Application Proof of

MDL Wholesale Limited
麦德龙供应链有限公司

(Incorporated in the Cayman Islands with limited liability)

WARNING

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No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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

MDL Wholesale Limited
麦德龙供应链有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED] plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application, subject to refund)**
Nominal value	**:**	**US$[0.0000005] per Share**
Stock code	**:**	**[●]**

***Joint Sponsors,* [REDACTED]**

UBS 瑞銀集團 CMS 招商證券國際

A copy of this Document, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VI to this Document, [has been] registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Document or any other document referred to above.

The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us on the **[REDACTED]**. The **[REDACTED]** is expected to be on or before **[REDACTED]** (Hong Kong time) and, in any event, not later than 12:00 noon on **[REDACTED]** (Hong Kong time). The **[REDACTED]** will be not more than HK$**[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by 12:00 noon on **[REDACTED]** (Hong Kong time) between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us, the **[REDACTED]** will not proceed and will lapse.

Applicants for **[REDACTED]** may be required to pay, on application (subject to application channels), the maximum **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with a brokerage fee of 1.0%, an SFC transaction levy of 0.0027%, an AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%, subject to refund if the **[REDACTED]** as finally determined is less than HK$**[REDACTED]**.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Document, including the risk factors set out in "Risk Factors" in this Document. The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. See **[REDACTED]** of this Document.

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements under the U.S. Securities Act. The **[REDACTED]** are being offered and sold (i) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the [REDACTED]. We will not provide printed copies of this Document to the public in relation to the [REDACTED].
This Document is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.mdlwholesale.com. If you require a printed copy of this Document, you may download and print from the website addresses above.

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

IMPORTANT NOTICE TO INVESTORS

This Document is issued by our Company solely in connection with the [**REDACTED**] *and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the* [**REDACTED**] *offered by this Document pursuant to the* [**REDACTED**]. *This Document may not be used for the purposes of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a* [**REDACTED**] *of the* [**REDACTED**] *or the distribution of this Document in any jurisdiction other than Hong Kong.*

You should rely only on the information contained in this Document to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this Document. Any information or representation not made in this Document must not be relied on by you as having been authorized by our Company, the Joint Sponsors, [**REDACTED**] *any of their respective directors, officers, representatives or advisors or any other person involved in the* [**REDACTED**].

CONTENTS

This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole Document before you decide to invest in the [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in the* [**REDACTED**] *are set out in the section headed "Risk Factors" in this Document. You should read that section carefully in full before you decide to invest in the* [**REDACTED**].

OUR MISSION AND VISION

Our vision: We strive to become the most trusted food and FMCG distribution partner in China.

Our mission: We provide customers with easily accessible, high-quality merchandise by embracing digitalization and developing the modern supply chain in China.

WHO WE ARE

We are a leading food and FMCG distribution solution provider in China, providing a broad range of corporate and institutional customers as well as retailers with safe, high-quality merchandise and efficient and convenient solutions. These solutions mainly include (i) food service and distribution solutions, (ii) welfare and gifting solutions, and (iii) retailer distribution solutions (which comprise product sales to retailers and supply chain service). During the Track Record Period, we provided food service and distribution solutions and welfare and gifting solutions to over 52,000 and over 88,000 customers, respectively. We provided retailer distribution solutions to Wumart Group for its 100 Maidelong stores, as well as 366 Wumart supermarkets and 304 Wumart convenience stores in China as of December 31, 2023. We combined Metro AG's quality assurance standards with China's local practices, and have established the Maidelong assessment standards. We also built a product traceability system, a high-quality product portfolio featuring private label and imported merchandise, and a nationwide logistics network based on the distributed warehousing and processing model. We have also applied our digital capabilities to all aspects of our business.

OUR COMPETITIVE STRENGTHS

We believe our past successes and our ability to capture future growth opportunities hinge on the following competitive strengths:

- China's leading integrated food and FMCG distribution solution provider;
- Pioneer for high standards of food safety and quality assurance, highly-recognized by the market;
- Attractive, high-quality product portfolio featuring our private label and imported merchandise;
- High-quality and stable customer base that strengthens our risk resilience;
- Global supply chain network with nationwide logistics infrastructure to provide quality solutions within reach;
- End-to-end digitalization for operational excellence; and
- Experienced management team with deep industry expertise and foresight, combining their global B2B business operational insights with local market insights.

See "Business — Our Competitive Strengths."

OUR STRATEGIES

We believe the following strategies pave the way for our sustained success in the future:

- Strengthen our digitalized supply chain and integrated operational capabilities;
- Strengthen our merchandise competitiveness;
- Expand and diversify our customer base; and
- Enhance supply chain vertical integration and identify opportunities for strategic cooperation, investment and merger and acquisition.

See "Business — Our Strategies."

OUR BUSINESS MODEL

We are a food and FMCG distribution solution provider, dedicated to providing safe, high-quality merchandise and efficient and convenient solutions to customers. Our comprehensive range of food and FMCG distribution solutions mainly include (i) food service and distribution solutions, and welfare and gifting solutions for corporate and institutional customers; and (ii) retailer distribution solutions (which comprise product sales to retailers and supply chain service) for retailers. According to Frost & Sullivan, the market size of the food and FMCG distribution industry in China, in terms of revenue, grew from RMB7,036.6 billion in 2018 to RMB9,900.7 billion in 2023, representing a CAGR of 7.1%. This growth is expected to continue at a CAGR of 7.4% from 2023 to 2028, and the market size is expected to reach RMB14,149.7 billion by 2028.

CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers comprised of corporate and institutional customers as well as retailers. Revenue from our five largest customers amounted to RMB17,724.1 million, RMB17,529.8 million and RMB15,904.0 million in 2021, 2022 and 2023, respectively, representing 63.7%, 64.7% and 64.0% of our total revenue for the same years. Revenue from Wumart Group, our largest customer in each of 2021, 2022 and 2023 amounted to RMB17,096.7 million, RMB16,886.6 million and RMB15,405.3 million, respectively, and accounted for 61.5%, 62.3% and 62.0% of our total revenue for the same years. See "Business — Our Customers."

During the Track Record Period, our suppliers were primarily merchandise suppliers and OEM partners. Purchases from our five largest suppliers amounted to RMB3,313.7 million, RMB2,959.4 million and RMB2,855.9 million in 2021, 2022 and 2023, respectively, representing 12.6%, 11.1% and 12.3% of our total purchase amounts for the same years. Purchase from our largest supplier in each of 2021, 2022 and 2023 amounted to RMB815.6 million, RMB874.9 million and RMB819.6 million, respectively, and accounted for 3.1%, 3.3% and 3.5% of our total purchase amounts for the same year. See "Business — Our Suppliers."

COMPETITIVE LANDSCAPE

We compete in the food and FMCG distribution industry in China that is highly fragmented, with the top five food and FMCG distribution solution providers occupying a market share of 0.8% in terms of revenue in 2023, according to Frost & Sullivan. The market size of the food and FMCG distribution industry in China, in terms of revenue, grew from RMB7,036.6 billion in 2018 to RMB9,900.7 billion in 2023, representing a CAGR of 7.1%. This growth is expected to continue at a CAGR of 7.4% from 2023 to 2028, and the market size is expected to reach RMB14,149.7 billion by 2028. Our industry positions in China in terms of revenue in 2023 according to Frost & Sullivan are as follows: (i) we were the second-largest food and FMCG distribution solution provider; (ii) we were the second-largest retail distribution solution provider; (iii) we were the fifth-largest catering distribution solution provider and the largest group meals distribution solution provider; and (iv) we were the second-largest commercial welfare and gifting solution provider.

See "Industry Overview."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary historical financial information for the years or as of the dates indicated. The historical financial information has been prepared to present the financial position, results of operations and cash flows of our Food and FMCG Distribution Business in accordance with the basis of preparation and presentation set out in Note 1 of Appendix I to this Document. This summary has been derived from our historical financial information set forth in the Accountants' Report in Appendix I to this Document. The summary historical financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountants' Report in Appendix I to this document, including the accompanying notes, and the information set forth in "Financial Information."

Key Items of Our Statements of Profit or Loss

The following table sets forth our statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Revenue	27,820.2	27,102.3	24,858.3
Cost of sales	(25,301.4)	(24,469.4)	(22,202.3)
Gross profit	2,518.8	2,632.9	2,656.0
Other income	72.4	102.0	59.5
Other net (losses)/gains	(21.4)	96.4	168.4
Selling and distribution costs	(1,352.9)	(1,406.3)	(1,368.2)
Administrative expenses	(625.4)	(412.1)	(392.8)
(Provision of)/reversal of impairment loss on trade and other receivables	(8.7)	(23.8)	14.7
Finance costs	(295.8)	(312.3)	(454.3)
Profit from operations	287.1	676.8	683.3
Change of the carrying amount of redemption liabilities arising from preferred shares	223.8	(883.3)	(177.2)
Profit/(loss) before taxation	510.9	(206.5)	506.1
Income tax	(178.9)	(264.9)	(253.4)
Profit/(loss) for the year	332.0	(471.4)	252.7

Non-IFRS Measure

We use adjusted net profit (*non-IFRS measure*) in evaluating our operating results during the Track Record Period, which is not required by or presented in accordance with IFRSs as an additional financial measure to supplement our historical financial information as set forth in the Accountants' Report in Appendix I to this Document. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (*non-IFRS measure*) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net profit (*non-IFRS measure*) as net profit or loss for the year adjusted by adding back change of the carrying amount of the redemption liabilities arising from preferred shares. The following table reconciles our adjusted net profit (*non-IFRS measure*) for the year presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which is net profit or loss for the year:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB in millions	*RMB in millions*	*RMB in millions*
Reconciliation of net profit/(loss) to adjusted net profit (*non-IFRS measure*)			
Net profit/(loss) for the year	332.0	(471.4)	252.7
Add:			
– *Change of the carrying amount of the redemption liabilities arising from preferred shares*[(1)]	(223.8)	883.3	177.2
Adjusted net profit (*non-IFRS measure*)	108.2	411.9	429.9

Note:

(1) Change of the carrying amount of the redemption liabilities were related to the USD-denominated preferred shares issued under certain share purchase agreements with several independent investors during the Track Record Period. The redemption options of the preferred shares would be terminated and the preferred shares issued to investors would be converted into equity upon the [**REDACTED**] of our Company's shares. See Note 1 and 27 of Appendix I to this Document.

See "Financial Information — Description of Major Components of Our Results of Operations."

Selected Items from Our Statements of Financial Position

The following table sets forth selected information from our statements of financial position as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Total non-current assets	18,954.3	18,720.9	17,715.3
Total current assets	8,825.4	9,097.4	8,427.6
Total assets	27,779.7	27,818.3	26,142.9
Total current liabilities	9,503.9	10,994.2	12,802.2
Total non-current liabilities	19,097.6	19,635.0	18,010.0
Total liabilities	28,601.5	30,629.2	30,812.2
Net Liabilities	(821.8)	(2,810.9)	(4,669.3)
Share capital	0.0	0.0	0.0
Reserves	(821.8)	(2,810.9)	(4,669.3)
Total deficit	(821.8)	(2,810.9)	(4,669.3)

See "Financial Information — Discussion of Selected Items from Our Statements of Financial Position."

Selected Items from Our Statements of Cash Flows

The following table sets forth our cash flow for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Net cash flows generated from operating activities	1,326.0	2,104.8	2,616.4
Net cash flows used in investing activities	(937.4)	(821.2)	(3,874.9)
Net cash flows used in financing activities	(1,117.7)	(2,002.7)	(76.7)
Net decrease in cash and cash equivalents	(729.1)	(719.1)	(1,335.2)
Cash and cash equivalents at the beginning of the year	3,306.0	2,581.7	1,864.0
Effect of foreign exchange rate changes	4.8	1.5	(2.3)
Cash and cash equivalents at end of year	2,581.7	1,864.0	526.5

See "Financial Information — Liquidity and Capital Resources."

Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated:

	As of/For the Year ended December 31,		
	2021	2022	2023
Gross profit margin (%)[1]	9.1	9.7	10.7
Net profit/(loss) margin (%)[2]	1.2	(1.7)	1.0
Current ratio[3]	0.9	0.8	0.7
Quick ratio[4]	0.7	0.6	0.5
Adjusted net profit margin (%) *(non-IFRS measure)*[5]	0.4	1.5	1.7

Notes (1)-(5) see "Financial Information — Key Financial Ratios."

USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**] stated in this document), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses paid and payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised. In line with our strategies, we intend to use our [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for strengthening our supply chain capabilities to fulfil the growing needs of our business, and improve our operational efficiency and enhance quality assurance;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for developing new and differentiated merchandise;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for maintaining and expanding our customer base;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for enhancing our digitalization;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for potential investment or acquisitions opportunities to enhance our supply chain network that complement our business; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for working capital and general corporate purposes.

See "Future Plans and Use of [**REDACTED**]."

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors." You should carefully read that section in its entirety before you decide to invest in our [**REDACTED**]. Some of the major risks we face include:

(i) our business and growth are significantly affected by the trends of the food and FMCG distribution industry, macroeconomic condition and other factors that affect the demand and supply for food and FMCG distribution solutions;

(ii) we derive a significant portion of our revenue from our major customers. We may not able to successfully maintain business relationships with them and their business and financial performance may suffer a decline, which could materially and adversely affect our business, financial condition and results of operations;

(iii) we may not be able to compete effectively;

(iv) our business, financial condition and results of operations may be affected by our ability to analyze, cater to and anticipate evolving customer demand; and

(v) failure to maintain the quality and safety of our products could adversely impact our reputation, financial condition and results of operations.

See "Risk Factors."

