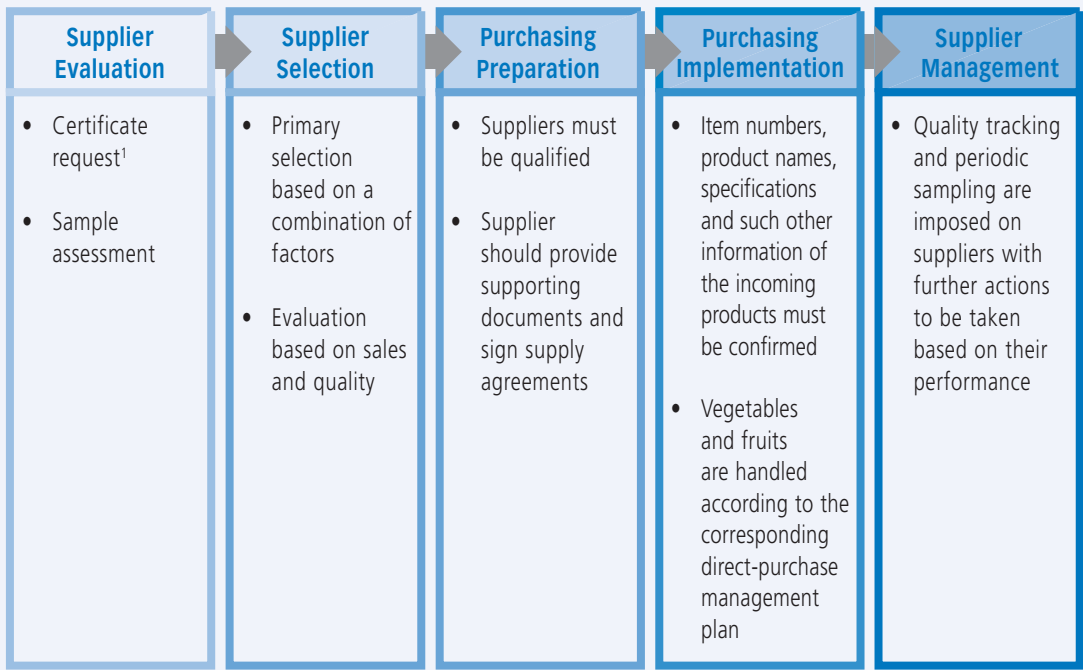
2025 Supplier Management Performance

- As of the end of December 2025, qualifications checks were completed for a total of 154 suppliers, resulting in the prohibition of 4 new suppliers from being introduced.
- As of the end of December 2025, the total number of Lianhua Supermarket Development's ambient temperature products (excluding tobacco) decreased by 36%.

Fresh Ingredients Supply Chain Management

Given the short shelf-life of fresh food, effective supply chain management of fresh ingredients is critical to ensure their quality and timely delivery. The Group has established the *Procurement Management Procedures for the Department of Fresh Produce Procurement*, the *Management Rules for Fresh Joint Operation Suppliers of the Department of Fresh Produce Procurement*, the *New Product Management Rules of the Department of Fresh Produce Procurement*, the *Pricing Management Standards of the Department of Fresh Produce Procurement* and the *Store Inspection Rules of the Department of Fresh Produce Procurement* for different categories of fresh goods such as cooked food, aquatic products, vegetables, fruits, bread, meat and poultry and frozen and refrigerated commodities to ensure that the fresh products they purchase satisfy the prescribed requirements, and that qualified suppliers provide fresh ingredients of good quality on a long-term basis.

Fresh produce procurement process



Note 1: For meat products, the supplier must provide the required documents in accordance with national laws and regulations. For livestock and poultry products within Shanghai or from other provinces and cities, the following documents must be provided: the *Animal Quarantine Certificate*, *Slaughtering Certificate*, the *Meat Quality Inspection Certificate*, or the *Inspection and Quarantine Certificate for Imported Meat Products*.

The Group has established a fresh ingredient supply chain model that combines direct purchase from the production bases with self-purchase from markets.

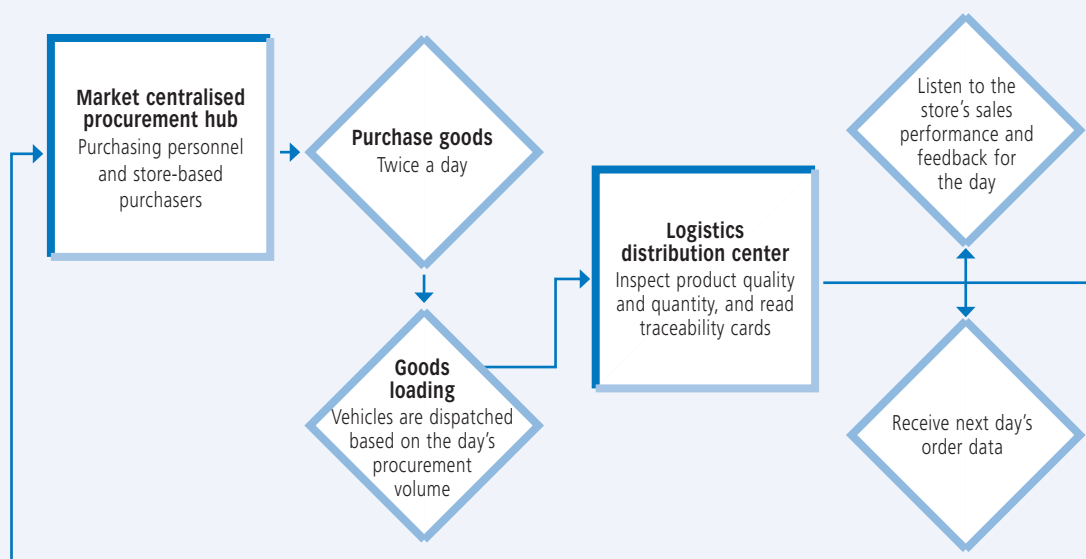
In terms of direct purchase from the production bases, the Group constantly improves the relevant processes and systems such as planting, harvesting, processing, transportation and acceptance, etc., and assesses the bases comprehensively in terms of origin, climate, soil and production mode to ensure the quality of fresh ingredients.

Direct purchase process for vegetables

Planting stage	- Fertilizers and pesticides must comply with the relevant regulations of the PRC; - Maintain good ledger records according to the relevant requirements, so that the entire planting process can be traced.
Testing stage	Each type of product must be tested twice, with a sample tested in the greenhouse the day before picking, which can be picked only if it meets the standard, and then tested again on the day of delivery, and can be distributed only if it meets the standard.
Distribution stage	- The test report must accompany the vegetable, and be accepted and publicized in the store; 5% of the vegetables should be picked every day for a random check to make sure the vegetables are free from yellow leaves and mud, and are clean and fresh; - Twice a year, the Bureau of Measurement will conduct testing of our pesticide residue testing equipment, so as to guarantee the accuracy and reliability of the inspection data.
Sales stage	- Supervise the partners to harvest vegetables and distribute them at the prescribed time, and there should not be more than 24 hours between the time the vegetables are picked and the time when they are put on shelf; - Carry out a series of brand promotion activities such as screening for the best products, putting on display, holding promotional activities, and selling via live broadcasts on the platform.

In 2025, in an effort to improve the freshness and flexible turnover of vegetables, fruits and other commodities, and to make up for the gap in direct purchase from the production bases, the Group restarted the market procurement model. In light of its own needs, the Group met the changing demands for “small batches” and “diversity” and jointly built a supply chain that is both stable and flexible.

Self-purchase from markets process for fresh fruits and vegetables



Case Study

Establishing fruit and vegetable ID cards to secure quality control at the source

The Group has innovatively launched the "Fruit and Vegetable ID Card" digital acceptance tool, assigning a unique identifier to each batch (or category) of fruits and vegetables. This ID card accompanies the goods and fully records key quality parameters such as origin, grade, pesticide residue testing, and harvest date. Acceptance personnel can scan the code to retrieve standards and verify the consistency between the physical product and the information, achieving a paradigm shift from "visual estimation" to "data verification."

This mechanism fully transmits and rigidly locks quality inspection requirements at the acceptance end, marking a shift from extensive acceptance practices to intensive ones. It significantly reduces the risk of non-conforming products entering the warehouse and improves the stability and transparency of quality control at the front end of the supply chain.

In the future, the Group will continue to iterate the ID card acceptance process, deepen data collaboration with suppliers, promote the dynamic optimization of quality inspection standards, and further solidify the guarantee of quality consistency "from source to shelf".

The Group applies a digital pricing system for three product categories: fresh meat, vegetables, and fruits. In 2025, a total of 50 suppliers participated in the pricing process, with more than 300 products tendered online and a total of 4,286 price submissions made.

Constructing a sustainable supply chain

As consumers' recognition of the importance of sustainable development has been improved, in response to their demands and to promote the Group's sustainable development, the Group incorporated environmental, social and government considerations into its procurement and supplier management processes to accelerate the construction of a sustainable supply chain.

Approaches for sustainable supply chain development and achievements in 2025

Type	Approaches	Actions and Achievements
Environment (E)	Sourcing products with sustainability certification	The Group purchased fresh produce with sustainability certification, including organic vegetables, green vegetables, antibiotic-free eggs, antibiotic-free pork, etc., with the percentage of certified products accounting for about 9% of the total category.
	Principle of "low carbon and energy saving" priority	Priority is given to suppliers certified in technical innovation, energy conservation and environmental protection.
Society (S)	Focus on "essential" health products	We focus on "essential" health products such as health supplements, sugar-free foods, organic ingredients, and reduced-sodium seasonings, strictly adhere to national standards such as the "blue hat" certification to verify qualifications, and promote the procurement of health products towards greater precision and sustainability.
	Localized procurement	The Group has been deeply cultivating its local businesses in Shanghai, and has cooperatives, slaughtering and processing plants in Chongming, Nanhui, Qingpu, Jinshan and Songjiang as its long-term cooperative base suppliers, covering vegetables, fruits, meat/poultry/eggs, rice, aquatic products, etc.
	Initiating nation-wide joint procurement	The Group explored deeply into the renowned agricultural products produced in different regions and promoted the development of the industry chain of local agricultural products through nationwide joint procurement to enhance the stability of the Group's supply chain. The nationwide joint procurement mainly covers vegetables, fruits, groceries, and grains, with production bases in several provinces. Direct purchase from fresh produce bases nationwide accounts for more than 58%.

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Type	Approaches	Actions and Achievements
	Sustainability management for engineering suppliers	In the works contract, the works team is explicitly required to take out insurance for all risks, third party liability insurance and accidental injury insurance for works as well as property insurance for construction equipment, so as to reduce the social risks in the works.
	Animal welfare concerns	Selected animal welfare-conscious breeding and slaughtering plants to co-operate and promote the construction of a sustainable supply chain.
Government (G)	Concern about business ethics	The Group urged suppliers to complete the <i>No Conflict of Interest Commitment</i> before goods were put into storage, and looked into the suppliers' criminal records of bribery behaviours on the China Judgments Online, and added binding clauses in the contracts signed with them, stipulating that suppliers with criminal records of bribery will be blacklisted with restricted access to, disqualified from bidding for, and stopped from undertaking the Group's projects, or even disqualified as its suppliers.