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Zhang, through various intermediary entities controlled by him, namely Beijing Jingxi Guigu Technology Company Limited, Beijing Zhongsheng Huate Technology Co., Ltd., Wumei Technology, Wumei Southern Technology, Retail Enterprise, Wumei Holdings Limited, Wumart Stores Limited, Wumart HK and WM Innovation Limited, is interested in approximately 61.58% of our issued share capital. In addition, our Company was held as to 11.38% by Digit Lab Limited, which is ultimately controlled by Dr. Zhang through AZ Global Limited, and 0.35% by Foremost Way Limited, which is wholly owned by Dr. Zhang.

Therefore, Dr. Zhang, through the above intermediary entities, owns a total of approximately 73.31% of the issued share capital of our Company as of the Latest Practicable Date and approximately [**REDACTED**]% of our enlarged share capital immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). As such, Dr. Zhang and the abovementioned intermediary entities constitute a group of Controlling Shareholders of our Company upon completion of the [**REDACTED**].

There is clear delineation between the businesses of the Controlling Shareholders and our Group. See "Relationship with Our Controlling Shareholders."

We have entered into and are expected to continue to conduct certain transactions after the [**REDACTED**] with certain of our Controlling Shareholders and/or their associates, which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. See "Connected Transactions."

PRE-[REDACTED] INVESTMENTS

For the long-term business development of our Group, we conducted Pre-[**REDACTED**] Investments in 2020. See "History, Reorganization and Corporate Structure — Major Shareholding Changes of Our Company — 3. Pre-[**REDACTED**] Investments."

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue and to be issued pursuant to the [**REDACTED**] (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**]) on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (a) our revenue for the year ended December 31, 2023 exceeds HK$500 million and (b) our expected market capitalization at the time of the [**REDACTED**] exceeds HK$4 billion based on the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**].

RECENT DEVELOPMENTS

Subsequent to the Track Record Period, we established business relationships with regional retailers in Hunan and Hubei, which are Independent Third Parties, in relation to the provision of retailer distribution solutions. In addition, we also formed a strategic alliance with Charoen Pokphand Group (正大集團), a multinational conglomerate that operates businesses in industries such as agriculture and e-commerce, in 2024. Our Directors confirm that, up to the date of this Document, there has been no material adverse change in our financial or [**REDACTED**] position or prospects since December 31, 2023, being the end date of the periods reported on in the Accountants' Report included in Appendix I to this Document, and there is no event since December 31, 2023 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this Document.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that the [**REDACTED**] has been completed and [**REDACTED**] Shares are issued pursuant to the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per Share	Based on an [REDACTED] of HK$[REDACTED] per Share
Market capitalization of our Shares(1)	[**REDACTED**]	[**REDACTED**]
Unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share(2)	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(2) [The unaudited [**REDACTED**] adjusted net tangible assets per Share is calculated after making the adjustments referred to in the Appendix II to this Document and on the basis that [**REDACTED**] Shares expected to be in issue immediately after completion of the [**REDACTED**].]

DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period.

We are a holding company incorporated under the laws of the Cayman Islands. Under the Cayman Islands law, our Company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our legal adviser on Cayman Islands laws, subject to the above, there is no restriction under the Cayman Islands law for our Company to declare and pay a dividend despite our accumulated losses. We have no fixed dividend policy, and our Board has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our Shareholders may by ordinary resolution resolve to declare a dividend, but (i) no dividend may exceed the amount recommended by our Board; and (ii) no dividends shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or as otherwise permitted by law. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. We do not have a pre-determined dividend payout ratio. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that dividends of any amount will be declared or distributed in any year.

[REDACTED] EXPENSES

[**REDACTED**] expenses consist of professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. We expect to incur [**REDACTED**] expenses of approximately HK$[**REDACTED**] (based on the mid-point of the indicative [**REDACTED**] and assuming the [**REDACTED**] is not exercised), which accounts for approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**]. We estimate the [**REDACTED**] expenses to consist of approximately HK$[**REDACTED**] in [**REDACTED**] fees and HK$[**REDACTED**] in [**REDACTED**] fees. The [**REDACTED**] fees include (a) fees and expenses of legal advisers and accountants, equal to HK$[**REDACTED**] and (b) other fees and expenses of HK$[**REDACTED**]. Among of the total [**REDACTED**] expenses, approximately HK$[**REDACTED**] will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [**REDACTED**], and the remaining HK$[**REDACTED**] will be recognized in our profit or loss in 2024. Our Directors do not expect such expenses to materially impact our results of operations.

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"Accountants' Report"	the accountants' report of the Food and FMCG Distribution Business of our Company, the text of which is set out in Appendix I to this document
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the fifth amended and restated articles of association of our Company, which was passed by our Shareholders at the Shareholders' meeting on [●], which shall become effective on the [**REDACTED**], as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix III to this Document
"Authorized Representative(s)"	the authorized representative(s) of our Company
"Board Diversity Policy"	the board diversity policy of our Company
"Board" or "Board of Directors"	the board of Directors of our Company
"Business day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"Business Restructuring"	the business restructuring undergone by our Group prior to the [**REDACTED**] as described in the section headed "History, Reorganization and Corporate Structure — Business Restructuring" in this document
"BVI"	the British Virgin Islands

[**REDACTED**]

"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"China" or "Mainland China" or "PRC"	the People's Republic of China for the purpose of this document and for geographical reference only, except where the context requires, references in this document to "China", "Mainland China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan Region
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	MDL Wholesale Limited (麦德龙供应链有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on July 24, 2019, formerly known as WM Tech Corporation Limited and WM International Holding Corporation Limited
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to Dr. Zhang and the intermediary entities through which Dr. Zhang holds his interest in the Company, details of which are set out in the section headed "Relationship with our Controlling Shareholders"
"Corporate Governance Code"	the Corporate Governance Code in Appendix C1 to the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"Dr. Zhang"	Dr. ZHANG Wenzhong (張文中), one of the Controlling Shareholders of our Company and our founder
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[**REDACTED**]

"Food and FMCG Distribution Business"	Our business scope, which includes (i) food service and distribution solutions, welfare and gifting solutions for corporate and institutional customers; (ii) retailer distribution solutions for retailers; (iii) merchandise wholesale and (iv) other services mainly including our logistics and consulting services

[**REDACTED**]

"Group" "our Group" "the Group" "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before the completion of the Business Restructuring, the entities which carried on Food and FMCG Distribution Business at such relevant time
"Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[**REDACTED**]

"IFRS"	IFRS Accounting Standards issued by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Listing Rules

[**REDACTED**]

DEFINITIONS

[**REDACTED**]

"Joint Sponsors"	the joint sponsors as named in the section headed "Directors and Parties Involved in the [**REDACTED**]" of this document
"Latest Practicable Date"	June 18, 2024, being the latest practicable date prior to the date of this document for the purpose of ascertaining certain information contained in this document

[**REDACTED**]

"Maidelong Commerce"	Maidelong Commerce Group Co., Ltd. (麥德龍商業集團有限公司), a company incorporated in the PRC on July 25, 1995 with limited liability, and one of our subsidiaries
"Maidelong entities"	the entities acquired by us directly and indirectly from Metro AG in 2020

[**REDACTED**]

"Memorandum" or "Memorandum of Association"	the fifth amended and restated memorandum of association of our Company, which was passed by our Shareholders at the Shareholders' meeting on [●], which shall become effective on the [**REDACTED**], as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix III to this Document
"Metro AG"	Metro AG, a German multinational company which is the central management and administrative holding company of the brand of Metro globally (except for the Maidelong entities in China)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)

[**REDACTED**]

"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, as amended, supplemented or otherwise modified from time to time. The latest revised PRC Company Law was implemented on December 29, 2023, which will be effective on July 1, 2024

"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisor"	Jingtian & Gongcheng, our legal advisor as to the laws of the PRC
"Pre-[**REDACTED**] Investments"	the Pre-[**REDACTED**] investments in our Company undertaken by the Pre-[**REDACTED**] Investors, details of which are set out in "History, Development and Corporate Structure — Pre-[**REDACTED**] Investments" in this document
"Pre-[**REDACTED**] Investors"	the investor(s) who participated in our Pre-[**REDACTED**] Investments, details of which are set out in "History, Development and Corporate Structure — Pre-[**REDACTED**] Investments — Information relating to our Pre-[**REDACTED**] Investors" in this document
"Preferred Share(s)"	the preferred share(s) of our Company, which will be automatically converted into ordinary shares based on a conversion ratio of one preferred share to one ordinary share upon completion of the [**REDACTED**]

[**REDACTED**]

"province"	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Retail Business"	the retail business operated through retail stores under the brands of Maidelong and Wumart
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as the SAMR
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
"SAT"	State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of our Company with par value of US$0.0000005 after the Share Subdivision
"Shareholder(s)"	holder(s) of the Share(s)
"Share Subdivision"	the subdivision of the Company's authorised issued and unissued ordinary Shares each into 20 Shares as approved by the Shareholders on [●], 2024

[**REDACTED**]

"Star Farm Shanghai"	Star Farm (Shanghai) Consulting Co., Ltd. (麥諮達(上海)農業信息諮詢有限公司), a company incorporated in the PRC on December 18, 2007 with limited liability, and one of our subsidiaries
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)

[**REDACTED**]

"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tongfu Commerce"	Shenzhen Tongfu Commerce & Trade Co., Ltd. (深圳通福商貿有限公司), a company incorporated in the PRC on August 15, 2019 with limited liability, and one of our subsidiaries
"Track Record Period"	the three years ended December 31, 2021, 2022 and 2023

[**REDACTED**]

"U.S." or "United States"	the United States of America, its territories and possessions

"US$," "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"WFOE"	Maidelong entities, Shanghai Toppaco (as define below), Shenzhen Youze Business Management Co., Ltd. (深圳優擇商業管理有限公司), Guangdong Maidelong Commerce Management Co., Ltd. (廣東麥德龍商業管理有限公司), Guangdong Shenzhen Zhiwang Yijia Commercial Management Co., Ltd. (廣東深圳智網億佳商業管理有限公司) and Tongfu Commerce, each a WFOE of the Company
"Wumart HK"	Wumart Stores (HK) Limited, a company incorporated in Hong Kong on January 13, 2015, and one of our Controlling Shareholders
"Wumart Group"	Wumei Technology and its subsidiaries (excluding our Group)
"Wumart Supermarket"	Beijing Wumart Supermarket Co., Ltd. (北京物美綜合超市有限公司), a company incorporated in the PRC on October 22, 2001 with limited liability which used to be one of our subsidiaries and was disposed from our Group following the Business Restructuring
"Wumei Technology"	Wumei Technology Group, Inc. (物美科技集團有限公司), a company incorporated in the PRC on October 6, 1994 with limited liability, and one of our Controlling Shareholders
"Wumei Xintonglu"	Beijing Wumei Xintonglu Logistics Technology Co., Ltd. (北京物美新通路物流科技有限公司), a company incorporated in the PRC on June 9, 2020 with limited liability, and one of our subsidiaries
"%"	per cent

DEFINITIONS

In this document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

"API"	Application Programming Interface
"B2B"	business-to-business
"BRCGS"	British Retail Consortium Global Standards for Food Safety, which provides a framework to assess suppliers in terms of food safety and hygiene
"CAGR"	compound annual growth rate
"Cross-docking"	a method for distributing products more efficiently without needing to store them in warehouses for long periods of time
"FMCG"	fast-moving consumer goods, consumer goods with short service life and fast consumption, such as packaged foods, beverages, tobacco and alcohol products, personal care products and house care products
"fresh food"	perishable food that normally has short shelf life and has not been cooked or processed for immediate consumption, such as meat, fruit, vegetable, egg, dairy and seafood
"GFSI"	the Global Food Safety Initiative, a Coalition of Action from The Consumer Goods Forum (CGF), bringing together food retailers and manufacturers from across the CGF membership and an extended food safety community to oversee third-party food safety standards for food business operators globally
"HACCP"	an internationally recognized system of identifying and managing food safety related risk, which was adopted in 1997 by National Advisory Committee on Microbiological Criteria for Foods, an advisory committee chartered under the U.S. Department of Agriculture
"Rack-shelf and backroom stocking"	methods of storing the overflow of goods that may not fit on the allocated display shelf space

"ISO 14001"	an international recognized standard for an environmental management system, established by International Organization for Standardization
"ISO 18001"	an international recognized standard for health and safety management systems, established by International Organization for Standardization
"ISO 22000"	an international recognized standard for a food safety management system, established by International Organization for Standardization
"ISO 37301: 2021"	an international recognized standard for compliance management system, established by International Organization for Standardization
"ISO 45001"	an international recognized standard for occupational health and safety management system, established by International Organization for Standardization
"ISO 9001"	an internationally recognized standard for a quality management system, established by International Organization for Standardization
"MAS"	Maidelong Assessment Standards, which are a set of vigorous and comprehensive food safety management standards based on GFSI certification standards and local standards
"OEM"	original equipment manufacturer, a manufacturer whom we engage to manufacture private label merchandise
"on-time and in-full rate"	a percentage of orders that are delivered on the requested delivery date and in the quantity requested by the customer, it is calculated by number of orders delivered on time and in full divided by total number of orders
"out-of-stock rate"	a ratio calculated by the number of SKUs that are out of stock over the total number of SKUs in a given period
"private label merchandise"	merchandise produced or manufactured by a OEM, as the case may be, bearing the brand of a third party

"SKU"	stock keeping unit, a distinct type of merchandise item which is distinguished from other item types by manufacturer, function, material, size, color, packaging, warranty term and other attributes
"Staple stock"	merchandise stocked in the warehouse on a regular basis
"unbroken cold chain"	a supply chain with an uninterrupted series of refrigerated production, storage and distribution activities, along with associated equipment and logistics, which maintain a desired low-temperature range
"VMI"	vendor-managed inventory, an arrangement where suppliers manage inventory levels that have been pre-determined and replenishes the inventory continuously

FORWARD-LOOKING STATEMENTS

This Document includes forward-looking statements. All statements other than statements of historical facts contained in this Document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Document might not occur. All forward-looking statements contained in this Document are qualified by reference to the cautionary statements set out in this section.

An investment in our Shares involves various risks. You should carefully consider all the information in this Document and in particular the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, results of operations, financial condition or prospects. If any of these events occurs, the [**REDACTED**] *price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.*

In addition to other information in this Document, you should carefully consider the following risk factors before making any investment decision in relation to our Shares. Any of the following risks may materially and adversely affect our business, results of operations or financial condition, or otherwise cause a decrease in the [**REDACTED**] *price of our Shares and cause you to lose part or all of the value of your investment in our Shares.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and growth are significantly affected by the trends of the food and FMCG distribution industry, macroeconomic condition and other factors that affect the demand and supply for food and FMCG distribution solutions.

The development of the food and FMCG distribution industry is subject to uncertainties and may be impacted by factors that are beyond our control, including but not limited to:

- the consumption power and disposable income of end consumers, as well as changes in demographics and consumer tastes and preferences;
- the welfare and gifting budgets of our customers;
- the selection, price and popularity of products offered in the food and FMCG distribution industry;
- the development of logistics, payment and other ancillary services associated with the food and FMCG distribution industry;
- the changes of laws and regulations governing the food and FMCG distribution industry; and
- the inflation and deflation, fluctuation of currency exchange rate, volatility of stock and property markets, interest rates and tax rates.

In addition, the markets we operate in is subject to cyclical fluctuations in the global economy. During economic downturns, whether in China or globally, the reduced overall demand for food and FMCG products will likely reduce demand for our food and FMCG distribution solutions and exert downward pressures on our pricing and margins. If the trend of the food and FMCG distribution industry does not develop as we expect, our business prospect may be adversely affected. In periods of strong economic growth, demand for limited transportation resources can also result in increased network congestion and operating inefficiencies. In addition, any deterioration in the economic environment subjects our business to various risks that may have a material impact on our operating results and future prospects. For instance, some of our customers may face difficulties in paying us, and some may go out of business. These customers may not complete their payments as quickly as they had in the past, if at all, which may have adverse impact on our working capital. Furthermore, in an economic downturn, we may not be able to promptly adjust our expenses in response to changing market demands and it may be more difficult to match our staffing levels to our business needs.

We derive a significant portion of our revenue from our major customers. We may not be able to successfully maintain business relationships with them and their business and financial performance may suffer a decline, which could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we derived a significant portion of our revenue from our major customers. Revenue from our five largest customers in each of 2021, 2022 and 2023 was RMB17,724.1 million, RMB17,529.8 million and RMB15,904.0 million, respectively, and accounted for 63.7%, 64.7% and 64.0% of our total revenue for the same years. Revenue from Wumart Group, our largest customer in each of 2021, 2022 and 2023 was RMB17,096.7 million, RMB16,886.6 million and RMB15,405.3 million, respectively, and accounted for 61.5%, 62.3%, and 62.0% of our total revenue for the same years.

Save for Wumart Group, all of our five largest customers in each year during the Track Record Period were Independent Third Parties. We expect our business relationships with major customers to continue in the foreseeable future, however, we cannot assure that we will be able to maintain business relationships with all our major customers. Any reduction in the number of orders placed by any of these major customers, and any loss or deterioration in our relationships with any of these customers could materially and adversely affect our revenue and cash flows from operating activities. In addition, our major customers may cease business relationships with us because their business and financial performance may suffer a decline, which could also materially and adversely affect our business, financial condition and results of operations.

We may not be able to compete effectively.

We operate in food and FMCG distribution industry in China, which remains at its early stage of development, with a highly fragmented competitive landscape, according to Frost & Sullivan. There are multiple existing market players that offer integrated food and FMCG distribution solutions, and there may be new entrants emerging in each of the markets we operate in, and these market players compete to attract, engage and retain customers. These companies may have greater financial, technological, research and development, marketing, distribution, and other resources than we do. They may also have longer operating histories, a larger customer base or broader and deeper market coverage. As a result, our competitors may be able to respond more quickly and effectively to new or evolving opportunities, technologies, standards or customer demand than we do and may have the ability to initiate or withstand significant regulatory changes and industry evolvement. Furthermore, when we expand into other markets or regions, we will face competition from new competitors.

Any significant increase in competition may have a material adverse effect on our revenue and profitability as well as on our business prospects. We cannot assure you that we will be able to continuously distinguish our services from those of our competitors, preserve and improve our relationships with various participants in the food and FMCG distribution industry, or increase or even maintain our existing market share. We may lose market share, and our financial condition and results of operations may deteriorate if we fail to compete effectively.

Our business, financial condition and results of operations may be affected by our ability to analyze, cater to and anticipate evolving customer demand.

The ongoing success of our business depends on our ability to continue to introduce innovative food and FMCG distribution solutions to cater to and anticipate evolving customer demand. However, customer needs may change from time to time, and we may fail to stay attuned to evolving customer needs. Failure to timely and effectively identify or respond to changing needs, preferences and spending patterns could adversely affect our ability to maintain and enlarge our customer base, their spending on our merchandise and services, and our market share in the food and FMCG distribution industry. In addition, if we are not successful in perceiving emerging trends and adjusting our product supplies accordingly, we may have excess inventory, which could result in additional markdowns, or we may experience out-of-stock positions and delivery delays, which could result in higher costs or failure to fulfill customers' orders. In particular, we may potentially experience capacity and resource shortages in fulfilling customer orders during holidays, such as the Chinese New Year, Dragon Boat Festival and Mid-autumn Festival. Failure to meet customer demand in a timely fashion or at all will adversely affect our business, financial condition and results of operations.

In addition, we are making significant investments and other decisions in connection with our long-term business strategy including our ability to expand the breadth and depth of our solutions and services and further invest in supply chain technologies. Such initiatives and enhancements may require us to make significant capital expenditures. Additionally, in developing our business strategy, we make certain assumptions including, but not limited to, those related to customer demand and preferences, competition landscape and the economy in China and globally; and actual market, economic and other conditions may be different from our assumptions. As technology, customer behavior and market conditions continue to evolve, it is important that we maintain the relevance of our brand and service offerings to our customers. If we are not able to successfully implement our business strategy and effectively respond to changes in market dynamics, our future financial results will suffer. We have also incurred, and may continue to incur, increased operating expenses in connection with certain changes to our business strategy.

Failure to maintain the quality and safety of our products could adversely impact our reputation, financial condition and results of operations.

We provide a comprehensive merchandise offerings. If the products we sell, in particular the fresh food that are usually perishable with a relatively short shelf life, do not meet or are perceived not to meet the applicable safety or labeling requirements, we could experience decreased sales, increased costs, legal proceedings, administrative penalties, government investigations or reputational harm. In addition, we may find it more difficult to inspect and control product safety and quality and to ensure proper product handling, storage and delivery when the number of our SKUs increases.

We have established an integral food safety and quality assurance system. However, there can be no assurance that our food safety and quality assurance system will always be effective, or that we can identify any defects in our food safety and quality assurance system in a timely manner. Due to the large number of employees, it becomes more difficult to ensure that all staffs comply with all applicable laws and regulations, especially the detailed and stringent regulations in relation to food safety and hygiene. During the Track Record Period, we did not experience any material product liability or other legal claims due to quality control issues.

In addition, the quality of the products or services provided by our suppliers or service providers is subject to factors beyond our control, including the effectiveness and efficiency of their safety standards and quality control systems, among others. There can be no assurance that our suppliers or service providers may always be able to adopt safety standards and quality control systems that are as stringent as ours. If the products sold by us or services conducted by service providers cause any harm to our customers, the customers may also choose to seek compensation of losses caused by such products or services from us. During the Track Record Period, there had been no product liability claim that had a material adverse effect on our business and results of operations. However, any failure of our suppliers or service providers to provide satisfactory products or services could harm our reputation, subject us to costly litigation and administrative penalties, and adversely impact our operations.

The sale of defective products involves the risk of personal injury or property damage to our customers and could expose us to product liability claims. Personal injuries could result from faulty design, tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, manufacturing, packaging, storage, handling and transportation phases. The individuals subject to such injury or damage may bring claims or legal proceedings against us as the retailer of the product, resulting in costly product recalls and other liabilities that could adversely affect our business and results of operations. Although we would have legal recourse against the manufacturers of defective products under applicable laws, the attempt to enforce our rights against the manufacturers may be expensive, time-consuming and ultimately futile. Even if a product liability claim is successful or is fully pursued, negative publicity could harm our reputation with existing and potential customers and our corporate and brand image, and these effects could be long-term.

Concerns regarding the quality or safety of our products or our supply chain, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established, or cause customers to avoid purchasing certain products from us or to seek alternative supply. Any loss in confidence on the part of our customers would be difficult and costly to reestablish and could significantly reduce our brand value. Any report linking us to food contamination, food tampering, mislabeling, or other food safety issues could adversely impact our reputation and our business and prospects may be materially and adversely affected.

If our customers reduce their budgets and expenditures on food and FMCG distribution solutions or allocate less portion of the budgets to our services, our business, financial condition and results of operations may be materially and adversely affected.

Our growth strategy is partially based on the assumption that the trend toward outsourcing of supply chain services will continue. Third-party service providers like us are generally able to provide such services more efficiently than otherwise could be provided "in-house," primarily as a result of our expertise, technology and lower and more flexible employee cost structure. However, many factors could cause a reversal in the trend. For example, our customers may see risks in relying on third-party service providers, or they may begin to define these activities as within their own core competencies and decide to perform supply chain operations themselves. If our customers are able to improve the cost structure of their in-house supply chain activities, including in particular their labor-related costs, we may not be able to provide our customers with an attractive alternative for their supply chain needs. If our customers in-source significant aspects of their supply chain operations, or if potential new customers decide to continue to perform their own supply chain activities, our business, results of operations and financial condition may be materially adversely affected.

We are subject to risks of shortages of products due to supply chain disruptions, including deterioration of business relationships with suppliers or potential changes of distribution methods by suppliers. Failure to maintain optimal level of inventory may materially and adversely affect our business financial condition and results of operations.

We rely on our suppliers to provide a stable supply of merchandise and services, which are crucial to our business model and sufficient supply of diversified merchandise to meet customer needs. In 2021, 2022 and 2023, purchases from our five largest suppliers accounted for 12.6%, 11.1% and 12.3% of our total purchase amounts, respectively. We cannot assure you that these suppliers will not breach their contractual obligations to us, or that our agreements will not be suspended, terminated or otherwise expire without renewal. We do not have direct control over our suppliers, and may thus experience operational difficulties due to their insufficient quality control, failures to meet supply deadlines, increases in costs, and their liquidity or solvency as a result of events beyond our control such as public health incidents, natural disasters, acts of war and terrorism. Moreover, we cannot guarantee that these parties will maintain the same level of quality in their products and services or will have the capacity to meet our needs as we expand rapidly. We may not be able to find alternative suppliers if these parties are no longer able to meet our needs at acceptable costs or in a timely manner. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product or service is provided from a single source, could materially and adversely affect our business, financial condition and results of operations.

Any loss or deterioration of our relationship with major suppliers, our failure to renegotiate the purchase prices with our suppliers, or to establish relationships with new suppliers would expose us to risks of shortages of products and we may not be able to maintain optimal level of inventory, which may adversely affect our business, financial condition and results of operations.

Our operations may be negatively affected by any industry-wide food safety-related concerns, instances of food-borne illnesses, health epidemics and other outbreaks, even if such concerns or instances are not related to our business.

The food and FMCG distribution industry is subject to concerns over food safety and quality. There have been various reports and negative news in relation to the food safety and quality incidents in the food and FMCG distribution industry in the past. Even though the reports and allegations were not targeted at us, the food and FMCG distribution industry could be negatively impacted by such incidents. The following downturn in the whole industry could take a long time to recover. A public perception that we, or other industry participants do not provide satisfactory products with safety and quality, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain customers, and our business, financial condition and results of operations may be materially and adversely affected.

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on suppliers increases the risk of incidents of food-borne illness such as mad-cow diseases, which could be caused by suppliers outside our control and the risk of affecting multiple sites. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry overall and us, regardless of whether we were responsible for the spread of the illness. Furthermore, other illnesses, such as foot and mouth disease or avian influenza, could adversely affect the supply of some of our food ingredients and significantly increase our costs, and conceivably having significant adverse effects on our results of operations.

Our business, financial condition and results of operations may be affected by the market recognition of our private labels. Failure to maintain, protect and enhance our private labels will limit our ability to retain or expand our customer base, which would materially and adversely affect our business, financial condition and results of operations.

We have crafted a portfolio of private labels with differentiated positioning, namely, M Basic and M Select, which we believe has significantly contributed to our success. To retain and expand the customer base for our products, it is pivotal to maintain and enhance the awareness, recognition and popularity of our private labels, which incentivizes customers to continue purchasing our products, and in turn facilitates us to maintain business and market position. The factors that are crucial for us to maintain and enhance the awareness, recognition and popularity of our private labels include the following:

- maintaining the desirable tastes of our merchandise and our diversified portfolio of food and FMCG merchandise;
- increasing brand awareness through marketing and promotion activities;
- maintaining stable relationships with our customers and suppliers;
- ensuring compliance of our employees with relevant laws and regulations; and
- competing effectively against existing and future competitors.

As we continue to expand business scale, extend our geographic reach and expand our product offerings, it may become difficult for us to achieve the above factors. Furthermore, any negative publicity on our products, such as liability claims, litigation, customer complaints, negative reviews on our products regardless of the validity, could impose negative impacts on our reputation and brand image. If we fail to sustain the awareness, recognition and popularity of our private labels in our existing markets, or if we fail to effectively promote our private labels and establish such awareness, recognition and popularity in new markets, our business, financial condition and results of operations may be materially and adversely affected.

Any disruption of the warehousing and distribution facilities operated by us or other third-party transportation companies and couriers that facilitate our logistics services, or to the development of new warehousing and logistics facilities, could have a material adverse effect on our business, financial condition and results of operations.