4.3 Consumer Relationship Management

Consumers' satisfactory and comfortable experience is the primary pursuit of Lianhua Supermarket's customer service. Following its vision of "increasing our customers' loyalty to us", the Group has formulated a series of standards such as *Customer Service Manual*, *Service Enhancement Plan*, *Methods for Handling Customer Complaints*, *Job Responsibilities and Service Standards of the Hypermarket Service Centre* and has taken a number of measures to continuously improve the shopping experience of its customers.

Service management transformation and enhancement

In 2025, the Group has undertaken a deep reshaping of its operational model, with its Century Lianhua hypermarkets completing their transformation and upgrade, and Lianhua Supermarket Development carrying out store adjustments, all aimed at becoming more consumer-centric community lifestyle service centers.

Following the completion of the transformation and upgrade of the Group's Century Lianhua hypermarkets, all hypermarket stores have improved in areas such as product renewal, supply chain efficiency, and the focus of marketing activities.

Century Lianhua Transformation and Upgrade Contents

Reduction in product items	The number of product items has been reduced from approximately 10,000 to 8,000, streamlining the product range and increasing single-item sales per square meter ³
Increase in product categories	The fresh produce category has been expanded to include self-made baked goods, ready-to-eat meals, light meals, and aquatic products, offering customers a wider selection
Optimization of product display	Key products in stores are now displayed more prominently, increasing the visual impact and highlighting the main products
Enhanced customer interaction	The number of in-store tasting points has been increased, actively engaging with shopping customers

Lianhua Supermarket Development, targeting three distinct store models, carried out store adjustments and transformations around seven key store elements and four major supply chain optimization strategies, further enhancing the competitiveness of its standard supermarket stores. Lianhua Supermarket Development set a target of adjusting 223 stores in 2025, and by the end of 2025, 224 stores had completed the transformation.

Lianhua Supermarket Development Store Adjustment Content



³ Single-item sales per square meter refers to the sales revenue generated by a single product per unit of display area, and is used to measure the space utilization efficiency of each product.

Environmental, Social and Governance Report

Enhancing Consumer Satisfaction

The Group places significant importance on consumer satisfaction. It actively engages with consumers to understand their genuine needs through surveys, promptly addresses their shopping concerns, and enhances satisfaction by organizing dedicated promotional activities.

In 2025, the Group conducted customer research following the transformation of the Century Lianhua Caobao store. The survey focused on areas such as product strength, pricing competitiveness, membership, and customer experience, aiming to assess customers' perception and satisfaction with the store's transformation and validate its outcomes. Additionally, research interviews were carried out with competing stores in the vicinity to compare the strengths and weaknesses of the Caobao store and propose actionable optimization suggestions. The research was conducted by 15 management trainees divided into 5 teams, ultimately resulting in an analysis of the store's strengths and weaknesses along with recommendations for improvements, providing a basis for future store optimization and enhanced customer service.

After understanding consumer needs, the Group enhances consumer satisfaction by strengthening management, providing convenient services, optimizing return services, and conducting store scoring.

Consumer Experience Optimization Initiatives

Category	Measures
Strengthening Management	• Merchandise quality control: Enhance the frequency of communication between the stores and the procurement department to ensure the quality and legality of merchandise. In the case of defective goods, promptly implement the return and exchange service; • After-sales service system: Establish and improve after-sales service system, clarify responsibilities and processes, and provide a variety of ways for customers to consult and complain, such as telephone, online customer service, etc.; • Customer feedback mechanism: Establish a comprehensive service response mechanism to ensure that customer complaints are solved promptly; • Employee training: Strengthen store employee training to enhance employees' service awareness and problem-solving capabilities.
Providing Convenience Services	• Home appliances and grocery area: Provide size and capacity information, with porcelain area equipped with packaging materials, etc.; • Fresh grocery area: Provide washbasin and handwashing liquid; • Outside the cash register zone: Free storage, customer rest area, ice, etc.; • Service centre: Membership processing, free broadcast for finding people, "sewing kits", and other personalized services; • Silver-hair service zone: A dedicated silver-hair service zone has been established, featuring the "Trendy Silver Club," to provide high-quality services tailored to the needs of elderly customers.
Optimizing Return Services	• Optimise the seven-day no reason return program: Based on the statistics of the number and amount of returns in stores, optimize the input of customers' return reasons, and subdivide customers' return reasons such as merchandise satisfaction, merchandise quality, merchandise price, or operational problems.

Category	Measures
Conducting Store Evaluations	- Conduct unannounced visits: In 2025, the mystery customer inspection program was transitioned from being conducted by a third-party company to being carried out internally by the Brand and Operations Department. Carry out inspections on five major aspects, namely environment, display, appearance, service and safety from the perspective of customers. For stores whose scores derived from an unannounced visit are lower than the standard, a red alert will be issued, and a second re-inspection will be carried out; - Analysis and self-correction based on comments on Dianping.com: Regularly analyse customers' comments on Dianping.com, conduct self-correction, reply to customers, and improve and upgrade the service level of the stores.

Case Study

Innovative "333" Reach Mechanism: Building Zero-Distance Customer Relationships

To address the pain points of delayed customer feedback and the lack of precise tools for service optimization in traditional stores, Century Lianhua launched the "333 Zero-Distance Customer Reach Program," transforming the role of store managers from "managers" to "service experience officers."

Mechanism Innovation: Store managers are required to proactively select three different types of customers (covering various age groups and shopping needs) during daily business hours. Through three core questions, they engage in in-depth communication and use Feishu QR codes to collect three genuine positive reviews. This "small-loop, high-frequency" reach model integrates customer relationship maintenance into daily operations, shifting service optimization from passive response to proactive insight.

Notable Results: From August to December 2025, store managers at 21 locations engaged with customers 7,025 times, establishing a normalized communication mechanism.

Case Study

**Launching the “Trendy Silver Club”:
Re-imagining a New Model for Elderly Community Services**

China is rapidly transitioning into an aging society. In 2025, the proportion of the population aged 60 and above in Shanghai reached 36.3%, far exceeding the national average, indicating accelerated growth in Shanghai’s silver economy. The elderly demographic also exhibits notable consumption upgrade trends: first, supported by high purchasing power; and second, a shift in consumption mindset from subsistence-focused to quality-oriented living.

To address the service gaps arising from the consumption upgrade among the elderly population, Century Lianhua innovatively launched the “Lianhua Trendy Silver Club.” This initiative precisely targets active seniors aged 50 and above, focusing on four dimensions, “trendy living, quality living, caring living, and budget-savvy living”, to establish a service hub integrating shopping, socialization, and public welfare within communities. It aims to drive consumption upgrades within the “15-Minute Quality Living Circle for Seniors.”

In May 2025, Century Lianhua Luban store held the first “Trendy Silver Themed Marketing” event, integrating online and offline efforts seamlessly. Online, the “Lianhua Trendy Silver Club” was launched through Century Lianhua’s official WeChat account and Weibo, featuring the hashtag #I am a Gold Medal Picker#. Seniors were invited to share shopping insights for a chance to win gifts. Offline, the event offered premium product tastings, public welfare service experiences, and collaborated with local communities to deliver Double Ninth Festival gifts to isolated elderly residents, spreading community warmth.

This model deeply integrates business operations with social value, not only meeting the diverse quality-of-life needs of the elderly but also enhancing their sense of community belonging through community-based engagement and public welfare initiatives. It explores sustainable pathways for serving the silver economy and sets an innovative benchmark for community business transformation.

To better understand consumer satisfaction with the Group, the Safety and Quality Department developed a customer insight database on the Feishu platform. It generated QR codes for customer satisfaction survey questionnaires targeting 25 Century Lianhua stores and 374 directly-operated Lianhua Standard Supermarket stores in Shanghai. The survey covered 23 aspects, including store environment, product quality, and staff service, and was distributed to all stores before Consumer Rights Day on March 15. Ultimately, the survey collected 10,191 valid responses, comprising 1,653 from Century Lianhua and 8,538 from directly-operated Lianhua Supermarket Development.

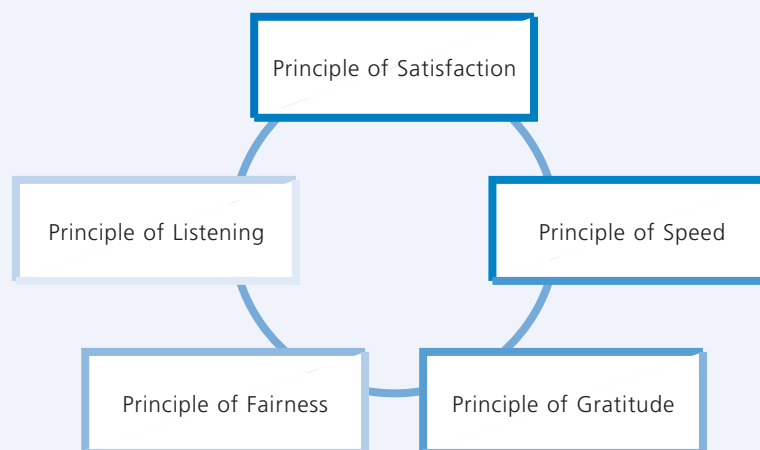
2025 Consumer Satisfaction Enhancement Performance

Store Category in Shanghai Region	315 Customer Satisfaction Survey	Dianping Average Rating	Mystery Customer Inspection Average Score
Century Lianhua	91.43%	3.79 (up 0.02 YoY)	–
Directly-operated stores of Lianhua Supermarket Development	97.56%	3.72 (up 0.04 YoY)	86.05 (up 5.24 YoY)

Customer complaints and handling

The Group attaches great importance to the handling of customer complaints and has formulated the *Methods for Handling Customer Complaints* to clarify the principles of customer complaint handling, designate departments of responsibilities, and ensure that customer complaints are properly handled.

Principles for Handling Customer Complaints

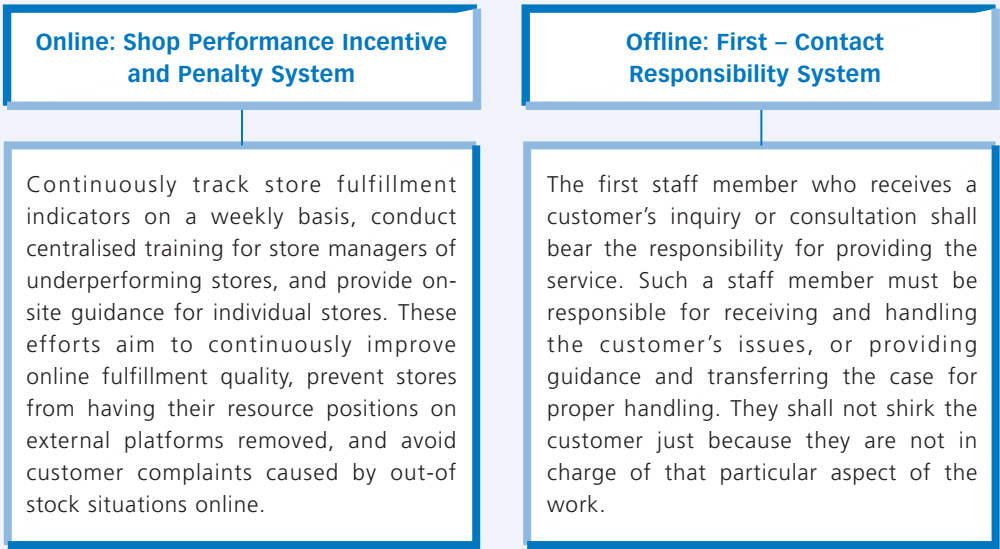


Types and Handling of Consumer Complaints

Types of Complaints	How to Handle it
Complaints for Stores	• Our stores will take care of it until the customer is satisfied. • If the store cannot properly handle the complaint, it will be reported to the Company's superior management department. After the superior management department negotiates with the customer to reach a mutually agreeable solution, the customer's complaint is closed. • If the customer complaint involves the quality of the product or food safety, the safety and quality department will meet with the supplier and jointly offer a treatment plan in conjunction with the purchasing department.
Complaints for Headquarters	• The Safety and Quality Department will register the complaint in a timely manner and directly transfer it to the operation centre/segment/member enterprises and relevant departments, who will finally feedback the processing results to the Safety and Quality Department.