As of the Latest Practicable Date, our logistics network included two central distribution centers, 16 regional distribution centers, four fresh food processing centers and 100 local fulfillment centers, with an aggregate gross floor area of approximately 501,600 sq.m.. See "Business — Our Nationwide Logistics Network." Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, environmental pollutions, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying these facilities, could destroy any inventory located in these facilities and significantly impair our business operations. We may not be able to identify suitable replacement warehousing and logistics facilities that meet our requirements in a timely manner, should any of the foregoing occur, and our business, results of operations and financial condition may be materially adversely affected.

We may not be able to find suitable locations for our new leased properties or renew our existing leases for our properties on commercially acceptable terms and our leases may be subject to early termination.

Our growth strategy includes establishing and operating distribution centers at desirable and suitable locations. The implementation of this strategy depends on the ability to find suitable locations. In addition, we compete with other retailers and businesses for suitable locations. Local land use, zoning and lease regulations, environmental regulations, fire control regulations and other regulatory requirements may affect our ability to find suitable locations and have an impact on the cost of constructing, renovating and operating our distribution centers and local fulfillment centers. Leases for our distribution centers and local fulfillment centers generally have a term ranging from three to ten years and may be renewed upon mutual agreement. However, we cannot assure you that we will always be able to successfully renew such leases upon their expiry. If we are required to relocate certain of our leased properties, we may not be able to secure desirable locations in a timely manner or on reasonable commercial terms, and we would incur additional relocation costs, which may adversely affect our business operations, results of operations and financial condition.

We also lease properties for our distribution centers, food processing centers and other facilities, as well as our offices premises. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could materially and adversely affect our business operations.

If we are unable to manage the expansion of our logistics network successfully, our business prospects and results of operations may be materially and adversely affected.

We plan to expand our logistics network in strategic locations. As we continue to enhance our warehousing and logistics capabilities, our logistics network becomes increasingly complex and challenging to operate. We cannot assure you that we will be able to set up warehouses or lease suitable facilities on commercially acceptable terms or at all. We may not be able to recruit a sufficient number of qualified employees in connection with the expansion of our logistics network. In addition, the expansion of our logistics network may strain our managerial, financial, operational and other resources, and such expansion may not give us the competitive advantage we expect. If we fail to manage such expansion successfully, our growth potential, business and results of operations may be materially and adversely affected.

Our rights to use some of our land, owned or leased properties, could be challenged by other third parties due to defects, which may adversely affect our business, financial condition and results of operations.

We owned certain parcels of land that may have defective land use rights, and certain properties in the PRC without ownership certificates. We also leased certain properties in the PRC that may have title defects. See "Business — Properties." As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to such defective properties. If any of these challenges are successful, the use of right or lease may be affected and we may be required to relocate from these relevant properties. If we fail to find qualified alternative premises on terms acceptable to us, or if we are subject to any material liability resulting from challenges to our leases of properties for which our lessors do not hold valid titles or failed to complete the necessary procedures, our business, financial condition and results of operations may be materially and adversely affected.

Failure to pay social insurance premiums and housing provident funds for and on behalf of our employees in accordance with applicable laws and regulations may materially and adversely affect our financial condition and results of operations.

According to applicable PRC laws and regulations, employers shall contribute social insurance premiums and housing provident funds for employees. During the Track Record Period, some of our subsidiaries engaged third-party agencies to pay social insurance premiums and housing provident funds for certain employees. Under the agreements entered into between the third-party agencies and our relevant subsidiaries, the third-party agencies have the obligation to pay social insurance premiums and housing provident funds for our relevant employees. However, if these agencies fail to pay the social insurance premiums or housing provident funds for and on behalf of our employees as required under applicable laws and regulations, we may be subject to penalties imposed by the local social insurance authorities and housing provident fund management centers for failing to discharge our obligations in relation to payment of social insurance premiums and housing provident funds as an employer. This may materially and adversely affect our financial condition and results of operations.

We face risks associated with the merchandise we deliver, including real or perceived quality or health issues, which may materially adversely affect our business, financial condition and results of operations.

We handle a large volume of merchandise and freights across our logistics network, and face challenges with respect to the protection and examination of these merchandise. Deliveries in our network may be delayed, stolen, damaged or lost for reasons beyond our control, and we may be perceived or found liable for such incidents. The delivery process also involves inherent risks. We constantly have a large number of vehicles and personnel in transportation, and are therefore subject to risks associated with transportation safety, and the insurance maintained by us may not fully cover the liabilities caused by transportation related injuries or loss. From time to time, our vehicles and personnel may be involved in transportation and vehicle accidents, and the parcels carried by them may be lost or damaged.

In particular, we face risks and challenges associated with our cold chain logistics services. We have designated cold chain warehouses for products with specific storage requirements, and we provide cold chain delivery service to customers. Product contamination, spoilage, other adulteration, product tampering or other quality control issues could occur at any of our temperature-controlled warehouses or during the transportation of these products, which could cause our customers to lose all or a portion of their inventory.

Any of the foregoing could disrupt our services, cause us to incur substantial expenses and divert the time and attention of our management. We may face claims and incur significant liabilities if found liable or partially liable for any of injuries, damages or losses. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. Any uninsured or underinsured loss could harm our business and financial condition. Governmental authorities may also impose significant fines on us or require us to adopt costly preventive measures. Furthermore, if our services are perceived to be insecure or unsafe by our customers, our business volume may be significantly reduced, and our business, financial condition and results of operations may be materially and adversely affected.

Our financing arrangements will subject us to various restrictions, any default or breach of which could result in the loss of our business interest.

As of December 31, 2023, our total indebtedness was RMB23,052.8 million. We may continue to have material indebtedness. Our indebtedness could have important consequences for our business and operations including, but not limited to:

- limiting or impairing our ability to obtain financing, refinance any of our indebtedness, obtain equity or debt financing on commercially reasonable terms or at all, which could cause us to default on our obligations and materially impair our liquidity;

- restricting or impeding our ability to access capital markets at attractive rates and increasing the cost of future borrowings;

- reducing our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, thereby reducing the availability of our cash flow for other purposes;

- placing us at a competitive disadvantage compared to our competitors that have lower leverage or better access to capital resources;

- limiting our ability to dispose of assets that secure our indebtedness or utilize the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, allowing the lenders thereunder to foreclose upon our assets pledged as collateral; and

- increasing our vulnerability to downturns in general economic, or industry conditions, or in our business.

Furthermore, the terms of our indebtedness contain affirmative and negative covenants that, among others, limit or restrict our abilities to declare or pay dividends, conduct acquisitions, create pledges, incur additional debt, merge, consolidate, dispose of or transfer assets. In addition, we are required to comply with various financial covenants. Monetary awards in litigations against us exceeding certain limit and not being indemnified or covered by insurance may trigger event of default in our financing documents.

Should market conditions deteriorate, or if our operating results were to be depressed, we may need to request amendments or waivers to the covenants and restrictions under our debt agreements. There can be no assurance that we will be able to obtain such relief should it be needed. A breach of any of these covenants or restrictions could result in a default that would permit our lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest, trigger cross-default provisions under other debt agreements and, as applicable, cause the termination of commitments of relevant lenders to make further extensions of credit under our financing agreements or credit facilities. Our future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest or refinance existing borrowings depends on our business performance, which is subject to economic, financial, competitive and other factors, including the other risks described in this document. Any failure to comply with the covenants of our financing agreements or to obtain financing for our business could have a material adverse effect on our business, financial condition, results of operations and prospects.

The equity interests of our certain major operating entities are pledged under the loan arrangements for the benefit of the lenders. If these loan arrangements were in default or breached, the affected lenders would be entitled, among other remedies, to seize the corresponding pledged shares to cover any shortfalls in amounts due under the loans. We may thus lose control of our revenue generating assets and consolidated subsidiaries. Our ability to conduct our business, as well as our financial condition and results of operations, may be materially and adversely affected.

We will continue to invest in digitalization of our business. Failure to adopt new technologies and systems to adapt to changing industry practices and customer demands could harm our growth.

Technology is critical to our food and FMCG distribution solutions. While we have been continuously enhancing our technology infrastructure, we may not be able to continue to improve our technology capabilities and develop new technologies and systems to meet the future needs of our business. If we are unable to maintain, improve and effectively utilize our technologies, our business, financial condition, results of operations and prospects, as well as our reputation, could be materially and adversely affected. Any problem with the functionality and effectiveness of our systems could also result in unanticipated system disruptions, slower response times, impaired user experiences, delays in reporting accurate operating and financial information among other things. In addition, enhancing our technology infrastructure requires significant investment of time and financial and managerial resources, including recruiting and training new personnel, adding new hardware and updating software and strengthening research and development. If our technology investments are unsuccessful, our business could suffer and we may be unable to recover the resources we commit to such initiatives.

In addition, to keep pace with changing technologies and customer demands, we must correctly interpret and address market trends and enhance the features and functionality of our technology infrastructure and systems in response to these trends, which may lead to significant ongoing research and development costs. We may be unable to accurately determine the needs of our customers and the trends in the food and FMCG distribution industry or to design and implement the appropriate features and functionality of our technology infrastructure and systems in a timely and cost-effective manner, which could result in decreased demand for our solutions and a corresponding negative impact on our financial performance. We may be unable to detect defects in existing or new versions of the technologies and systems we adopt, or errors may arise in our technologies. Any failure to identify and address such defects or errors could result in loss of revenue or market share, liability to customers or others, diversion of resources, damage to our reputation, and increased service and maintenance costs. Correction of such errors could prove to be very costly, and responding to resulting claims or liability could similarly involve substantial cost.

Our business, financial condition and results of operations may be adversely affected if our information technological infrastructure, or any third-party information technologies and systems that we utilize, experience disruptions in their operations or loss of data.

We may experience technology system disruptions, outages and other large-scale performance problems due to a variety of factors, including technology infrastructure changes, human or software errors, hardware failure, computer viruses, fraud and security attacks, whether such disruptions, outages or other problems are caused by ourselves or by third-party service providers. For example, we engage retail software service providers, such as Dmall's subsidiaries, to formulate our baseline IT design and software and application solutions and any disruptions, outages or other problems caused by us or Dmall's subsidiaries might make some or all of our systems or data unavailable or prevent us from efficiently providing services or fulfilling orders.

We may sometimes encounter temporary system disruptions and we may fail to timely monitor and report these disruptions. As our customer base and the amount of our user-generated data continues to grow, we may be required to expand and adapt our technology and technology infrastructure to continue to reliably store, process and analyze such data. If we are not able to respond to customer needs in a timely manner due to system disruptions, our customer experience may be compromised and customers may seek other services to meet their needs and may not use our services as frequently in the future, or at all. This may materially and adversely affect our ability to retain or grow our customer base which in turn may materially and adversely affect our business, financial condition and results of operations.

Our revenue and profitability may be affected by the delay or default in payments by our customers.

As of December 31, 2021, 2022 and 2023, our trade receivables, net of allowance for credit losses, amounted to RMB589.8 million, RMB628.4 million and RMB526.0 million, respectively. Our trade receivables represented receivables from third-party customers, primarily including our welfare and gifting, food service and distribution and merchandise wholesale customers. The trade receivables turnover days were 20.1 days, 23.1 days and 24.0 days in 2021, 2022 and 2023, respectively. During the Track Record Period, the credit terms granted to customers generally ranged from 0 to 60 days. We may adjust our credit terms for our customers based on their payment and credit history. However, in the event that our customers delay or default in their payment obligations to us, our collection period will be prolonged which will in turn cause an increase in our trade receivables cycles. There is no assurance that our customers will meet their payment obligations to us on time or in full. Such failures will increase our trade receivables cycles and we may need to obtain financing to fund our daily operations, which may lead to decreased revenue, increased operation costs and impairment of trade receivables and may negatively affect our cashflow available for operations and liquidity. As a result, any delay or default in the payments by our customers may adversely affect our business, financial condition and results of operations.

Our historical results of operations may not be indicative of our future performance.

We had net profit of RMB332.0 million and RMB252.7 million in 2021 and 2023, respectively, and we had net loss of RMB471.4 million in 2022. See "Financial Information — Description of Major Components of Our Results of Operations." Our future growth and profitability are affected by a number of factors, such as our ability to optimize and enrich our product portfolio, our ability to successfully implement our business development strategies in a cost-effective manner and our ability to effectively manage our costs and expenses and continuously improve operational efficiency. Accordingly, you should not rely on the revenue of any prior period as an indication of our future performance. We may also incur unforeseen expenses, or encounter difficulties, complications or delays in deriving revenue or achieving profitability. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses and have accumulated losses in the future and may not be able to achieve profitability.

We had net current liabilities in the past, which we may continue to experience in the future.

We had net current liabilities of RMB678.5 million, RMB1,896.8 million, RMB4,374.6 million and RMB8,230.7 million, as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. The major components of our current liabilities during the Track Record Period were amount due to related parties, borrowings and trade and other payables. We cannot assure you that we will not experience liquidity problems in the future, if we fail to maintain sufficient cash and financing, we may not have adequate cash flows to fund our business, operations and capital expenditures, and our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to fulfil our obligation in respect of contract liabilities, which may adversely affect our business, financial condition and results of operations.

As of December 31, 2021, 2022 and 2023, we had contract liabilities of RMB935.5 million, RMB989.8 million and RMB1,022.2 million, respectively. Our contract liabilities primarily consisted of (i) prepaid cards, mainly representing customer's prepayments for purchasing merchandise, and the balance of prepaid cards represented the unused prepaid cards which are expected to be redeemed in the future, and revenue from prepaid cards is recognized when the prepaid cards are redeemed by customers upon their acceptance of the products or in proportion to the pattern of rights exercised by the customers; and (ii) advances receipts from customers, mainly representing wholesale customers. See "Financial Information — Discussion of Selected Items from Our Statements of Financial Position — Contract Liabilities." If we fail to fulfill our obligations under our contracts with customers, we may be unable to convert such contract liabilities into revenue, and our customers may require us to refund the prepayments they have made, which may in turn adversely affect our financial condition. Furthermore, our inability to perform our obligations under our contracts with customers may cause our relationship with our customers to deteriorate, which may in turn adversely affect our business and results of operations.

Our results of operations are subject to seasonal fluctuations.

Our business is subject to seasonal fluctuations, which are primarily driven by budgets and spending patterns of corporate and institutional customers. Generally, during the holidays such as Chinese New Year, Mid-autumn Festival and National Day, we receive a larger number of orders. Accordingly, any shortfall during the period other than such holiday may adversely affect our business, financial condition and results of operations. Furthermore, our growth may obscure the extent to which seasonality trends have affected our business. Accordingly, quarterly comparisons of our operating results may not be useful and our results of operations in any particular period will not necessarily be indicative of the results of operations to be expected for any future period.

We may become a party to legal, administrative proceedings and regulatory inquiries, which could result in an unfavorable outcome and have an adverse effect on our business, financial condition, results of operations and cash flows.

Our business operations entail substantial litigation and regulatory risks, including, among others, the risk of lawsuits and other legal actions relating to commercial disputes, fraud and misconduct, sales and user services and control procedures deficiencies, labor disputes, transportation accidents, personal injuries, property damages, as well as the protection of personal and confidential information of our customers and business partners. As of the Latest Practicable Date, we were not involved in any claims, disputes, legal or administrative proceedings or regulatory inquiries that may materially affect our business, financial condition and results of operation. For details of our ongoing legal proceedings, see "Business — Legal Proceedings." Furthermore, claims, disputes, legal and administrative proceedings and regulatory inquiries against us may be due to defective products sold to us by our suppliers, who may not be able to indemnify us in full and in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes, legal and administrative proceedings and regulatory inquiries. We cannot assure you that we will not be involved in any such claims, disputes, legal or administrative proceedings or regulatory inquiries in the future. If one or more claims, disputes, legal and administrative proceedings and regulatory inquiries are resolved against us, or an indemnified third party seeks certain amounts in excess of our management's expectations, our business, financial condition and results of operations could be materially and adversely affected.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our suppliers, customers, employees, landlord, business partners or other third parties, and may face significant liabilities and divert our management's attention.

We were and may from time to time be involved in disputes with various parties arising out of our operations, including our suppliers, customers, employees, landlords, business partners, or other third parties. These disputes may lead to arbitrations, litigation or other proceedings. Legal proceedings are expensive, subject us to the risk of significant damages, require significant management time and attention and could have a material and adverse effect on our business, financial condition and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base. We may also need to pay damages or settle lawsuits with a substantial amount of cash. We may not have sufficient insurance to cover potential claims of this type or to indemnify us for all liabilities that may be imposed. While we do not believe that any currently pending proceedings are likely to have a material adverse effect on us, if there were adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or adjust our business practices, which could have a material and adverse effect on our business, financial condition and results of operations.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers settled their payments with us through third-party payment arrangements. In 2021, 2022 and 2023, the aggregate amount of third-party payments accounted for approximately 0.7%, 0.8% and 0.8% of the total revenue, respectively. See "Business — Our Customers — Third-party Payment Arrangements."

We are subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

We may not be able to protect our trademarks and other intellectual property rights, which our business depends on, and our ability to compete effectively may be harmed if our trademarks and other intellectual property rights are infringed by third parties.

We regard our proprietary trademarks, trade secrets and other intellectual property rights to be critical to our business operations. We rely on a combination of trademark, trade secret and other intellectual property laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain or use our intellectual property, including seeking court declarations that they do not infringe upon our intellectual property rights.

Preventing infringement of our trademarks and trade names might be difficult, time-consuming and costly. There can be no assurance that the registration of trademarks and other measures we adopt to protect our intellectual property rights are sufficient or there will be no infringement of our trademarks or trade names in the future. Any unauthorized use of our trademarks by third parties may damage our reputation, and our business, financial condition and results of operations may be adversely affected.

We may be subject to third-party intellectual property claims or other allegations.

Counterfeit products refer to fraudulent goods manufactured without proper authorizations, licenses or approvals and sold under the imitated labels or brands similar to the authentic ones. Counterfeit products are generally characterized by sub-standard poor quality and may even pose health and safety issues to the end consumers. We have a set of guidelines and instructions in the selection of our suppliers taking into account their reputation and trading history. We primarily rely on the intellectual property representations of our suppliers. As a result, we may not be able to detect or deter any intellectual property infringement of the products supplied to us. However, there is no assurance that these guidelines and instructions in place are sufficient to deter suppliers from delivering counterfeit products to us, and our inability to do so may result in adverse effects on our reputation, business and results of operations.

If there is any intellectual property infringement of the products sold by us, we may be requested to suspend the sale of the relevant products by the intellectual property rights owners or compelled to do so by the courts. Further, we may be subject to risks and losses as a result of any actions and litigations taken by the intellectual property rights owners against us. There is no assurance that we will be able to recover all damages or compensation from our suppliers relating to third-party claims against us on counterfeit products or intellectual property infringements. If any of such events happens, our reputation may be damaged and we may experience a decrease in revenue, which would in turn adversely affect our business, financial condition and results of operations.

Our success depends on the continued contributions of our senior management and key personnel and our ability to recruit and retain talents.

Our business success depends on the continued contributions of our senior management and other key employees. The loss of the services of any of our executive officers, senior management team and other highly skilled employees could harm our business. Competition for qualified talent is intense in the food and FMCG distribution industry. If we are unable to retain our senior management and other key employees, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our continued success will also depend on our ability to attract and retain talented and qualified personnel at all levels to perform administrative, accounting and customer service functions and to manage our day-to-day operations and future expansion. Talented and qualified individuals are scarce and in high demand and competition for these individuals from our competitors is intense. Other competitors may be able to offer more favorable compensation packages to recruit personnel whom we consider desirable. As a result, we may not be able to attract and retain qualified personnel needed to sustain our current or planned business growth, or our staff expenses may increase significantly. We may also need to offer superior compensation and other benefits to attract and retain talented and qualified personnel in the future, which may result in increased human resources costs and reduced profitability. Our failure to attract and retain talented and qualified personnel could have a negative impact on our ability to effectively manage and grow our business and maintain our competitive position. If any of the above events happens, our business, financial condition and results of operations may be adversely affected.

Our business, financial condition and results of operations may be adversely affected by our product return and exchange policies.

We generally allow customers to return or exchange defective merchandise within certain periods in compliance with regulatory requirements. We may also be required by consumer protection laws and regulations to adopt new or amend existing return and exchange policies from time to time. Our return and exchange policies are put in place to improve customer experience and promote customer loyalty. However, these policies also subject us to additional costs and expenses. In the events that we incur any of such costs, our suppliers generally indemnify us for losses caused by defective products or their mishandling of the products. However, we may still be responsible for the costs of delivery, return and exchange of products after such arrangements. There can be no assurance that we can recover the indemnified costs from our suppliers. If such event happens, our business, financial condition and results of operations may be materially and adversely affected.

Our business may be adversely affected by our security breaches of data protection or any actual or perceived failure to comply with regulations on privacy, information security and data protection.

We actively engage our customers to share and discuss their ideas and experiences regarding our products with their dedicated customer managers. During this process, we have access to certain personal information and other customer data. Collection, storage, processing and use of personal information and other customer data may subject us to governmental regulations and other legal obligations related to privacy, information security, and data protection.

We are committed to protecting our personal information and other customer data. We have adopted security policies and measures and formulated processes and procedures to protect such data, including the utilization of encryption technology, to protect our proprietary data and customer information. However, we cannot guarantee that these measures will be effective and adequate to address current and emerging technical threats targeting to intrude our systems to obtain confidential information and our information systems may become the target of attacks, such as viruses, malware or phishing attempts by criminals or other wrongdoers seeking to steal our personal information and other customer data for financial gain or to harm our business operations or reputation. The loss, misuse or compromise of such information may result in costly investigations, remediation efforts and legal liabilities. If such content is accessed by unauthorized third parties or deleted inadvertently by us or third parties, our reputation could be adversely affected. Any failure or perceived failure by us to prevent information security breaches or to comply with governmental regulations and other legal obligations related to privacy, information security and data protection, or any compromise of security that results in the unauthorized release or transfer of personal information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims, which would in turn adversely affect our reputation, business, financial condition and results of operations.

We engage labor service companies to provide outsourced personnel for a portion of our operations. We have limited supervision and control over these personnel and may be subject to liabilities arisen from contracts with these companies.

We engage labor service companies who send their employees and/or individual contractors to do work relating to order fulfillment, such as picking and packing merchandise at our distribution centers and local fulfillment centers or performing on-demand delivering services. We enter into agreements with such labor service companies only and therefore do not have any direct contractual relationship with these outsourced personnel that labor service companies assign to us. Since these outsourced personnel are not employed by us, our control over them is more limited as compared to our own employees. If any outsourced personnel fails to perform his services in accordance with our instructions, service standards, policies and guidelines, our reputation and results of operations could be materially and adversely affected.

Our agreements with the labor service companies provide that they independently assume employers' responsibilities or responsibilities as stipulated by laws and regulations for outsourced personnel and that they will be the party responsible for any personal or property losses during the outsourced personnel's work. However, if the labor service companies violate any relevant requirements under the applicable PRC labor laws, regulations or their agreements with the outsourced personnel, such personnel may claim compensation from us as they provide us with services. As a result, we may incur legal or financial liability, and our reputation as well as our business, results of operations and financial condition could be materially and adversely affected.

Moreover, the services provided by the employees of third-party labor service companies may subject us to PRC laws and regulations in relation to dispatched workers. For example, the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which was promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, provides that an employer may use dispatched workers for temporary, auxiliary or substitute positions, while the number of dispatched workers an employer may use shall not exceed 10% of its total labor force. During the Track Record Period, the number of dispatched workers engaged by us had exceeded the 10% regulatory threshold, which was rectified as of the Latest Practicable Date. We closely monitor the number of dispatched workers to stay compliant. If the number of our dispatched workers exceeds 10% of the total labor force in the future, we could be ordered to rectify within a specified period of time, and could be subject to fines if we fail to do so, which could have a material adverse effect to our business, results of operations and financial condition.

We face risks associated with the fraudulent or illegal activities or other misconducts of our employees, suppliers, customers and other third parties.

We are exposed to the risks of fraud, theft or other misconduct involving employees, suppliers, customers or other third parties, which may have a material adverse impact on our business. We are also exposed to the risk of our employees responsible for procurement and quality control receiving bribes or kickbacks from our suppliers in violation of our policies, which in turn may result in supplies that are overpriced or fail our quality standard. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses or harm our reputation.

Our insurance coverage may not fully protect us from significant costs and business disruption.

We maintain insurance coverage over our daily operations. See "Business — Insurance." We cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, financial condition and results of operations.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our financial results and effectively prevent fraud.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not result in elimination of all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

The increasing awareness of environmental, ESG issues may lead to the adoption of more stringent laws and regulations and increase our compliance costs. Failure to comply with such laws and regulations may subject us to penalties and adversely affect our business, financial condition and results of operations.

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance (the "**ESG**") issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may affect access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and the PRC government, fail to achieve the ESG objectives, or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition, and the price of our Shares could be materially and adversely effected.

Our business, financial condition and results of operations may be materially and adversely affected by force majeure events, natural disasters, public health incidents, acts of war, terrorism or other factors beyond our control.

Any force majeure events, acts of war, terrorist attacks, political unrest, social and economic chaos, natural disasters such as earthquakes, tsunamis, snowstorms, sandstorms, droughts and extreme and adverse bad weather conditions and public health incidents such as outbreak of pandemics or epidemics, including avian influenza, swine influenza, severe acute respiratory syndrome, the public health incidents or other health problems with similar magnitude or effects which are out of control may adversely affect the global economy, slowdown business activities, decrease demand or even disrupt our ordinary business operations and our business, financial condition and results of operations may be adversely affected.

In addition, we source certain products from overseas suppliers and are subject to general risks in relation to procurement with overseas suppliers. For example, an economic downturn in the geographic regions where our overseas suppliers are located may adversely affect our import volume and our suppliers' ability to provide us with quality products. Moreover, complexity in the domestic and international political environment, changes in legal and regulatory requirements, import and export restrictions and tariffs will have a material impact on our import of products. In the event that higher import tariffs, trade restrictions or other trade barriers provided by the new PRC laws and regulations in future affecting the importation of such products, we may not be able to obtain a steady supply of imported high-quality products at competitive prices. Our failure to manage any of these risks could harm our global supply chain, and adversely affect our business, results of operations and financial condition.

Heightened tensions in international relations may adversely impact our business, results of operations and financial condition.

Recently there have been heightened tensions in international relations, such as the war in Ukraine and sanctions on Russia and the ongoing conflict in the Middle East. These tensions have affected both diplomatic and economic ties globally. Heightened tensions could reduce levels of trade, investments, technological exchanges, and other economic activities in the international markets. We are unable to predict how international relations will develop. The existing tensions and any further deterioration in international relations may have a negative impact on the general economic, political, and social conditions in countries we operate in and adversely impact our business, results of operations and financial condition.

Our strategic investments or acquisitions may fail and may result in a material and adverse impact on our business prospects, and results of operations.

We may evaluate and consider strategic investments and acquisitions to develop new services or solutions and enhance our competitive position. Investments or acquisitions involve numerous risks, including potential failure to achieve the expected benefits of the integration or acquisition; difficulties in, and the cost of, integrating operations, technologies, services and personnel; potential write-offs of acquired assets or investments; and downward effect on our operating results. These transactions will also divert the management's time and resources from our normal course of operations, and we may have to incur unexpected liabilities or expenses.