The Group established online incentive and penalty mechanisms alongside the offline first-contact responsibility system to enhance customer service and reduce complaints. In 2025, both Lianhua Supermarket Development and Century Lianhua, under the Group, consistently improved product quality and optimized the service system, leading to a significant overall reduction in customer complaints.

Measures to Reduce Customer Complaints



Lianhua Supermarket Development	In previous years, the main type of customer complaint was related to the quality of fresh products. In 2025, by promoting the standardization of fresh food and enhancing quality control management, the loss of fresh products was reduced, and their quality was improved, leading to a significant reduction in offline customer complaints.
Century Lianhua	In 2025, Century Lianhua reduced offline customer complaints by enhancing its service commitments: 1. Traceability of product sourcing; 2. Public disclosure of agricultural product testing information; 3. Price comparisons across all platforms with refunds for price differences; 4. Hassle-free after-sales returns and exchanges; 5. Same-day processing and sale of products; 6. Implementation of the first-contact responsibility system and rapid response mechanisms, along with the establishment of a “Consolation Award” and an “Emotion Recycling Box.”

2025 Customer Complaint Management Performance

In 2025, a total of 2,026 complaints occurred within the Group, and the complaint handling rate reached 100%. The number of offline customer complaints of Century Lianhua decreased by 19.44% compared with that in 2024. The number of offline customer complaints of Lianhua Supermarket Development decreased by 28.97% compared with that in 2024.

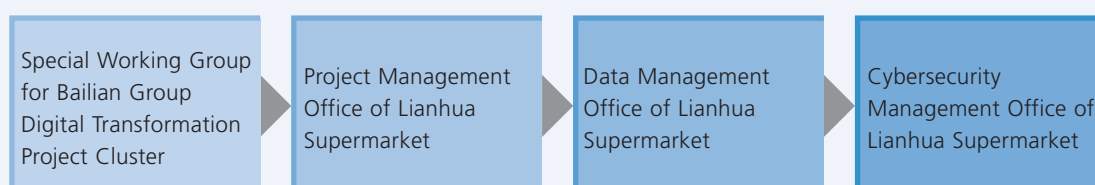
4.4 Enhancing Digitalization

Digital Transformation

Amidst the wave of the digital economy and the industry-wide shift toward deeply online consumer behavior, the Group firmly regards digital transformation as a core strategy driving sustainable growth.

In line with the responsibilities of the “Three Offices” under the “One Group, Three Offices” digital transformation management framework of Bailian Group, the Group actively advances its digital transformation initiatives.

“One Group, Three Offices” Management Framework



The Group has established four major digitalization initiatives to provide a development roadmap for the subsequent construction of digital platforms.

Four Major Digitalization Initiatives

Task-Oriented Work	Focused on enhancing the refined management capabilities of stores, a store workbench is being developed to build a unified store-level entry point. This will integrate six key functional scenarios—“Tasks, Data, Knowledge, Applications, Notifications/Messages, and Intelligent Services”—creating a centralized hub for communication between headquarters and stores, as well as supporting independent store operations.
Integration of Business and Finance	Optimizing, refining, and unifying Enterprise Asset Management (EAM) processes, with the upgrade of the EAM system as the core driver. This aims to bridge process gaps, ensure real-time data flow, enable automated financial accounting, and facilitate process-driven operations.
Precision Marketing	Centered on intelligent and precise store marketing scenarios, AI tools and digital hardware are leveraged to generate video and marketing copy from text, as well as enable targeted marketing placements.
Data-Driven Operations	Reconstructing data dashboards from both store and headquarters perspectives, and building a new data platform named ABI (AI + BI) ⁴ . By integrating comprehensive internal operational data with external industry data, a headquarters-level operational monitoring system will be established, gradually shifting decision-making from experience-based to data-driven approaches.

⁴ AI: Artificial Intelligence (人工智能); BI: Business Intelligence (商业智能).

Case Study

Building a Store Digital Capability Center: AI-Enabled Full-Scenario Operational Efficiency

To address pain points such as fragmented store management and delayed responses, the Group has fully launched digital transformation at the store level.

First, a unified “**Store Workbench**” entry point has been established to integrate six major scenarios: tasks, data, knowledge, applications, messages, and intelligent services. It conducts an in-depth analysis of the 29 core workflows of “A Day in the Store,” transforming daily operations into task-oriented and systematic processes. In 2025, core functions such as the “AI Store Work Service Desk,” “Fresh Product Quality Reporting,” and “Information Asset Reporting” have been developed and piloted, significantly enhancing store execution efficiency and information transparency.

Second, the Group has innovatively applied AI large model technology to develop a **Minimum Viable Product (MVP) for a precision marketing platform** through text-to-image and image-to-image capabilities. This supports stores in quickly generating digital product posters on demand and deploying them to electronic displays and user communities with one click. Pilot validation has been completed in two stores, achieving a breakthrough in AI-driven marketing from zero to one. The next step involves continuously iterating on features such as the store task engine and AI knowledge Q&A assistants, while expanding the application scope of the marketing platform to drive a comprehensive transition in store operations from experience-driven to intelligence-driven.

2025 Digital Transformation Performance

- The Group’s “AI-based Data-Driven Retail Intelligent Decision-Making and Automated Marketing Platform Project” won the **second prize** in the “Data Element” competition—Shanghai Sub-competition, under the Commerce, Trade, Culture, and Tourism track, organized by the Shanghai Data Bureau in 2025.

Information Security and Consumer Privacy Protection

With the advancement of digital transformation, the Group continues to advance its information security and consumer privacy protection work.

The Group strictly abides by the *Personal Information Protection Law of the People’s Republic of China* and the *Law of the People’s Republic of China on the Protection of Consumer Rights and Interests*, formulates regulations such as the *Cybersecurity Management Measures of Lianhua Supermarket Holdings Co., Ltd.*, establishes an information security and consumer privacy protection management system, and carries out information security and consumer privacy protection management tasks.

Information Security and Consumer Privacy Protection Management Framework

Cybersecurity Management Committee	The highest decision-making body for the Group’s cybersecurity, which, in accordance with national and industry cybersecurity policies, laws, and regulations, approves the Group’s overall cybersecurity strategy, management specifications, and technical standards, defines the responsibilities of relevant cybersecurity departments, and guides and supervises cybersecurity work.
Cybersecurity Management Working Group	Reports to the Cybersecurity Management Committee and is responsible for the specific implementation of various cybersecurity tasks, including formulating cybersecurity management systems, establishing cybersecurity operational mechanisms, handling specific cybersecurity incidents, developing detailed implementation rules for cybersecurity, and regularly inspecting the implementation status across all units.

The Group standardizes the collection, use, and storage of consumer information, and adopts encryption technologies such as transmission layer security protocols to ensure the security of user data, adopts strict data access permission controls and multiple identity authentication technologies to protect consumer personal information from illegal use, and uses code security automatic inspection and data access log analysis technology to ensure personal information security. Additionally, in the process of carrying out the home delivery business, the Group adopts a unique “smile face sheet” in the delivery order to avoid the exposure of sensitive user data in the delivery process.

During the reporting period, there were no confirmed complaints about the infringement of customers’ privacy or the loss of customer data within the Group.

4.5 Responsible Marketing

The Group strictly complies with laws and regulations such as the *Trademark Law of the People’s Republic of China* and the *Advertising Law of the People’s Republic of China*. We have established a brand management framework with decision-making by the General Manager’s Office and overseen by the Department of Brand and Operation Management to strengthen its brand management capabilities.

Responsible Marketing Management Framework

General Manager’s Office	• Decision-making organization for brand management • Responsible for deliberating and issuing brand-related norms
Department of Brand and Operation Management	• Responsible for being the centralized management department for carrying out brand management work • Responsible for formulating national, unified and systematic brand management norms • Conduct standardized training, guidance and supervision on the brand management for the departments of the Group’s headquarters and member (entrusted management) enterprises, and supervise the implementation situation of brand implementation

The Group has established the *Corporate Brand Manual* and *Brand Management Measures* to continuously strengthen the review and oversight of marketing information, such as product labels and promotional text, by standardizing branded visuals and the use of conventional marketing materials, thereby ensuring responsible marketing.

The Group exercises reasonable care in the presentation and proper use of marketing information, so as to circumvent improper wordings. The Group adheres to shooting physical materials, and the promotional information can be publicized only after it is reviewed by an adequate group of people, so as to eliminate to the greatest extent possible the possibility of improper marketing caused by subjective factors. Furthermore, during the introduction of new products, the Group conducts reviews of intellectual property aspects, such as patents, portrait rights, and animation copyrights, to ensure compliance with intellectual property regulations. In 2025, the Group continued to provide brand-specific training for managerial-level positions, including reserve store managers and newly hired management trainees, to enhance employees’ brand awareness and safeguard the Company’s intellectual property.

During the reporting period, the Group did not violate any laws and regulations when conducting marketing activities (including advertising, marketing and sponsorship).

In terms of brand building, in 2025, the Group focused on the core positioning of “Green and Healthy Consumption.” Centered around brands such as “Gold Selection” and “Bailian Shanghai Premium Products”, it created benchmark projects driven by brand leadership, further strengthening Lianhua Supermarket’s differentiated advantages in the green and healthy sector of the retail industry.

Brand Building Achievements

Focusing on the core positioning of **“Green and Healthy Consumption”**, the Group formulated the *“Fifteenth Five-Year Plan” – Lianhua Brand Development Report*, outlining the brand development pathway for the next five years.

“Gold Selection”

Centered on the concept of “Gold Selection”, the initiative aims to help customers select high-quality, affordable, and safe products. It has created the brand concept of “Gold Medal Picks” and actively applied for trademark registration for use on product packaging and advertising.

“Bailian Shanghai Premium Products”

The Group fully promoted the implementation and operation of the “Bailian Shanghai Premium Products” brand within the Company. It established display standards for designated store zones featuring the brand, defined clear zone identifiers, and conducted multi-channel promotional activities.

Case Study

The Healthy Shelves, Conveying the Concept of Sustainable Consumption

Lianhua Supermarket, with the slogan of “Health in Action”, launched the Healthy Shelves project. This project focuses on providing health concepts and carefully selects a variety of high-quality, safe and reliable health products, thereby advancing the “last mile” of the “Healthy China” initiative.

The Healthy Shelves are divided into three categories: “Increasing Nutrition, Reducing Burden, and Green Ecology”. They include products such as high-quality dairy products, sugar-reduced foods, seasonings with zero additives, and fresh seasonal ingredients. Through professional health guidance and science popularisation publicity, consumers are guided to make healthier consumption choices, creating a healthy, convenient and reassuring shopping experience, and spreading the concept of sustainable consumption.

The Healthy Shelves have currently curated nearly 200 core products that meet the standards. A dynamic elimination mechanism is implemented to ensure quality, and the initiative has already covered over 300 core stores, with plans to expand to all stores in the future.

Case Study

The “Gold Medal Picks” Brand: Reconstructing the Relationship Among “People, Products, and Places”

Addressing consumers’ common concerns when selecting high-quality ingredients, the Group introduced the “Gold Medal Picks” concept, transforming the consumer pain points of “not knowing how to pick” and “not daring to pick” into a trusted experience of “picking with confidence” and “picking with joy.”

The “Gold Medal Picks” focuses on four core categories: medicinal and edible ingredients, seasonal fresh goods, high-quality proteins, and dopamine snacks. Each recommended product undergoes a rigorous selection process, with professional evaluations conducted across multiple dimensions, including origin traceability, ingredient transparency, and market reputation. Collaboration with third-party agencies ensures quality testing, guaranteeing that consumers receive not just products but also assurance and quality.

With the “Gold Medal Picks” as the core, the Group systematically reconstructs the relationship among “people, products, and places,” driving the upgrade of the consumer experience from functional to emotional. At the “people” level, deep emotional connections are established through professional services and IP-based communication. At the “products” level, a foundation of quality trust is built through stringent selection and full transparency. At the “places” level, an immersive consumption scenario is created through the integration of online and offline channels.

5. EMPOWERING TALENT: ENHANCING EMPLOYEE DEVELOPMENT AND WELL-BEING

5.1 Employees' Benefits and Welfare

Employees play a crucial role in supporting the growth and progress of Lianhua Supermarket. The Group's Human Resources Department works in coordination with the Labor Union to manage important matters relating to employees' vital interests. The Group has established a comprehensive employment and welfare protection system for its employees, including recruitment and dismissal, working hours and holidays, and remuneration and benefits.

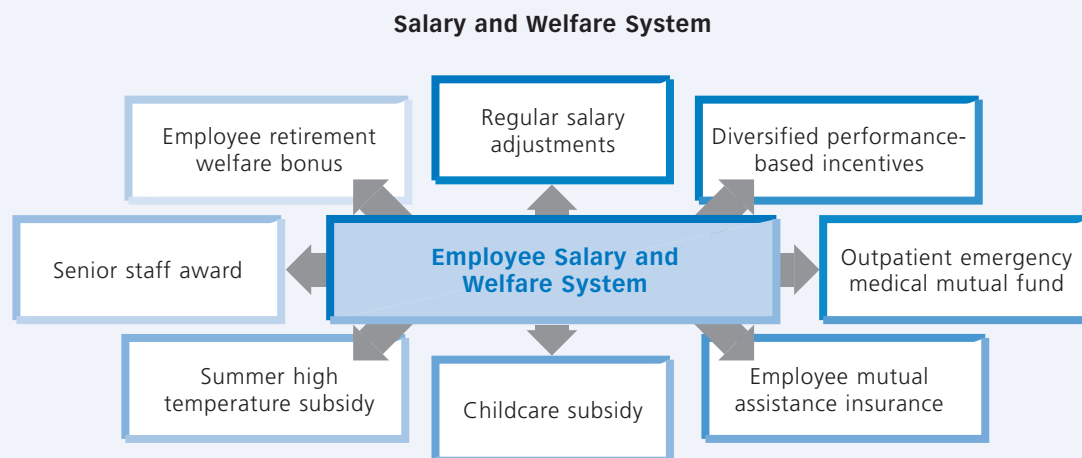
Employee compliance employment

In respect of employee employment, the Group adheres to the principle of fair competition and selection of employees on the basis of merit. The Group strictly prohibits child labor and forced labor, and stringently verifies the age of candidates for employment, and absolutely prohibits employment of those found to be under 18 years old. If the problem of forced labor is found, the employees can complain by mail, complaint telephone and other ways, and related personnel of the Group will carry out investigation to protect the legal rights and interests of the employees. The Group signs employment contracts with each employee according to the regulations, and pays five social insurances and the housing provident fund for its employees. During the reporting period, the Group had no incidents of child labor or forced labor. The Group signed employment contracts with all the employees and paid social insurance for all of them.

Employee welfare protection

Respecting and protecting the employees' rights and interests is one of the basic principles of the Group's employee management. The Group strictly abides by the *Labor Law of the People's Republic of China*, the *Law of the People's Republic of China on Employment Contracts*, the *Special Rules on the Labor Protection of Female Employees*, the *Social Insurance Law of the People's Republic of China*, the *Regulation on Work-related Injury Insurance of the People's Republic of China*, the *Individual Income Tax Law of the People's Republic of China* and other relevant laws and regulations, and continues to improve its employment management system, effectively protecting the legitimate rights and interests of its employees.

In 2025, the Group revised the *Administrative Measures for Allowances, Subsidies and Benefits* and the *Administrative Measures for Total Wage Management*. By further standardising its salary and benefit management system and improving the performance-linked remuneration mechanism, the Group effectively enhanced organisational vitality and provided strong support for its steady development.



In order to safeguard employees' rights to information, participation and supervision in accordance with the law, the Group actively listens to employees' opinions and attaches importance to and responds to the reasonable concerns of the employees, and continuously promotes democratic management. The Company has established an employee representative meeting in accordance with the law, with re-election being carried out every five years, and holds a meeting on an annual basis. Labor unions at all levels continued to strengthen democratic management within the Company, with matters involving the "Three Major and One Large" being promptly disclosed to employees. In 2025, the Group convened the fifth meeting of the third session of the employee representative meeting, during which reports were presented by principal Party and administrative leaders on matters including employee welfare and workplace safety.

The Group values the diversity of its employees, supports people with disabilities and ethnic minorities to join the Group, and has formulated relevant rules, regulations, and procedures to create an inclusive, respectful and diverse working environment. The Group clearly stipulated various rights entitled to female employees in the *Special Contract for Female Employee* (《女職工專項合同》), including organising interaction activities between female employees irregularly, offering exclusive holidays and gifts for female employees, taking out special insurance for female employees against special illnesses under the Shanghai Federation of Trade Unions, organising gynecological check-ups for female employees once a year, etc., in order to fully protect their rights.

Employee engagement and care

In order to enrich the cultural life of employees and promote work-life balance, the Group organises each business branch and regional branch to continuously carry out a variety of employee cultural and sports activities, fostering a positive and collaborative corporate culture. At present, the Group has established three major employee cultural and sports clubs, namely badminton, basketball and yoga/aerobics, and regularly organises activities to provide employees with a platform to showcase their talents and enhance communication and exchanges among employees, thereby continuously strengthening employee cohesion and sense of belonging. In 2025, the Group organised a variety of employee activities focusing on cultural and sports competitions, cultural showcases and frontline support.

Major Employee Activities in 2025

Activity Type	Description
Cultural and sports competitions	- Organised the “We Up, Moving Forward Together” Lianhua Supermarket 2025 Team Challenge. - Held a series of events for the 34th anniversary sports and culture festival of Lianhua Supermarket, including multiple walking and cycling competitions, which inspired employees’ perseverance and strengthened team cohesion.
Cultural showcases	Actively participated in seven themed activities of the Bailian Group Employee Cultural Festival, including microfilms, essay writing and calligraphy and painting, enriching employees’ cultural experience and showcasing their talents.
Frontline support	Launched the “Serving the People” initiative by equipping frontline employees with microwaves, establishing staff rest areas, and providing facilities such as air conditioners and electric fans to continuously improve working and resting conditions.

In terms of caring for employees in difficulties, the Group has established a comprehensive support mechanism, formulated and implemented a series of support policies, and continuously advanced the implementation of a “four-tier employee support and care system”⁵. The Group pays attention to employees’ needs, understands their difficulties and identifies employees with different degrees of difficulties. The *Administrative Measures for Helping Employees in Difficulties* was formulated, and a Labor union gradient assistance system was established to carry out assistance work for employees in difficulty in a targeted manner.

⁵ Four-tier employee support and care system comprises four levels: the Shanghai Federation of Trade Unions, Bailian Group, Lianhua Supermarket and its various business segments.

Assistance for Employees in Need

Help	Applicability
Medical help	- Employees suffering from the 24 major diseases stipulated by the Shanghai Federation of Trade Unions. - Employees suffering from high hospitalization costs and no financial resources for spouse and minor children. - Employees recovering at home or hospitalized for more than 5 days due to work-related injuries, accidents, chronic diseases, four surgeries for female employees and other diseases. - Employees' immediate family members suffering from greater medical expenses due to hospitalization.
Death help	- Employee passed away due to illness. - Death of an immediate family member dependent on the employee.
Disaster help	Accident or injury to employee's family.

Assistance	Specific Measures
Paired assistance	- Leaders and employees in difficulty paired with assistance. - Conducting visits and sending condolences around major festivals.
Education support	For employees whose per capita monthly family income is lower than the monthly minimum wage for employees in Shanghai, scholarships are provided for their children to be admitted to domestic universities.

Employee Engagement Performance in 2025

- In 2025, employee satisfaction with the Group's three employee clubs reached 100%.
- In 2025, the Group conducted a survey to identify low-income employees and distributed hardship subsidies in the form of supplementary food vouchers to a total of 2,500 employees.

5.2 Occupational Health and Safety

Safe Production

Creating a safe and stable production environment is the key foundation of the Group's sound operations. The Group strictly abides by the *Safety Production Law of the People's Republic of China*, the *Regulations of Shanghai Municipality on Safe Production*, the *Fire Control Law of the People's Republic of China*, the *Regulations of Shanghai Municipality on Fire Control*, the *Regulation on Emergency Responses to Work Safety Accidents*, and other laws and regulations. We formulated and implemented the *Emergency Response Plan of Work Safety Accidents*, the *Hazard Investigation and Management System*, the *Risk Grading Management System* and other management systems to continuously promote the standardized and institutionalized implementation of safety production work.

In 2025, the Group fully implemented the requirements of "Party and governance organs bear the equal responsibility, one post with two responsibilities" and "three controls and three musts", reinforced the main responsibility for work safety and the work safety responsibility system for all employees, promoted the formulation of a list of work safety responsibilities and an annual work list for Party and governance leadership teams at all levels, and steadfastly implemented all work on work safety with a sense of responsibility of "always being alert". Meanwhile, the Group further clarified that the leadership team of each member enterprise is the first person responsible for safety production by signing the *Letter of Responsibility for Safe Production* and the *Safety Production Commitment Letter*, and incorporated safety work into the performance appraisal system to continuously strengthen the implementation of responsibilities.