In addition, if we do not successfully execute or effectively operate, integrate, leverage and grow acquired businesses, our financial results and reputation may suffer. Our strategy for long-term growth, productivity and profitability depends in part on our ability to make prudent strategic investment or acquisition decisions and to realize the benefits we expect when we make those investments or acquisitions. While we expect our past and future acquisitions to enhance our value proposition to customers and improve our long-term profitability, there can be no assurance that we will realize our expectations within the time frame we envisage, if at all, or that we can continue to support the value we allocate to these acquired businesses, including their goodwill or other intangible assets.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRY WHERE WE OPERATE

Our business is subject to evolving laws and regulations. Any adverse changes in the regulatory regime relating to the areas where we operate businesses may limit our ability to provide offerings, thereby materially and adversely affecting our business, financial condition and results of operations.

The operations of our businesses are subject to various PRC laws, rules and regulations at the national and regional levels. Such laws, rules and regulations mainly relate to food distribution, Class II medical device operations, product quality, pricing and anti-unfair competition. Compliance with these laws and regulations can cause difficulties and incur higher costs. New laws or regulations or changes to laws and regulations can impose additional compliance costs, reduce our revenue, and require us to change our operations to ensure compliance, or otherwise change our business.

In recent years, the PRC government has, on many occasions, promoted the development of the food and FMCG distribution industry. Nevertheless, new laws, rules and regulations relevant to our businesses may be introduced in the future, or the current applicable regulations may otherwise be amended or replaced, requiring us to conduct business with oversight and regulatory compliance. In particular, any change in the applicable laws, rules and regulations may require us to obtain additional licenses, permits, approvals or certificates, increase our operational expenses or result in the invalidation of our current licenses, permits, approvals or certificates.

Laws and regulations may be subject to further developments. As a result, we may not be aware in a timely manner that we have violated certain policies and rules. There can be no assurance that we can adapt to the changes in the regulatory environment swiftly enough or in a cost-efficient manner, failure of which may adversely affect our operations and lead to substantial compliance costs. In addition, we may need to implement changes in our facilities, equipment, personnel or services to comply with the latest laws and regulations in light of changes in the regulatory environment, and such may increase our capital expenditures and operating expenses, thereby adversely affecting our business, financial condition and results of operations.

Changes in economic, political or social conditions or government policies of the geographic markets in which we operate or source merchandise from could adversely affect our business, results of operations and prospects.

All of our current businesses, assets, operations and revenues are located in or derived from our operations in the PRC, and, as a result, our business, financial condition and results of operations are influenced by the overall economic environment in the PRC. Our performance is affected by China's economy, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world can also possibly impact China's economy. We are unable to predict all the risks that we face as a result of current economic and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business, results of operations as well as our financial performance.

Since we require various approvals, licenses and permits to operate our business, any failure to obtain, maintain or renew any of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the PRC laws and regulations, we are required to maintain various approvals, licenses and permits in order to operate our businesses in the PRC, such as food distribution license, Class II medical device registration, road transport business license and fire safety inspection approvals. These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety and fire safety laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation.

We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new distribution centers. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner or at all. If we cannot obtain and/or maintain all licenses required by us to operate our business, planned new business operations and/or expansion may be delayed, and our ongoing business could be interrupted. We may also be subject to fines and penalties. See "Business — Licenses, Permits, and Approvals."

Data protection, cybersecurity, privacy and similar laws regulate the collection, use and disclosure of information and data, and failure to comply with or adapt to changes in these laws could materially and adversely harm our business.

We are subject to various regulatory requirements relating to cybersecurity and data privacy, including the PRC Data Security Law (《中華人民共和國數據安全法》), the Cybersecurity Law of PRC (《中華人民共和國網絡安全法》) and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》). Should our data processing activities be subject to these laws and regulations, we are required to ensure that our data processing activities are carried out in a lawful, legitimate, specific and clear manner. Pursuant to the Personal Information Protection Law of the PRC, a service provider shall obtain the consent of the persons whose data is gathered when collecting and using personal information and shall comply with other circumstances as prescribed by laws and regulations.

In addition, as advised by the PRC Data Compliance Legal Adviser and according to an interview with the competent regulatory authority, China Cybersecurity Review, Certification and Market Regulation Big Data Center, on June 14, 2024, according to the Cybersecurity Review Measures, a listing on the Hong Kong Stock Exchange does not constitute a "foreign listing." As of the Latest Practicable Date, we had not received any notice that it is required to conduct a cybersecurity review, and had not received any notices that its data processing activity affects or may affect national security. We are not required to apply for a cybersecurity review for the [**REDACTED**]. In the course of conducting our business, other customer data we collect mainly pertains to employee information, customer and supplier contact information, and other data necessary for our operation and management. We may incur further expenses to comply with laws and regulations relating to data privacy, data security and protection, as well as relevant industry standards and contractual obligations.

In addition, regulatory requirements on privacy, information security and data protection are constantly evolving and can be subject to significant changes, which may affect the scope of our responsibilities in that regard. We may also be subject to additional or new laws and regulations regarding the protection of privacy, information security and data protection related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

Failure to comply with the PRC anti-corruption laws, regulations and rules could subject us and/or our employees to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, financial condition or results of operations.

We have adopted policies and procedures designed to ensure that our employees comply with the applicable PRC anti-corruption laws, rules and regulations so as to prevent corruption and fraudulent practices, including financial impropriety, improper conduct or unethical behavior and fraudulent activities. Our existing employees are required to attend regular training and comply with our employee handbook in connection with compliance with applicable laws and regulations.

There can be no assurance that the anti-corruption internal controls and procedures we have established will effectively prevent our noncompliance with the PRC anti-corruption laws, regulations and rules arising from actions taken by the individual employees without our knowledge. If this occurs, we and/or our relevant employees may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with existing or new government regulations relating to China's the food and FMCG distribution industry could materially and adversely affect our business and operating results.

Our business is subject to various compliance and operational requirements under PRC laws. The failure of any of our operations in China in complying with applicable laws and regulations, including laws governing our relationship with our employees, may incur substantial fines and penalties from the relevant PRC government authorities. Each of our distribution centers must hold a basic business license issued by the local government authorities and must have warehouse operations within the business scope of its business license. Our business is also subject to various regulations that affect various aspects of our business in the cities in which we operate. Each of our distribution centers must obtain various licenses and permits or conduct record filing procedures under these regulations. If we fail to rectify such non-compliance in a timely manner, we may be subject to fines or the suspension of operations of the distribution centers, which could materially and adversely affect our business and results of operations. Complying with government regulations may require substantial expense, and any material non-compliance may expose us to liability. In case of any material non-compliance, we may have to incur significant expense and divert substantial management time to rectify such non-compliance incidents. We may also experience adverse publicity arising from such noncompliance with government regulations that negatively impacts our reputation.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences for us and our non-PRC Shareholders.

The EIT Law provides that enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. Under the EIT Implementation Rules, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise.

In addition, Issues about the Determination of Chinese-controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》國稅發[2009]82號) promulgated by the SAT on April 22, 2009 and amended in December 29, 2017, regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside the PRC as "resident enterprises", clarified that dividends and other income paid by such "resident enterprises" will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such "resident enterprises" to various reporting requirements with the PRC tax authorities. In addition, the circular mentioned above sets out criteria for determining whether "de facto management bodies" are located in the PRC for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside the PRC that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider that we are a PRC resident enterprise. However, if the PRC tax authorities determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC Shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material and adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC Shareholders.

Certain judgments obtained against us by our shareholders may be difficult to enforce.

We are an exempted company incorporated in the Cayman Islands, and substantially all of our current operations are conducted in China. In addition, a majority of our current Directors and officers are nationals and residents of China. Judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) are met. Nonetheless, it may be difficult for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of regions where we operate may render you difficult to enforce a judgment against our assets or the assets of our Directors and officers.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [**REDACTED**] of our Shares on the Stock Exchange, the holders of the Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

Our business operations may be subject to substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to fraud and misconduct, sales and customer services, leases, labor disputes and control procedures deficiencies, as well as the protection of personal and confidential information of our end-users and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies relating to food safety and logistics services and taxation, among other things, which may result in the diversion of our resources and management attention. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant for us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

Regulations governing foreign currency conversion may affect our ability to pay dividends and other obligations, and affect the value of your investment.

We receive all of our revenue in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, as we source and import merchandise globally. Fluctuations in foreign currency may affect our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency-denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If our foreign currency demands could not be satisfied, we may not be able to pay dividends in foreign currencies to our Shareholders.

The exchange rate fluctuates and is affected by, among other things, the policies and changes in political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong Dollars. As a result, any fluctuation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in a change in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any fluctuation of the Renminbi may affect the value of, and any dividends payable on, our Shares in foreign currency. Any of these factors could affect our business, financial condition, results of operations and prospects, and could affect the value of, and dividends payable on, our Shares in foreign currency terms.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On 6 July 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On 24 February 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on 31 March 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archive management responsibilities. The Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

Given that the Archives Rules were recently promulgated, are still evolving and subject to change, we are closely monitoring how they will affect our operations and our future financing.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that additional approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such additional requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition. Furthermore, such new approval, filing or other requirements may also affect on the price of our shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active [REDACTED] market may not develop.

Prior to the completion of the [**REDACTED**], there has not been a public market for our Shares. An active public market may not develop or be sustained after the [**REDACTED**]. The initial [**REDACTED**] for our Shares was the result of, and the [**REDACTED**] will be the result of, negotiations among us and the [**REDACTED**] on behalf of the [**REDACTED**] and may not be indicative of prices that will prevail in the [**REDACTED**] market after the [**REDACTED**].

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active [**REDACTED**] market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the [**REDACTED**], the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the [**REDACTED**].

The [**REDACTED**] and [**REDACTED**] volume of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the [**REDACTED**]. The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or China's food and FMCG distribution industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in [**REDACTED**] volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, the PRC and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

Based on the [**REDACTED**], the [**REDACTED**] is expected to be higher than the net tangible book value per Share prior to the [**REDACTED**]. Therefore, you will experience an immediate dilution in [**REDACTED**] net tangible book value per Share. In addition, we may issue additional Shares or equity-related securities. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted.

In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

There can be no assurance if and when we will pay dividends in the future. Dividends distributed in the past may not be indicative of our dividend payments in the future.

Distribution of dividends shall be formulated by our Board of Directors at their discretion and may be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factor determined by our Board of Directors from time to time to be relevant to the declaration of dividend payments. As a result, our historical dividend distributions are not indicative of our future dividend distribution policy. There can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information — Dividends" for more details of our dividend policy.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favourable return to our Shareholders. See "Future Plans and Use of [**REDACTED**]" in relation to details of our plans to use the net [**REDACTED**] from the [**REDACTED**]. However, our management will have discretion as to the actual application of our net [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [**REDACTED**] from this [**REDACTED**].

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our independent Shareholders.

Immediately following the completion of the [**REDACTED**], assuming the Overallotment Option is not exercised, our Controlling Shareholders will control approximately [**REDACTED**]% of our issued share capital. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where it is required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of us that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with us or your best interests. If the interests of the Controlling Shareholders conflict with the interests of us or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of us or other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

We were incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than do those of the laws of Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles, and by the Companies Act and laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interest of minority Shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they could have under the laws of Hong Kong.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

Save for existing Shareholders who are subject to certain lock-up periods, our existing Shareholders may dispose of our Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various publicly available official sources and various independent third-party sources, including the industry expert reports, contained in this document.

This Document, particularly the section headed "Industry Overview," contains information and statistics relating to the industry in which we operate and other economic data. Such information and statistics have been derived from publicly available sources and a third-party report by Frost & Sullivan commissioned by us. We believe that the sources of the information are appropriate for such information, and we have taken reasonable care in extracting and reproducing such information. However, the information from official government publications may not be consistent with information available from other sources within or outside the PRC and Hong Kong, and it has not been independently verified by us, the Joint Sponsors, [**REDACTED**], or our or their respective affiliates or advisors, and no representation is given as to its accuracy. You should therefore not place undue reliance on information from official government publications and should consider carefully the importance placed on such information or statistics.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire Document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There may have been prior to the publication of this Document, and there may be subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and/or media coverage regarding us, our business, our industry and/or the [**REDACTED**]. None of us, the Joint Sponsors, [**REDACTED**], or any other person involved in the [**REDACTED**] has authorized the disclosure of information about the [**REDACTED**] in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the [**REDACTED**], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, you should make your investment decisions on the basis of the information contained in this document only and should not rely on any other information.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive Directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and the Company's head office is situated in the PRC; (ii) our executive Director and senior management team principally reside in the PRC; and (iii) the management and operation of the Company have mainly been under the supervision of our executive Director and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses and it is important for them to remain in close proximity to the Group's operation located in the PRC, the Company considers that it would be more practical for its executive Director and senior management to remain ordinarily resident in the PRC where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. Authorised representatives: we have appointed Mr. XU Shaochuan, the executive Director and president of the Company and Ms. ZHAO Zheng ("**Ms. Zhao**"), the secretary to the Board and our joint company secretary as the authorised representatives (the "**Authorised Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorised Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Each of Mr. XU Shaochuan and Ms. ZHAO Zheng ordinarily resides in the PRC, and possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorised Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See the section headed "Directors and Senior Management" in this document for more information about our Authorised Representatives.

2. Directors: to facilitate communication with the Stock Exchange, we have provided the Authorised Representatives and the Stock Exchange with the contact details of each of our Directors (i.e. mobile phone number, office phone number, email address and fax number (as applicable)). In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorised Representatives, so that the Authorised Representatives would be able to contact all our Directors (including the proposed independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors on any matters. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.