Main Contents and Signing of the 2025 Letter of Responsibility for Safe Production

Main Contents	• Comprehensively strengthening leadership over work safety and fire safety efforts, urging relevant functional departments within the unit and its subsidiaries to enhance safety management, strengthening accountability assessment, improving rules and regulations, promoting safety technology and safeguarding safety investment. • Implementing the "Fifteen Hard Measures" of the Safety Commission of the State Council and the "78" working measures for safe production in Shanghai. • Promoting the investigation and management of various types of risks and hazards, and implementing emergency protection. • Ensuring the completion of all tasks related to work safety and fire safety assigned by the Municipal Committee, the Municipal Government, the Municipal State-owned Assets Supervision and Administration Commission, Bailian Group, and the Company. • The coverage of safety inspections and the rectification rate of hazards of all types of major accidents must reach 100%. • Advocating the "three zeros" goal of zero injury, zero accident and zero loss. • No work safety or fire safety incidents resulting in liability or social impact.
Scope of Signing	• 27 of the Company's various departments signed safety responsibility commitments. • 9 of its local members signed safety responsibility commitments. • Signing coverage rate of 100%.

In 2025, the Group improved its safety management level, enhanced safety awareness and safety risk prevention, and ensured work safety by carrying out safety training and drills, hidden danger investigation and rectification, etc.

Environmental, Social and Governance Report

Work Safety Measures in 2025

Category	Safety Training	Safety Drills	Hidden Danger Investigation
Stores	- We organized online training using the Bailian i-learning platform, and carried out comprehensive publicity and training on safety regulations, knowledge and skills through safety education warning films, centralized training, micro-courses and on-site practical operations. - We arranged offline training by inviting external experts to conduct safety training for relevant departments and third-party entities such as maintenance, repair, construction, and property units. - We organized the "Safety Production Month", "Fire Safety Month" and other themed education activities.	Six emergency plans: power outage emergency plan, anti-terrorism emergency plan, fire emergency plan, explosion prevention emergency plan, typhoon and flood prevention emergency plan, and anti-robbery emergency plan.	In order to deepen source governance and risk prevention and control, the Group conducted hidden danger investigation and problem rectification by combining daily inspections and special inspections.

Category	Safety Training	Safety Drills	Hidden Danger Investigation
Warehousing and Logistics	We carried out safety principal responsibility training, hidden danger investigation training, fire safety training, forklift operation training, elevator management training, driver safety training, confined space safety training, and fire sprinkler system operation training.	Fire evacuation drills, fire safety equipment drills, micro fire station training, elevator, forklift, confined space, pressure vessel emergency rescue drills, etc.	- Comprehensive information-based supervision of the elevator and forklift industries was carried out in accordance with the Major Accident Hazard Determination Standards. - The grid-based hidden danger investigation management of team members was optimized, along with the implementation of the "5+2" key hidden danger investigation.
2025 Performance	Organized 4,198 safety training sessions, with a total of 92,798 participants.	Organized 2,268 emergency drill sessions, with a total of 57,018 participants.	A total of 725 stores were inspected for routine and special inspections, and 1,689 safety hazards of all kinds were found and rectified, with a rectification rate of 100%.

Case Study

Launching a series of “Safety Production Month” awareness campaigns and emergency drills

In June 2025, the Group organized work safety awareness campaigns and emergency drills centered on the theme “Everyone talks about safety, everyone knows how to respond to emergencies – identifying hidden safety hazards around us”, with the aim of continuously reinforcing and ensuring accountability for work safety.

During the campaign, through group viewings of safety warning videos, accident case studies, and analyses of typical incidents, the Group organized a total of 413 safety education sessions, covering 4,610 employees. In addition, 21 specialized sessions were held in support of the three-year action plan to address the root causes of work safety, with 3,664 participants. The Group also arranged 21 sessions on safety laws and regulations, with 491 participants. At the same time, the Group conducted 428 emergency drills simulating typical disaster scenarios such as fires, involving 7,847 employees. These series of activities effectively enhanced employees’ safety awareness and emergency response capabilities, thereby fostering a positive atmosphere where everyone prioritizes safety.

Case Study

Special campaign for national fire safety month

During the national fire safety month in November 2025, the Group implemented a unified plan and coordinated the promotion of fire safety education and awareness across the system. During the campaign, local members conducted a total of 419 fire safety training sessions, reaching 5,743 employees; organized 459 accident case study sessions attended by 5,843 participants; and reinforced safety reminders through measures such as hanging safety banners, distributing informational handbooks, and displaying messages on electronic screens. Focusing on key areas, the Group organized 178 hidden danger investigation and rectification campaigns, identified 188 hidden hazards, and completed rectification for all of them. Meanwhile, 396 emergency drills were conducted, involving 5,438 employees. Through a series of measures, employee fire safety awareness and emergency response capabilities were effectively enhanced, further solidifying the Group’s foundation for safe production and fire safety management.

Case Study

Strengthening logistics and warehousing safety management to enhance intrinsic safety levels

In 2025, the Group systematically advanced safety management improvements with a focus on key aspects of logistics and warehousing, primarily through the following efforts:

- Implementing a “one file for each customer” management system for plants and warehouses, updating safety agreements, clarifying the safety responsibilities of all parties, and establishing and refining 48 safety management systems throughout the year to solidify the foundation of safety management.
- Conducting differentiated training for managers, safety officers, tenants, and frontline employees on topics such as fire safety, special equipment, confined spaces, main responsibility, and annual key projects to continuously enhance the safety awareness and accountability of all employees.
- Organizing specialized emergency drills for high-risk scenarios such as personnel evacuation, fire extinguisher use, micro-fire stations, fire hoses and nozzles, elevators, forklifts, pressure vessels, and confined spaces to improve on-site personnel’s proficiency in emergency response.
- Undertaking and co-organizing safety training and on-site assessments for around 100 participants led by the town government, and introducing the “Four Nos and Two Straights approach during these drills to simulate the handling of sudden incidents, thereby effectively improving risk identification and rapid response capabilities.

Performance of Work Safety in 2025

- In 2025, the Group had no violations of work safety regulations, with zero work-related fatalities and zero fire accidents.

Environmental, Social and Governance Report

Occupational Health

The Group strictly abides by the *Occupational Disease Prevention and Control Law of the People's Republic of China* and other relevant laws and regulations, and has formulated and implemented the management systems such as the *Measures for Management of Employees' Occupational Health*, the *Measures for Management of Labor Protection of Female Employees*, and the *Employees' Protective Equipment Management System* to provide systematic protection for creating a safe and healthy workplace environment.

With a view to reducing occupational risks for employees and raising their health awareness, the Group arranges regular medical check-ups for employees, and conducts safety hazard inspections in the office environment. Through systematic occupational safety education and training, we strengthen employees' awareness of self-protection and their ability to handle emergencies. Furthermore, the Group requires that all safety management personnel should be licensed and obtain the *Safety Officer Certificate* or the *Safety Manager Certificate*, with a coverage of 100%. In 2025, 0 occupational diseases occurred within the Group.

With respect to the personal protective equipment and safety gear, Lianhua Logistics, a subsidiary of the Group, continuously updates key protective items such as safety harnesses, safety helmets and reflective vests, and strictly enforces usage requirements: all personnel entering the premises must wear reflective vests, and forklift operators must wear safety helmets. In addition, the Group provides specialized protective equipment tailored to the specific risks of different positions and conducts regular inspections and maintenance of the equipment to ensure that safety measures are effectively implemented for employees during both routine operations and emergencies.

5.3 Employees' Development and Training

Talent recruitment and retention

The Group is committed to establishing a sound talent recruitment and retention system, constantly improving the mechanism of "career achievement for talent and environment retention for talent", and providing a platform for employees to demonstrate their talents. The Group primarily implements its talent development system through talent reserves, team building, and salary optimization.

Talent Recruitment and Retention Approaches

Talent reserve	Team building	Salary optimization
• Management Trainee Program: pay attention to campus talent training and reserve young talents • "Eagle Series" program: strengthen internal talent pipeline construction and accelerate talent growth	• "Strong Soldiers and Sturdy Horses (兵強馬壯)" Plan: strengthening the construction of a team of 100 Core Cadres • External recruitment and internal training system: internal promotion and external recruitment	• Optimize compensation system • Build flexible bonus mechanism • Deepen the partner mechanism

The Group continues to strengthen talent recruitment for key positions and enhance talent pipeline construction. In 2025, the Group commenced recruitment of reserve store managers and store assistants of Lianhua Supermarket Development, hiring a total of 20 reserve store managers and 40 store assistants. At the same time, the Group established a memorandum of understanding for school-enterprise cooperation with the Shanghai Trade School. By opening store internship platforms to college and vocational students, the Group aims to improve the alignment between management trainees and frontline management positions. Furthermore, to support store transformation and upgrades as well as the enhancement of fresh produce operations, the Group intensified its recruitment of fresh produce technicians and hired a total of 66 fresh produce-related employees throughout the year, effectively supporting frontline store operations and business upgrades.

The Group places high importance on the training of management trainees, and formulated the *Management Trainee Training and Development Scheme (2024 Edition)* to accelerate the growth and development of young reserve cadres through measures such as iterating training models, optimizing promotion cycles, and personalized training strategies. In 2025, the Group's headquarters recruited a total of 15 management trainees who had just graduated from universities in order to introduce new momentum to the talent pipeline.

Management Trainee Training Measures

Measures	Specific contents
Iteration of the “Young Eagle Program”	Iterating from “1236”⁶ to “125+6+4”⁷, adding 6 months of project experience. Let management trainees go to the grassroots with problems and return to the headquarters with projects, and receive comprehensive training through the cycle of theory-practice-project-practice.
Shortening promotion cycles	- In order to speed up the selection and training during the reserve and incubation periods, break the traditional promotion path and establish a fast lane, management trainees can obtain job grade adjustments after passing the probation period, shortening the promotion cycle. - The annual performance reports of 17 management trainees from the classes of 2022-2023 have been completed. A hierarchical classification approach was implemented based on the evaluation results to promote 1 employee, increase salaries for 15 employees, and reassign 2 employees, thereby effectively transforming training outcomes into tangible results for talent development.
Personalized training strategies	- Based on the feedback from the “Eagle Program” training results, we develop personal growth plans for outstanding students and conduct assessment tracking. Based on annual assessments and our needs, we develop personalized training programs for high-quality management trainees with potential to promote their rapid growth through participation in major projects and rotational experience. - We conduct DISC⁸ personality assessments, external training, and management performance reports for past management trainees and reserve talent to establish systematic, personalized talent evaluation profiles.

Employee Promotion

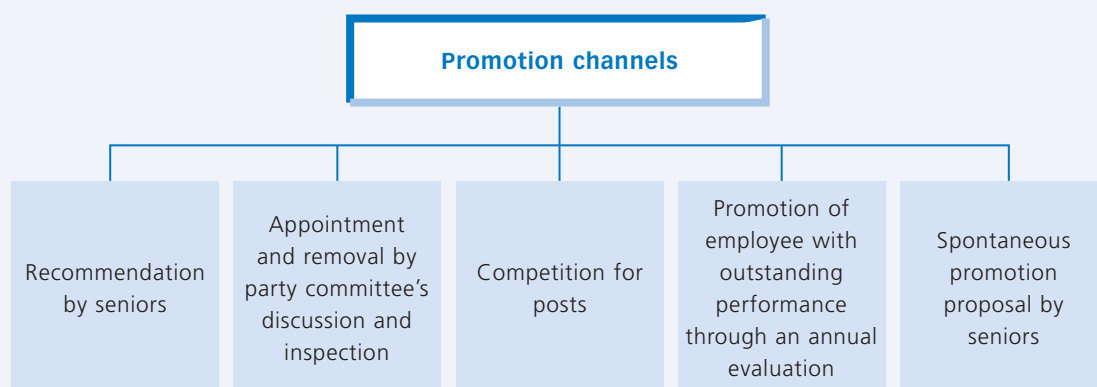
The Group pursues mutual benefit and common development with employees, and continuously optimizes the talent pool and encourages employees to develop their personal expertise, providing a platform for them to enhance their skills and capabilities. Meanwhile, the Group has established smooth promotion channels and competitive recruitment processes to motivate employees and support their promotion and career development.

⁶ “1236” means 1 month of on-the-job training + 2 months of store rotation + 3 months of rotation in the first position at the headquarters + 6 months of rotation in the second position at the headquarters.

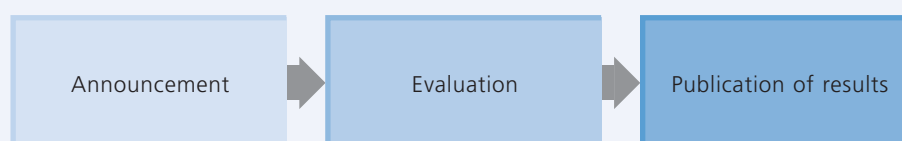
⁷ “125+6+4” means 1 month of lectures and training, 2 months of industry training, 5 months of rotation at the headquarters + 6 months of participation in important company/department-level projects + 4 months of rotation in two related departments.

⁸ DISC: Dominance, Influence, Steadiness, Conscientiousness

Employee Promotion Channels and Process



Process of Competition for Posts



At the same time, the Group is committed to the continuous building of high-quality and interdisciplinary talents, paying attention to the breadth and depth of the career development of talents, and establishing a spiral career development path. The Group formulated the *Management Measures for the Rotation and Temporary Posts of Management Personnel*, which puts forward the requirements of temporary posts, rotations, and part-time jobs for the entry into the core talent team, and clarifies the management process and assessment requirements during the temporary post period in order to establish a long-term effective mechanism.

Employee training

The Group provides diversified learning and improvement opportunities for employees, enabling each employee to better realize his/her value at work. In order to enhance the professional skills and management capabilities of our employees, the Group organizes relevant customized training programs and training activities for middle management reserve, young cadre reserve, store partners, store employees, new employees, interns and other employees at all levels.

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Trainings for Different Types of Employees

Type of Employees	Training Program
Interns	• Hatching Program
New employees	• New employee orientation for stores • New employee orientation for departments and offices of the headquarters
Store employees	• Training for reserve store managers of Lianhua Supermarket Development • Business empowerment training for franchised stores of Lianhua Supermarket Development
Store partners	• Business training for store managers of Lianhua Supermarket Development
Young cadre reserve	• Eagle Program of Bailian Group • Management trainee orientation of the headquarters
Middle management reserve	• Young Eagle Program of Lianhua Supermarket

Type of Training and Training Program

Type of Training	Training Program
Professional skills	• Office skills training • Business skill level assessment and training
Ideology and system building	• Party-building platform • System and business process learning
Safety culture building	• Food safety training • Work safety training • Internet safety training

In terms of young talent cultivation and development of young and middle-aged cadres, the Group emphasizes practical experience and skill enhancement to drive the high-quality development of talent pool. In 2025, the Group achieved significant results through the Young Eagle Program and the “Strong Eagle” training program for young and middle-aged cadres.

Key Achievements in Employee Training in 2025

Type of Training	Training Achievements
Yong Eagle Program	- Five outstanding young employees were selected for the Bailian Group 9th Young Eagle Program, comprehensively enhancing their safety production management capabilities. - Five outstanding young employees were selected for the Bailian Group 10th Young Eagle Program, further strengthening their professional financial management skills. - A “Two-Year On-the-Job Training” plan was developed for each trainee, with assigned mentors providing continuous monitoring, review, and evaluation to ensure tangible results of training.
“Strong Eagle” Training Program for Young and Middle-Aged Cadres	Two cadres were selected for the Bailian Group 2nd “Strong Eagle” Training Program, further enhancing their Party spirit, political qualities, and capabilities in coordination, innovative development, and practical work.

Based on the achievements in talent development, the Group has fully implemented the *Plan for Building a Team of Model Workers and Advanced Individuals* to promote the application of advanced experience on the front lines and further leverage the exemplary role of role models. At the same time, the Group continues to organize labor competitions and incentive programs for advanced models, with the aim of enhancing employees’ professional capabilities and service quality.

Employee Training Performance in 2025

- In 2025, the Group focused on its annual business objectives and organized a Chinese New Year (CNY) labor competition, featuring events specifically designed for frontline employees. A total of 520 frontline employees received the “National Challenge Individual Award”.
- Li Jian of Century Lianhua Operation District 2 was honored with the title of “Shanghai Model Worker”. A Model Worker Innovation Workshop was established.

6. NOURISHING ALL AROUND: COMMUNITY INTEGRATION AND VALUE CO-CREATION

6.1 Community Communication and Development

The Group pays attention to the development of the communities where it operates, organizes various community activities, and encourages employees to participate in community volunteer services to build a corporate community communication culture atmosphere.

The Group actively focuses on community activities, guaranteed services and other fields, and works with residents and consumers to create a harmonious community life.

Key Community Communication Actions in 2025 (Partial)

Community activities	- On 15 March, the food safety science popularization campaign themed “Building Satisfactory Consumption 315 Together” was held in supermarkets to promote the relevant knowledge among residents in the surrounding communities. Lianhua Supermarket WeChat official account simultaneously released the related communication content to raise awareness of consumer rights and related knowledge. - On 23 May, the Neighborhoodly Lifestyle Festival was held in Ganquan Subdistrict, featuring a carefully curated selection of popular daily necessities for surrounding residents, along with unique public welfare services. - On 28 October, the Double Ninth Festival marketing event themed “Silver Selection, Gold Choice” was held. The event provided on-site taste-testing of premium products for the elderly, along with QR code scans for lucky draws and introductions to elderly-friendly modification. Nearly 200 people participated in the interactive activities that day.
Guaranteed services	Create service stations for the elderly. Lianhua Supermarket Development established 14 service stations for the elderly in 2025, providing the elderly customers with warm items such as self-service blood pressure measurement, reading glasses, and magnifying glasses, supporting utility bill payment, and providing drinking water, seating and rest services to elderly customers. Stores that have the capacity can set up special counters selling sugar-free foods and reading glasses. Launch the Bailian Express initiative. In 2025, the Group organized a total of 2,028 events of Bailian Express entering communities, enterprises and institutions, encouraging store employees to engage with local communities and provide a variety of services for community residents.

6.2 Charity and Volunteer Activities

The Group pays close attention to the pressing problems in society and regularly organizes charity and volunteer service activities to actively play a demonstrative role and inspire more people to join the public welfare undertaking.

The Group continues to promote volunteer activities by Party members, insisting on taking working Party members as the main body. Relying on public welfare projects to serve the grassroots, the Group conducted “double registration” and “pioneer leading and fusion breakthrough” volunteer action in the community, enhancing Party members’ awareness of Party spirit and responsibility. In addition, the Group has established a youth volunteer service team to actively participate in the China International Import Expo, the Labor Day Shopping Festival and other large-scale Group events, guiding young employees to practice corporate culture and volunteer spirit through practical actions. ”

Charity and Volunteer Activities of the Group’s Headquarters in 2025 (Partial)

Event Name	Event Content	Achievement
The “Caring Water Intake Station” public welfare projects	During the high-temperature periods in summer from July to August, free and convenient drinking water services were provided to workers in high-temperature environments, outdoor workers, and citizens in need of temporary hydration.	During the 32-day heatwave period, over 30,000 bottles of mineral water were provided free of charge, serving more than 12,000 outdoor workers.
The “Cooling the Summer, Caring for Sanitation Workers” charity event	Century Lianhua stores have partnered with local sanitation stations to provide frontline sanitation workers with heat-proof and cooling materials and condolences.	For the eighth consecutive year, 22 stores have visited sanitation workers in their local communities, presenting 20 cases (440 cases in total) of “Excellence Offering” (優饗) pure drinking water with bulk packages to each station.
Set up outdoor love relay stations	Some stores of Lianhua Supermarket Development have set up outdoor love relay stations to provide basic services support such as rest areas drinking water, and meal heating to outdoor workers.	In 2025, there were a total of 53 outdoor love relay stations in operation.

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Charity and Volunteer Activities of the Group's subsidiaries/branches in 2025 (Partial)

Event Name	Event Content and Achievement
Lianhua Huashang	
Citizen Love Day	Actively participate in the 20th Hangzhou "Citizen Love Day" event, carefully selecting 19 types of live and fresh produce and snacks to be sold at a low price, with over RMB3,000 raised for oriented charitable donation.
Child-Friendly Life Festival	The "Child-Friendly Life Festival" was held, integrating parent-child interaction, intangible cultural heritage, and public welfare practices. A special "Meow Charity" zone was set up, innovatively implementing a "Buy One, Give One" model to convert product sales into in-kind assistance for children with disabilities.
"Each Drop of Donated Blood 'Saves' Lives Around Us" volunteer branded activity	The fourth session of the public welfare co-prosperity project, "Each Drop of Donated Blood 'Saves' Lives Around Us" volunteer branded activity, was held, with 60 employees and caring individuals participating in the blood donation, contributing a total of 17,230 ml. Concurrently, a charity sale and interactive games were organized, with RMB16,167 raised for the fulfillment of the wishes of children with leukemia.
Lianhua Guangxi Company	
Establishing volunteer posts to learn from Lei Feng	Lei Feng volunteer posts have been set up in six stores, and stores had arranged full-time volunteers to provide assistance to people in need, providing a total of 17,000 hours of service throughout the year.

Performance of Charity and Volunteer Activities in 2025

- In 2025, the Group's community charity investment amounted to RMB436.5 thousand.
- In 2025, 4,313 employees of the Group provided voluntary services, totaling 64,244 hours.

6.3 Rural Revitalization

Lianhua Supermarket has actively participated in the revitalization of villages. As an operator of commodities for people’s livelihood, the Group, in addition to providing good commodity management services and ensuring supply, is actively developing rural markets, fully taking advantage of the scale of its outlets, and using the matching of production and sales as an entry point. The Group targeted its assistance to Yunnan, Xinjiang, Jiangxi and Fujian, making good use of the local characteristics and advantageous resources and the efficient and comprehensive sales and transportation network of Lianhua Supermarket to promote the standardized development of local agricultural industries and enhance the popularity of their products, accumulating the “Lianhua Experiences” for exploring a sustainable path of agricultural development and supporting rural revitalization.