3. Compliance adviser: we have appointed Somerley Capital Limited as our Compliance Adviser (the "**Compliance Adviser**") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorised Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the [**REDACTED**] to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [**REDACTED**]. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as an additional channel of communication with the Stock Exchange when the Authorised Representatives are not available.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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

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

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance)

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles they played;

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

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Pursuant to the Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time but in any event not exceeding three years from the date of [**REDACTED**] (the "**Waiver Period**") and on the following conditions: (i) the relevant company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked in the event of a material breach of the Listing Rules by the Company.

We have appointed Ms. Zhao as one of the joint company secretaries of the Company. See "Directors and Senior Management — Senior Management" in this document for further biographical details of Ms. Zhao.

Ms. Zhao has over 20 years of experience in corporate governance and capital operation but personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company has appointed Ms. XIE Dong ("**Ms. Xie**"), who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Ms. Zhao for an initial period of three years from the [**REDACTED**] to enable Ms. Zhao to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors and Senior Management — Joint Company Secretaries" in this document for further biographical details of Ms. Xie. The waiver is valid for an initial period of three years from the [**REDACTED**], and is granted on the condition that Ms. Xie will work closely with Ms. Zhao to jointly discharge the duties and responsibilities as the company secretary of our Company and assist Ms. Zhao in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules.

The following arrangements have been, or will be, put in place to assist Ms. Zhao in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Ms. Zhao will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Ms. Xie will assist Ms. Zhao to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;

(c) Ms. Xie will communicate regularly with Ms. Zhao on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Xie will work closely with, and provide assistance for, Ms. Zhao in discharging her duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings; and

(d) Prior to expiry of Ms. Zhao's initial term of appointment as the company secretary of our Company, we will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Zhao's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when (i) Ms. Zhao ceases to be assisted by a person with qualifications under Rule 3.28 and 8.17 of the Listing Rules, or (ii) if there are material breaches of the Listing Rules by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Zhao, having had the benefit of Ms. Xie's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVERS IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue to have certain transactions after the [**REDACTED**] which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon [**REDACTED**]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us] waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See "Connected Transactions — Non-exempt Continuing Connected Transactions."

WAIVER IN RESPECT OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. Generally, at least 25% of the issuer's total issued share capital must at all times be held by the public. Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer will have an expected market capitalization at the time of listing of over HK$10 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(d) the issuer will confirm the sufficiency of the public float in successive annual reports after listing; and

(e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.08(1) of the Listing Rules to reduce the minimum public float of the Company to the higher of (a) [**REDACTED**]% of the total issued share capital of our Company, and (b) such percentage of Shares to be held by the public immediately after completion of the Share Subdivision and the [**REDACTED**], as increased by the Shares to be issued upon any exercise of the [**REDACTED**] (if any).

In order to support the application of this waiver, the Company [has confirmed] to the Stock Exchange that:

(a) the Company is expected to have a market capitalization in excess of HK$10 billion at the time of [**REDACTED**];

(b) the quantity and scale of the Shares would enable the market to operate properly with a lower percentage of public float;

(c) the Company will make appropriate disclosure of the lower prescribed percentage of public float in the Document;

(d) the Company will announce the percentage of Shares held by the public immediately after the completion of the [**REDACTED**] (before exercise of any [**REDACTED**]) and upon exercise of any [**REDACTED**] such that the public will be informed of the minimum public float requirement applicable to the Company; and

(e) the Company will implement appropriate measures and mechanisms to ensure continual compliance with the public float requirements prescribed by the Stock Exchange and confirm the sufficiency of public float in its successive annual reports after the [**REDACTED**].

Further, in order to ensure compliance with the Company's obligations under the Listing Rules in relation to the minimum public float, the Company will implement appropriate measures and mechanisms, including monitor its Hong Kong Share Register, relevant disclosures made under Part XV of the SFO and other relevant sources of information available to the Company. In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps, such as a further issue of new Shares, to ensure that the minimum percentage of public float prescribed by the Stock Exchange is complied with.

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. XU Shaochuan (許少川)	Room 202, Unit 2, Building 5 Xinghai Homeland, Xihongmen Town Daxing District, Beijing, the PRC	Chinese
Non-executive Directors		
Mr. ZHANG Bin (張斌)	Room 1522, No. 34 Haidian South Road Haidian District, Beijing, the PRC	Chinese
Mr. ZHANG Lumin (張潞閩)	No. 154 Gulou West Street Xicheng District, Beijing, the PRC	Chinese
Mr. MENG Liang (孟亮)	House 3, 12 Silver Crest Road Clear Water Bay N.T., Hong Kong	Chinese (Hong Kong)
Ms. WANG Yi (王怡)	No. 1307, Building 1 Shuangyushu Beili Haidian District, Beijing, the PRC	Chinese
Independent non-executive Directors		
Mr. WANG Hang (王航)	Jinguanxincheng 12 Xinxiwang Street Wuhou District Chengdu, Sichuan Province, the PRC	Chinese
Mr. WANG Xiaochuan (王小川)	No. 14 Chaoyangmen South Street Chaoyang District Beijing, the PRC	Chinese
Dr. YE Bangyin (葉邦銀)	Room 3101, Unit 1, Building 15 Zhonghai Wanjin Xian No. 8 Tuanjie Road Jiangpu Street, Pukou District Nanjing, Jiangsu, Province, the PRC	Chinese

For further information on our Directors, please refer to the section headed "Directors and Senior Management" of this document.

Joint Sponsors

UBS Securities Hong Kong Limited
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

[**REDACTED**]

[**REDACTED**]

Legal Advisors to the Company

As to Hong Kong and U.S. laws:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing, the PRC

As to PRC data compliance law:
Grandall Law Firm (Beijing)
9/F, Taikang Financial Tower
No. 38 North Dongsanhuan Road
Chaoyang District
Beijing, the PRC

As to Cayman Islands law:
Harney Westwood & Riegels
3501 The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to PRC law:* **King & Wood Mallesons** 18th Floor, East Tower World Financial Center No. 1 Dongsanhuan Zhonglu Chaoyang District Beijing, the PRC
Reporting Accountants	**KPMG** Certified Public Accountants 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong
Industry Consultant	**Frost & Sullivan Limited** 3006, Phase 2 Exchange Square 8 Connaught Place Central Hong Kong
Independent Property Valuer	**Cushman & Wakefield Limited** 27/F, One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Head Office and Principal Place of Business in China	No. 1425 Zhenbei Road Putuo District Shanghai, the PRC
Principal Place of Business in Hong Kong	31/F., Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Company's Website	**www.mdlwholesale.com** *(The information on the website does not form part of this document)*
Joint Company Secretaries	Ms. ZHAO Zheng No. 158 North Road West Fourth Ring Road Haidian District, Beijing, the PRC Ms. XIE Dong Floor 8, Block B Haidian Culture and Art Building No. 28, Zhongguancun Street Haidian District, Beijing, the PRC
Authorized Representative	Mr. XU Shaochuan Room 202, Unit 2, Building 5 Xinghai Homeland, Xihongmen Town Daxing District, Beijing, the PRC Ms. ZHAO Zheng No. 158 North Road West Fourth Ring Road Haidian District, Beijing, the PRC
Audit Committee	Dr. YE Bangyin *(Chairman)* Mr. WANG Hang Mr. ZHANG Lumin

CORPORATE INFORMATION

Nomination Committee	Mr. XU Shaochuan *(Chairman)* Mr. WANG Hang Dr. YE Bangyin
Remuneration Committee	Mr. WANG Hang *(Chairman)* Dr. YE Bangyin Mr. MENG Liang
Compliance Adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Central Hong Kong

[REDACTED]

Cayman Islands Principal Share Registrar and Transfer Office	**Osiris International Cayman Limited** Suite #4-210, Governors Square 23 Lime Tree Bay Avenue, PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Principal Bankers	**Bank of China Limited** **Shenzhen Fuqiang Branch** 1/F, Time Square No. 1008 Jintian Road, Futian District Shenzhen, Guangdong Province, the PRC **Bank of China Limited** **Shanghai Pudong Branch** No. 838 Zhangyang Road Pudong New District, Shanghai, the PRC **Industrial and Commercial Bank of China, Beijing Yudong Branch** Building A, No. 40 Fuxing Road Haidian District, Beijing, the PRC

The information and statistics set out in this section and other sections of this Document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "Frost & Sullivan Report"). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [**REDACTED**], *any of the* [**REDACTED**], *any of their respective affiliates and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

OVERVIEW OF FOOD AND FMCG DISTRIBUTION INDUSTRY IN CHINA

Definition

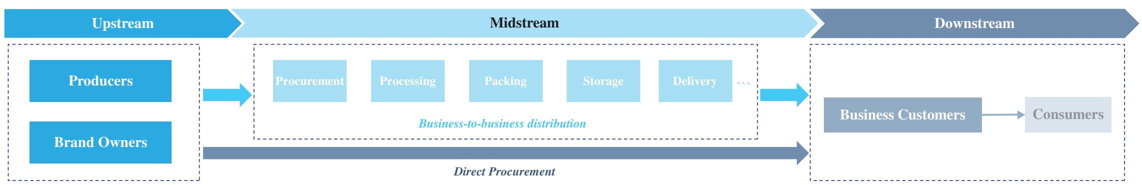
Food refers to consumable products that provide essential nutrients and energy for human consumption. It mainly includes fresh food, cooked food, ready-to-eat food and packaged food. FMCG (fast-moving consuming goods) refers to products consumed in people's daily lives and are characterized by quick turnover and frequent consumption. FMCG mainly includes personal care products, household supplies, beverages and tobacco.

Food and FMCG distribution refers to commercial activities which facilitate the distribution process of food and FMCG products from producers, processors, or manufacturers to business customers such as grocery retailers, restaurants, corporates, financial institutions, schools and government agencies. Food and FMCG distribution process includes operations that involve procurement, preparation, handling, packing, storage, and delivery of products to business customers, and in some cases, distributors provide other value-added services such as marketing and product tracing.

Industry Chain Analysis

The value chain of the food and FMCG distribution industry encompasses manufacturing, distribution and consumption. Upstream of this value chain mainly covers producers and brand owners who are responsible for the production of food and FMCG products. Midstream of this value chain covers the distribution process that involves procurement, preparation, handling, packing, storage and delivery of products to business customers. For product distribution, downstream business customers can opt to either purchase directly from producers and brand owners or collaborate with distribution solution providers. Downstream of the value chain mainly covers business customers who demand food and FMCG products for final consumption, or use such products as raw materials of their finished goods, or re-sell to end consumers.

Directly purchasing from upstream producers is an option. For business customers with large procurement demand for diversified products, direct purchasing generally requires significant investment of time and manpower, making the cooperation with business-to-business distributors a more efficient option. In addition, driven by the ever-shifting market demand, cooperation with business-to-business distributors with optimized solution of product distribution has become the mainstream strategy. Business-to-business distribution is a vital process that ensures efficient product delivery to business customers across multiple industry sectors.



Source: Frost & Sullivan

Major Industries to Serve

Food and FMCG distribution industry mainly serves retail industry, catering industry and commercial welfare and gifting industry:

- ***Retail Industry***: Retail is the activity of selling merchandise to end consumers for own consumption. The participants in the retail industry who demand food and FMCG distribution services mainly are grocery retailers who sell food, FMCG and other everyday groceries.

- ***Catering Industry***: Catering service refers to the commercial activities of providing prepared foods, consumption sites and facilities for consumers. Catering service providers mainly procure food products, which are mainly sourced through collaboration with distribution service providers. Major business formats of catering service include restaurants and group meals. Restaurants refer to businesses that prepare and serve food to consumers. Group meals refer to a form of catering service that is provided to groups with customized menus and solutions addressing the needs of various dining scenarios. Group meals service customers mainly include corporates, financial institutions, government agencies and schools.

- ***Commercial Welfare and Gifting Industry***: Commercial welfare and gifts refer to food and FMCG products purchased by corporates for commercial purposes, such as business gifts, employee welfare and conference gifts. The customers of commercial welfare and gifting industry mainly include corporates from all business sectors who demand food and FMCG products to fulfill their commercial purpose. They generally procure food and FMCG products as commercial welfare and gifts through collaboration with distribution service providers.

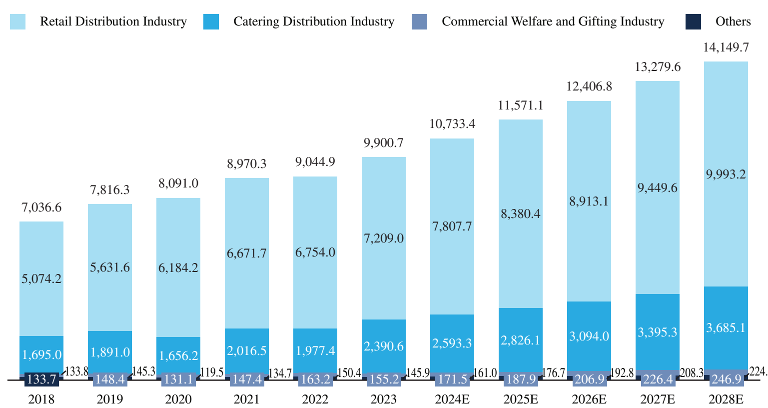
Market Size of Food and FMCG Distribution Industry

According to Frost & Sullivan, the market size of the food and FMCG distribution industry in China, in terms of revenue, grew from RMB7,036.6 billion in 2018 to RMB9,900.7 billion in 2023, representing a CAGR of 7.1%. This growth is expected to continue at a CAGR of 7.4% from 2023 to 2028, and the market size is expected to reach RMB14,149.7 billion by 2028. The following chart presents the historical and projected market size of China's food and FMCG distribution industry in terms of revenue from 2018 to 2028:

Market Size of Food and FMCG Distribution Industry in China, by Revenue

Billion RMB, 2018-2028E

CAGR	2018-2023	2023-2028E
Retail Distribution Industry	7.3%	6.7%
Catering Distribution Industry	7.1%	9.0%
Commercial Welfare and Gifting Industry	3.0%	9.7%
Others[1]	1.8%	9.0%
Total	**7.1%**	**7.4%**



Source: Frost & Sullivan

Note: (1) Others mainly refer to corporate procurement for operational consumption purposes, providing employees with food and FMCG products for use in the workplace.