Rural Revitalization Measures in 2025 (Partial)

Rural market support	• The Group has been actively exploring the rural market and opened chain supermarkets in villages. In 2025, Lianhua Supermarket Development opened one new outlet in Jinshan District, Shanghai; and Lianhua Supermarket Development actively carried out various offline activities in Chongming District, organizing a total of 138 customer acquisition activities, 27 internal purchasing activities and 7 express events, continuously stimulating consumption vitality in rural areas and playing a positive role in supporting rural revitalization. • We have paired up with Zhina Village in Zhonghe Township, Yongren County, Chuxiong Prefecture, Yunnan Province, to provide Zhina Village with a special fund of RMB100,000 each year, which is used for the construction of a “love supermarket” and small-scale public welfare projects at the village level. The labor union of the Group actively responded to the procurement and directly purchased Yongren fruits as welfare distribution to employees. • As part of its poverty alleviation efforts in Chunan County, Lianhua Huashang promoted the “contracted farming” model, expanding the area under cultivation to 336 mu. The branded camellia seed oil manufacturers were also encouraged to purchase 28 tons of raw tea seeds from Zhongzhou, Chunan, thereby helping local farmers achieve stable income growth.

**Connecting
production and
sales**

- We drove the implementation of the “Bailian Shanghai Premium Products” initiative by establishing a partnership with the Shanghai Municipal Agriculture Commission to make every effort to roll out the “Bailian Shanghai Premium Products” branded commodities across all of the Group’s stores, setting up dedicated display areas for “Bailian Shanghai Premium Products”, and boosting sales of commodities from rural and township areas.
- We established a long-term cooperative relationship with the Yunnan Fruit and Vegetable Professional Cooperative **to purchase Yunnan’s local specialty agricultural products**, such as soft-seeded pomegranate gift boxes.
- We actively participated in the assistance work organized by the Municipal Commerce Commission, **purchasing products such as Jiangxi Majia Pomelo** and supporting the economic development of local farmers.
- Lianhua Huashang launched a special group buying campaign themed “Supporting through Purchasing”, mobilizing Party members, cadres and external clients to purchase over 2,200 units of specialty agricultural products such as rice. The initiative generated a sales volume of over RMB50,000 from the assisted areas, effectively addressing challenges in selling agricultural products.
- Lianhua Huashang supported the development of the specialty agriculture industry in Datangbian Village, Shouchang Town by introducing 150kg of Glutinous-textured Loofah into its stores for sale, achieving a sales volume of RMB1,590 in the assisted area.

Case Study

**Hosting the “Connecting Mountains and Seas:
Lianhua Gold Buyers’ Exhibition of Premium, Unique,
and Innovative Agricultural Products”**

From 11 to 17 November 2025, the Group hosted the “Connecting Mountains and Seas: Lianhua Gold Medal Picks’ Exhibition of Premium, Unique, and Innovative Agricultural Products”, showcasing specialty agricultural products from high-quality production regions across the country, including Shanghai, Yunnan, Anhui, Xinjiang and Jilin. Through direct sourcing from origin regions and the systematic introduction of “premium, unique, and innovative” agricultural products such as Pu’er tea, dried fruits, and sauced pressed duck, an efficient supply chain from source to table was established, thereby supporting the development of characteristic rural industries.

The exhibition featured seven themed booths showcasing over 500 varieties of local specialty products. Concurrently, six themed zones including roasted nuts and seeds, medicine-food homology products, tea, hot pot and cured products were set up in the store, enriching the shopping experience. During the exhibition, approximately 30,000 visits were attracted cumulatively, with the Zhonghuan store of Century Lianhua recording an average of approximately 3,000 visitors per day. Featured products such as Rainbow Peanuts and Black Peanuts achieved a cumulative sales of 548 boxes. This exhibition effectively expanded sales channels for high-quality agricultural products, promoted the development of local specialty industries, and contributed to rural revitalization and supply chain upgrades.

7. ESG DATA SHEET AND NOTES

Environmental performance

Environmental Performance Table¹

Indicator	Unit	2023	2024	2025
Emissions				
Total GHG emissions ²	ton CO ₂ e	172,192.39	152,007.19	131,870.71
Scope 1: GHG emissions ²	ton CO ₂ e	2,265.12	1,982.86	1,680.61
Scope 2: GHG emissions ²	ton CO ₂ e	169,927.27	150,024.33	130,190.10
GHG emissions per unit area	kg CO ₂ e/m ²	95.38	89.53	86.33
Total quantity of hazardous wastes	ton	6.55	4.89	3.42
Quantity of hazardous wastes per unit area	g/m ²	3.68	2.88	2.24
Total quantity of non-hazardous wastes	ton	4,265.44	3,459.55	2,017.54
Quantity of non-hazardous wastes per unit area	kg/m ²	2.39	2.04	1.32
Discharge of domestic wastewater	ton	2,499,186.94	2,568,027.96	2,372,858.01
Use of Resources				
Total consumption of power				
(Indirect energy consumption)	MWh	297,961.19	281,400.47	248,184.96
Including: purchased electricity	MWh	297,961.19	279,583.17	245,363.93
self-generated electricity	MWh	0.00	1,817.30	2,821.03 ³
Power consumption per unit area				
(Indirect energy consumption per unit area)	kWh/m ²	167.25	165.75	162.47
Total direct energy consumption	MWh	8,830.88	7,391.51	6,235.09
Direct energy consumption per unit area	kWh/m ²	4.96	4.35	4.08
Total gas consumption	m ³	64,695.60	34,204.59	21,929.00 ⁴
Gasoline consumption of freight vehicles	liter	48,121.21	26,828.16	16,172.24 ⁵
Diesel consumption of freight vehicles	liter	740,376.48	650,193.04	566,146.16
Gasoline consumption of official vehicles	liter	27,637.58	26,659.10	17,296.03
Diesel consumption of official vehicles	liter	421.12	0	0
Total water consumption	ton	2,665,179.53	2,697,284.16	2,445,933.33
Water consumption per unit area	ton/m ²	1.50	1.59	1.60
Total quantity of purchased packages	ton	1,287.46	1,314.08	1,284.44
Purchased packages per unit area	kg/m ²	0.72	0.77	0.84
Environmental Management System				
Total investment in environmental protection	RMB'0000	522.09	561.74	524.26
Including: equipment renewal	RMB'0000	113.34	159.07	240.50
waste treatment	RMB'0000	408.75	402.67	283.76

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Notes:

1. Statistical caliber: In 2025, the data statistical caliber is within the scope of consolidated reports, and if not otherwise specified, includes Lianhua Supermarket, Century Lianhua, Lianhua Supermarket Development, Lianhua Quik, Lianhua Logistics, regional subsidiaries (including Lianhua Huashang, Lianhua Guangxi Company and Lianhua Henan Company) and all directly-operated stores (including Shanghai and other regions). Data in relation to hazardous and non-hazardous wastes exclude Lianhua Supermarket Development, Lianhua Quik, Lianhua Huashang and Lianhua Henan Company. The total purchases of packages exclude Lianhua Quik. In 2025, the Group divested two subsidiaries, namely, Lianhua Anhui Company and Lianhua Jiangsu Company, resulting in a narrowed scope of consolidated reports. Unless otherwise specified, any decrease in environmental data is attributable to changes in the statistical caliber.
2. Calculation method: Total GHG emissions include Scope 1 and Scope 2 GHG emissions. Scope 1 GHG gas emissions came from direct energy consumption such as natural gas, gasoline and diesel used by its self-owned official vehicles and freight vehicles. The emission factors take reference to the coefficients in the *Guidelines for Measurement Methodology and Reporting of Corporate Greenhouse Gas Emissions of Power Generation Equipment (2022 revision)*. Scope 2 GHG emissions came from indirect energy consumption such as the Group's purchased electricity. It is calculated based on the electricity consumption data and the grid emission coefficients which are based on the latest national grid emission coefficients published in the year of disclosure. The 2023 emission coefficients adopt the coefficient of 0.5703 tCO₂/MWh published in the *Notice on the Management of Greenhouse Gas Emissions Reporting by Enterprises in the Power Generation Industry for 2023 to 2025* by the Ministry of Ecology and Environment. The 2024 emission coefficients adopt the coefficient of 0.5366 tCO₂/MWh published in the *Release of Carbon Dioxide Emission Factors for Electricity in 2022* by the Ministry of Ecology and Environment. The 2025 emission coefficients adopt the coefficient of 0.5306 tCO₂/MWh published in the *Release of Carbon Dioxide Emission Factors for Electricity in 2023* by the Ministry of Ecology and Environment. The above data covers the direct or indirect greenhouse gas emissions of the Group's business operations in the Chinese mainland. The calculation method for greenhouse gas emissions and the emission factors used for the calculation are based on the standards of the Chinese mainland.
3. All self-generated electricity comes from photovoltaic power generation. In 2025, the rooftop distributed photovoltaic power generation projects at Century Lianhua's Shanghai Gucun Store and Kongjiang Store became operational, resulting in an increase in the use of self-generated electricity.
4. In 2025, total gas consumption decreased due to a narrower scope of data statistics and reduced gas usage by food and beverage merchants at stores operated by Lianhua Henan Company.
5. In 2025, gasoline consumption of freight vehicles decreased due to a narrower scope of data statistics and Lianhua Guangxi Company scrapping one gasoline-powered vehicle and replacing it with a new energy vehicle.

Social performance

Employment Performance Table

Category	Indicator	Unit	2023	2024	2025
Employment					
Total employees		Person	25,735	21,606	18,630
By gender	Males	Person	8,023	6,961	5,946
	Females	Person	17,712	14,645	12,684
By form of employment	Full-time labour				
	contract employees	Person	16,357	13,594	11,708
	Full-time dispatch				
	contract employees	Person	2,202	1,738	1,335
By age	Part-time employees	Person	7,176	6,274	5,587
	Over 50 years old	Person	6,701	5,436	4,981
	30-50 years old	Person	17,328	14,709	12,077
By birthplace	Under 30 years old	Person	1,706	1,461	1,572
	Staff from Mainland China	Person	25,735	21,606	18,630
	Staff from Hong Kong, Macao and Taiwan and overseas	Person	0	0	0
By rank	Senior management	Person	38	41	33
	Middle management	Person	513	467	378
	Junior management	Person	25,184	21,098	18,219
Turnover Rate¹		%	28.47	37.10	33.71
By gender	Male employees' turnover rate	%	26.84	34.94	30.62
	Female employees' turnover rate	%	29.21	38.10	35.17
By age	Over 50 years old employees' turnover rate	%	31.44	46.68	51.22
	30-50 years old employees' turnover rate	%	21.45	27.76	20.62
	Under 30 years old employees' turnover rate ²	%	92.44	94.85	89.15
	Turnover rate of employees from Mainland China	%	28.47	37.10	33.71
By birthplace	Turnover rate of employees from Hong Kong, Macao and Taiwan and overseas	%	0.00	0.00	0.00
	Number of employees participating in health check-ups	Person	12,882	11,638	9,635
Employee health check-ups	Coverage rate of employee health check-ups ³	%	50.06	53.86	51.72
Protection of rights and benefits through collective bargaining	Number of employees covered by collective bargaining agreements	Person	23,559	16,599	14,188
	Percentage of employees covered by collective bargaining agreements	%	91.54	76.83	76.16
	Total number of discriminations	Case	0	0	0

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Category	Indicator	Unit	2023	2024	2025
Employee Health and Safety					
	Number of work-related fatalities	Person	0	0	0
	Lost days due to work injury	Day	7,779.00	9,488.00	7,032.00
Employee Development and Training					
	Percentage of employees trained ⁴	%	95.78	95.17	94.54
By gender	Percentage of male employees trained	%	31.53	32.37	32.02
	Percentage of female employees trained	%	68.47	67.63	67.98
	Percentage of senior management trained	%	0.15	0.19	0.18
By rank	Percentage of middle management trained	%	1.95	1.94	2.03
	Percentage of junior management trained	%	97.89	97.87	97.79
	Average training hours completed by employees ⁵	Hour	13.44	13.61	11.35
By gender	Average training hours completed by male employees	Hour	14.74	15.30	11.93
	Average training hours completed by female employees	Hour	12.85	12.81	11.09
	Average training hours completed by senior management	Hour	33.84	24.45	27.80
By rank	Average training hours completed by middle management	Hour	49.43	36.07	37.36
	Average training hours completed by junior management	Hour	12.68	13.09	10.78

Notes:

1. Calculation method: Employee turnover rate=number of employees in this category lost within the year/[(total number of employees in this category at the beginning of the year + total number of employees in this category at the end of the year)/2] x 100%.
2. Due to the special nature of the retail industry, employees are required to work on scheduled shifts (six-day work or pay on working hours), which is not well accepted by employees under 30 years old, and the traditional industry is not attractive to employees under 30 years old, therefore, the turnover rate of employees under 30 years old is high.
3. This figure represents the physical examination arrival rate of employees of the Group.
4. Calculation method: Percentage of each employee category trained=number of employees in this category trained/total number of employees trained.
5. Calculation method: Average annual training hours completed by employees by category = total training hours of employees in this category during the year/number of employees in this category at the end of the year.

Supply Chain Management Performance Table

Indicator	Unit	2023	2024	2025
Number of suppliers (end of period)	supplier	2,378	1,968	1,769
Number of suppliers from Mainland China (end of period)	supplier	2,376	1,966	1,769
Number of suppliers from Hong Kong, Macao and Taiwan and overseas (end of period)	supplier	2	2	0

Product Responsibility Performance Table

Indicator	Unit	2023	2024	2025
Sales of products sold subject to recalls for safety and health reasons as a percentage of total sales	%	0.002	0.001	0.001
Total amount of fines for violating laws and regulations relating to products and services	RMB'0000	42.32	14.53	1.54¹
Number of incidents of violation of laws and regulations relating to products and services	Case	57	52	16¹
Complaint treatment rate with respect to products and services	%	100	100	100
Total number of complaints with respect to products and services	Case	1,911	1,946	2,026
Confirmed complaint of infringement of customer privacy and loss of customer information	Case	0	0	0
Customer satisfaction	%	95.77	96.97	93.27²

Notes:

1. The Group strengthened internal management and strictly complied with laws and regulations related to products and services, resulting in a decrease in the amount of fines imposed for violating such laws and regulations and the number of related incidents.
2. In 2025, Century Lianhua, a subsidiary of the Group, introduced the Lianhua Huashang supply chain. The products sold differed slightly from the consumption habits of local consumers in Shanghai. Customer satisfaction regarding whether the products met daily needs, the variety and scale of fresh produce, and the intensity of promotions and discounts all fell below 90%, resulting in a decline in overall satisfaction. Moving forward, the Group will align its operations with local demand and supply chain conditions to adjust the rationality of supply chain procurement and promotional efforts, in order to enhance customer satisfaction.

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Safe Production Performance Table

Indicator	Unit	2023	2024	2025
Total amount of investment in safe production	RMB'0000	200.79	135.73	131.12
Number of safety hazards and 5S inspections	Item	9,441	9,732	9,224
Number of safety training	Time	2,776	3,628	4,198
Number of participants in safety training	Person	113,720	105,093	92,798
Number of emergency drills	Time	2,708	2,949	2,268
Number of participants in emergency drills	Person	77,997	86,548	57,018¹

Note:

1. In 2025, the number of stores closed by the Group's subsidiaries increased, and the number of employees decreased, resulting in a decline in the number of participants in emergency drills.

Community Public Welfare Performance Table

Indicator	Unit	2023	2024	2025
Community public welfare investment	RMB	562,057	459,017	436,490
Number of volunteers	Person	2,681	4,071	4,313
Number of volunteer service hours	Hour	26,638	67,601	64,244

Governance Performance

Anti-corruption Performance Table

Indicator	Unit	2023	2024	2025
Number of employees participating in anti-corruption training	Person	8,722	8,379	7,696
Total hours of anti-corruption training of employees	Hour	10,932	11,496	10,391
Number of concluded lawsuits regarding corruption brought against the issuer or its employees during the reporting period	Case	0	0	0
Number of directors participating in anti-corruption training	Person	11	11	11
Total hours of anti-corruption training of directors	Hour	27.5	27.5	27.5
Hours of anti-corruption training per director	Hour/Person	2.5	2.5	2.5
Percentage of directors covered by anticorruption training	%	100	100	100

8. INDEX OF ESG REPORTING CODE BY THE STOCK EXCHANGE

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B2.2	ESG Data Sheet and Notes
B2.3	5.2 Occupational Health and Safety
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B5. Supply Chain Management	4.2 Supply Chain Environment and Social Management
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B6. Product Responsibility	4.1 Product Quality Management 4.3 Consumer Relationship Management 4.4 Enhancing Digitalisation 4.5 Responsible Marketing
B6.1	ESG Data Sheet and Notes
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B7. Anti-corruption	2.3 Business Ethics and Anti-corruption
B7.1	ESG Data Sheet and Notes
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B8. Community Investment	6. Nourishing All Around: Community Integration and Value Co-creation
B8.1	
B8.2	ESG Data Sheet and Notes

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Part D: Climate-related Disclosures	
Climate-related Disclosures	Chapter Disclosed
(i) Governance	
19. Governance	3.3 Addressing climate change – Governance
(ii) Strategy	
20. Climate-related risks and opportunities	3.3 Addressing climate change – Strategy
21. Business model and value chain	The Group applied the Reasonable Information Relief from the relevant indicators. The Group has disclosed the impact of climate-related risks and opportunities on its business model in the section headed “3.3 Addressing climate change”. No reasonable and supportable information regarding the value chain was available without undue cost or effort at the reporting date. The Group will progressively advance its assessment of climate risks and opportunities related to the value chain and will carefully consider further disclosures at an appropriate time in the future.
22-23. Strategy and decision-making	3.3 Addressing climate change – Strategy
24. Financial position, financial performance and cash flows – current financial impact	3.3 Addressing climate change – Risk Management
25. Financial position, financial performance and cash flows – expected financial impact	The Group applied the Capabilities Relief from the relevant indicators. The expected financial impact of climate-related risks and opportunities involves multiple factors, including policy changes, market reactions, and technological advancements, and is subject to a high degree of uncertainty. No reasonable and supportable information was available to the Group without undue cost or effort at the reporting date. Based on the implementation of the relief arrangement, the Group has not yet provided a quantitative disclosure regarding the expected financial impact.
26. Climate resilience	The Group applied the Capabilities Relief from the relevant indicators. Climate resilience assessments typically require scenario analysis and long-term assumptions. No reasonable and supportable information was available without undue cost or effort at the reporting date. The Group is currently assessing the feasibility of conducting climate scenario analysis.
(iii) Risk Management	
27. Risk management	3.3 Addressing climate change – Risk Management

Climate-related Disclosures	Part D: Climate-related Disclosures Chapter Disclosed
(iv) Metrics and Targets	
28-29. Greenhouse gas emissions	3.3 Addressing climate change – Metrics and Targets
	ESG Data Sheet and Notes
	The Group has applied the Reasonable Information Relief for Scope 3 greenhouse gas emissions-related metrics. As the Group's greenhouse gas management system is still at an early stage of development, current resources are primarily focused on the accurate accounting of Scope 1 and Scope 2 emissions data. A comprehensive assessment of Scope 3 emissions is still in the planning stage and will be gradually incorporated into the disclosure scope when conditions permit.
	Regarding item 29(c), the Group has not yet purchased green certificates or green electricity, and therefore does not have any contractual Instruments related to Scope 2 greenhouse gas emissions.
30. Climate-related transition risks 31. Climate-related physical risks 32. Climate-related opportunities	The Group applied the Reasonable Information Relief from the relevant indicators. Given that the impact of climate-related transition risks, physical risks, and opportunities on assets or business activities involves multiple factors, including policy changes, market reactions, and technological advancements, there remains a high degree of uncertainty regarding the assessment of the specific amounts and percentages affecting individual assets or business activities. Based on the implementation of the relief arrangement, the Group has not yet provided quantitative disclosures regarding the relevant impacts and has instead provided qualitative disclosures regarding the nature of the risks and the direction of risk management. The Group is progressively advancing the relevant assessment work and will prudently consider further disclosure in subsequent appropriate periods, taking into account regulatory requirements, data availability, and progress in internal management.
33. Capital deployment	The Group applied the Reasonable Information Relief from the relevant indicators. The Group has not yet separately aggregated or quantified capital expenditure, financing, or investments related to climate-related risks and opportunities. Relevant investments are primarily implemented as part of overall production and operations, technological upgrades, and energy conservation and environmental protection projects. It is difficult to accurately identify the specific climate-related financial amounts at the current stage. The Company will continue to assess the feasibility of establishing relevant statistical and disclosure mechanisms as its management capabilities and data infrastructure gradually improve.
34. Internal carbon prices	The Group is currently conducting an assessment of the applicability and feasibility of internal carbon prices in business decision-making, as well as preliminary research. Moving forward, it will proceed with relevant arrangements in a timely manner, taking into account regulatory requirements and its actual circumstances.

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Climate-related Disclosures		Part D: Climate-related Disclosures Chapter Disclosed
35. Remuneration		3.3 Addressing climate change – Governance Currently, the Group has not yet incorporated climate-related factors into its remuneration policy. In the future, the Group plans to include the achievement of greenhouse gas emission reduction targets in the performance assessment indicators of the department responsible for climate change issues within the ESG Working Group.
36. Industry-based metrics		ESG Data Sheet and Notes
37.		3.3 Addressing climate change – Metrics and Targets
38.		3.3 Addressing climate change – Governance, Metrics and Targets The Group has not revised its GHG emission reduction targets and has not yet obtained third-party verification for them. In the future, the Group will actively benchmark against internationally recognized standards and engage third-party institutions to validate its emission reduction targets and pathways, ensuring the scientific rigor and robustness of such targets.
39.		3.3 Addressing climate change – Metrics and Targets
40.	Climate-related targets	3.3 Addressing climate change – Metrics and Targets (b) The Group's greenhouse gas emissions targets do not currently cover Scope 3 emissions. The Group has applied the Reasonable Information Relief and is prioritizing current resources on the accurate accounting of Scope 1 and Scope 2 targets and data. A comprehensive assessment of Scope 3 emissions is still in the planning stage and will be gradually incorporated into the disclosure scope when conditions permit. (d) The targets have not been derived using industry decarbonization approaches. (e) The Group has not used carbon credits to offset greenhouse gas emissions, and has no plans to do so for the time being.
41. Applicability of cross-industry metrics and industry-based metrics		Applicability has been assessed.