Competitive Landscape

According to Frost & Sullivan, the food and FMCG distribution industry in China is highly fragmented, with the top five food and FMCG distribution solution providers occupying a market share of 0.8% in terms of revenue in 2023. According to Frost & Sullivan, our Group was the second-largest food and FMCG distribution solution provider in China in terms of revenue in 2023.

Top 5 Food and FMCG Distribution Solution Providers in China, by Revenue (2023)

Ranking	Company	Revenue (Billion RMB)	Market Share
1	Company A	24.4	0.2%
2	Our Group	23.8	0.2%
3	Company B	16.3	0.2%
4	Company C	12.0	0.1%
5	Company D	10.0	0.1%

Source: Frost & Sullivan

Notes:

(1) Company A: A division of a NASDAQ and Hong Kong listed group, established in 2010, which is a e-commerce platform that provides corporate procurement of commercial welfare and gifting services for business customers, mainly including 3C digital electronics, office and household supplies, food and beverage, and other FMCG.

(2) Company B: A Shenzhen listed group, established in 1997, which is a distribution solution provider that distributes products including 3C digital electronics, alcohol, food and FMCG to retailers. The provider also provides brand operation, marketing and other services.

(3) Company C: A private group, established in 1998, which is a leading fruit distribution solution provider that mainly serves retailers.

(4) Company D: A Hong Kong listed group, established in 2002, which is a leading fruit distribution solution provider that mainly serves retailers.

OVERVIEW OF RETAIL DISTRIBUTION INDUSTRY IN CHINA

Definition

Retail distribution solution refers to the food and FMCG products related distribution services offered to business customers in the retail industry. Such customers mainly include grocery retailers that sell food, FMCG and other everyday groceries.

Market Size of Retail Distribution Industry

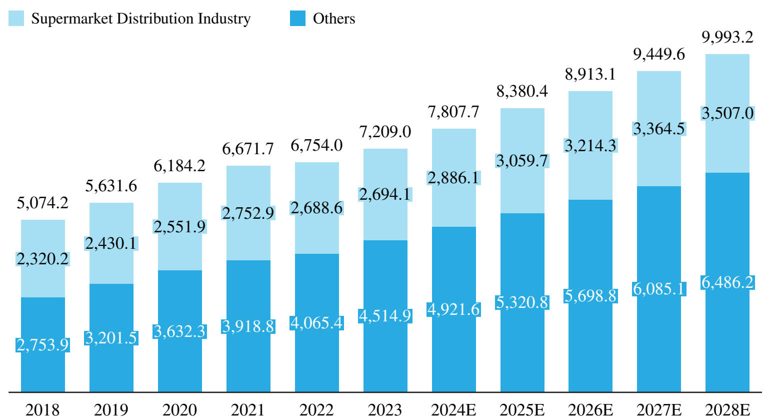
According to Frost & Sullivan, the market size of the retail distribution industry in China, in terms of revenue, grew from RMB5,074.2 billion in 2018 to RMB7,209.0 billion in 2023, representing a CAGR of 7.3%. This growth is expected to continue at a CAGR of 6.7% from 2023 to 2028, and the market size is expected to reach RMB9,993.2 billion by 2028. Supermarkets, warehouse clubs and convenience stores play an indispensable role in residents' everyday grocery purchases. According to Frost & Sullivan, the market size of the supermarket distribution industry in China, in terms of revenue, grew from RMB2,320.2 billion in 2018 to RMB2,694.1 billion in 2023, representing a CAGR of 3.0%. The public health incidents resulted in a slight decline of the market size of the supermarket distribution industry in 2022.

This growth is expected to continue at a CAGR of 5.4% from 2023 to 2028, and the market size is expected to reach RMB3,507.0 billion by 2028. The following chart presents the historical and projected market size of China's retail distribution industry in terms of revenue from 2018 to 2028:

Market Size of Retail Distribution Industry in China, by Revenue

Billion RMB, 2018-2028E

CAGR	2018-2023	2023-2028E
Supermarket Distribution Industry[1]	3.0%	5.4%
Others[2]	10.4%	7.5%
Total	**7.3%**	**6.7%**



Source: National Bureau of Statistics, Frost & Sullivan

Notes:

(1) Supermarket distribution industry refers to the distribution service of food and FMCG products offered to supermarkets, warehouse clubs and convenience stores.

(2) Others mainly refer to the distribution service of food and FMCG products offered to retailers such as traditional grocery retailers and online grocery retailers.

Competitive Landscape

According to Frost & Sullivan, the retail distribution industry in China is highly fragmented, with the top five retail distribution solution providers occupying a market share of 0.8% in terms of revenue in 2023. According to Frost & Sullivan, our Group was the second-largest retail distribution solution provider and the largest supermarket distribution solution provider in China in terms of revenue in 2023.

Top 5 Retail Distribution Solution Providers in China, by Revenue (2023)

Ranking	Company	Revenue (Billion RMB)	Market Share
1	Company B	16.3	0.2%
2	Our Group	14.9	0.2%
3	Company C	12.0	0.2%
4	Company D	10.0	0.1%
5	Company E	8.0	0.1%

Source: Frost & Sullivan

Note: (1) Company E: A private group, established in 2014, which is a e-commerce platform that distributes food and FMCG products to small- and medium-sized retailers.

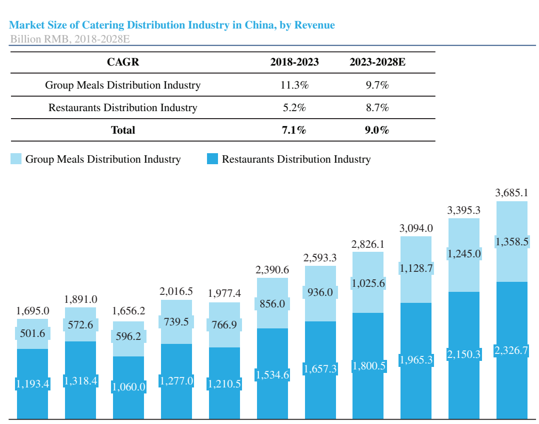
OVERVIEW OF CATERING DISTRIBUTION INDUSTRY IN CHINA

Definition

Catering distribution solution refers to the food and FMCG products related distribution service offered to business customers in the catering industry. Such customers mainly include restaurant operators, group meals service providers and institutions with canteens.

Market Size of Catering Distribution Industry

According to Frost & Sullivan, the market size of the catering distribution industry in China, in terms of revenue, grew from RMB1,695.0 billion in 2018 to RMB2,390.6 billion in 2023, representing a CAGR of 7.1%. This growth is expected to continue at a CAGR of 9.0% from 2023 to 2028, and the market size is expected to reach RMB3,685.1 billion by 2028. The following chart presents the historical and projected market size of China's catering distribution industry in terms of revenue from 2018 to 2028:

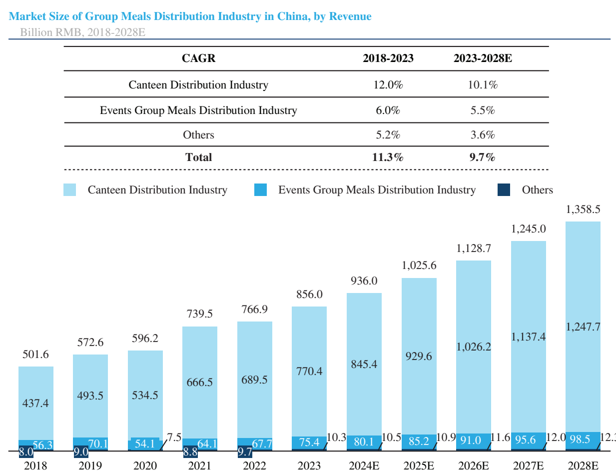


Source: National Bureau of Statistics, Frost & Sullivan

Market Size of Group Meals Distribution Industry

Group meals industry accounted for approximately 40% of China's catering industry in terms of revenue in 2023. Group meals distribution industry accounts for an increasing market share in the catering distribution industry. Scenarios that group meals served mainly include canteens, events and conferences, as well as meals on planes and trains.

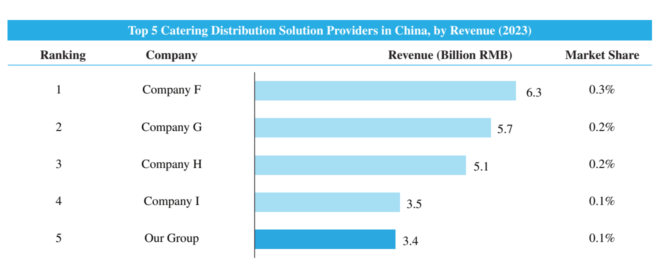
According to Frost & Sullivan, the market size of the group meals distribution industry in China, in terms of revenue, grew from RMB501.6 billion in 2018 to RMB856.0 billion in 2023, representing a CAGR of 11.3%. This growth is expected to continue at a CAGR of 9.7% from 2023 to 2028, and the market size is expected to reach RMB1,358.5 billion by 2028. The following chart presents the historical and projected market size of China's group meals distribution industry in terms of revenue from 2018 to 2028:



Source: Frost & Sullivan

Competitive Landscape

According to Frost & Sullivan, the catering distribution industry in China is highly fragmented, with the top five catering distribution solution providers occupying a market share of approximately 0.9% in terms of revenue in 2023. Our Group was the fifth-largest catering distribution solution provider in terms of revenue with a market share of 0.1% in 2023.



Source: Frost & Sullivan Report

Notes:

(1) Company F: A private group, established in 2015, which is a food distribution solution provider that distributes food products to business customers including corporates, retailers and hotels. The provider also provides central kitchen operation and other services.

(2) Company G: A private group, established in 2014, which is a food distribution solution provider that distributes food products to business customers including restaurants and retailers. The provider also provides financial and other services.

(3) Company H: A private group, established in 2014, which is a food distribution solution provider that distributes food products to business customers including restaurants and retailers.

(4) Company I: A private group, established in 2015, which is a food distribution solution provider that distributes food products to business customers including corporates, government agencies, and retailers. The provider also provides commercial welfare and gifting solutions.

The group meals distribution industry in China is highly fragmented, with the top five group meals distribution solution providers occupying a market share of 1.7% in terms of revenue in 2023. According to Frost & Sullivan, our Group was the largest group meals distribution solution provider in China in terms of revenue in 2023.

Top 5 Group Meals Distribution Solution Providers in China, by Revenue (2023)

Ranking	Company	Revenue (Billion RMB)	Market Share
1	Our Group	3.4	0.4%
2	Company I	3.3	0.4%
3	Company J	2.6	0.3%
4	Company K	2.4	0.3%
5	Company L	2.3	0.3%

Source: Frost & Sullivan

Notes:

(1) Company J: A private group, established in 1995, which is a food distribution solution provider that distributes food products to business customers including corporates, government agencies, schools and retailers. The provider also provides canteen management and other services.

(2) Company K: A private group, established in 1997, which is a food distribution solution provider that distributes food products to business customers including corporates, government agencies and schools. The provider has planting bases and provides operation management services.

(3) Company L: A private group, established in 1993, which is a group meals provider that distributes food products to business customers including corporates, schools and hospitals. The provider also provides canteen management, central kitchen operation and other services.

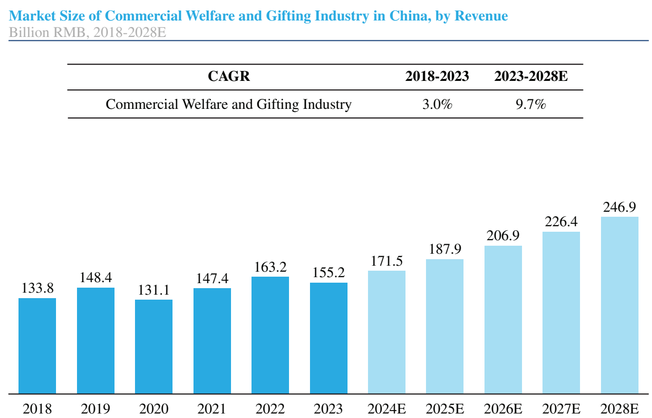
OVERVIEW OF COMMERCIAL WELFARE AND GIFTING INDUSTRY IN CHINA

Definition

Commercial gifts serve for commercial purposes that generally include building and improving business relationships and enhancing employee welfare and loyalty. Commercial welfare and gifting solution refers to food and FMCG products related distribution service offered mainly to corporates from all business sectors with demand of food and FMCG products to fulfill their commercial purpose.

Market Size of Commercial Welfare and Gifting Industry

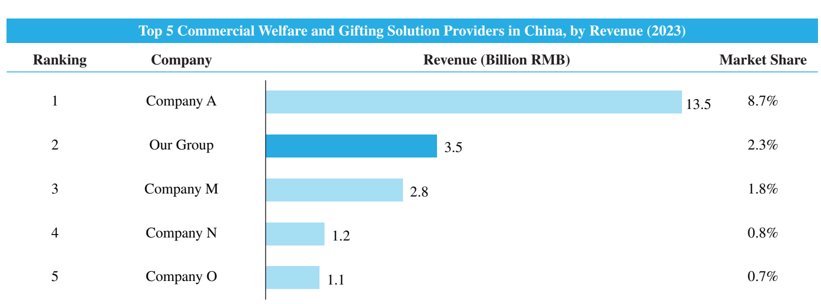
According to Frost & Sullivan, the market size of the commercial welfare and gifting industry in China, in terms of revenue, grew from RMB133.8 billion in 2018 to RMB155.2 billion in 2023, representing a CAGR of 3.0%. This growth is expected to continue at a CAGR of 9.7% from 2023 to 2028, and the market size is expected to reach RMB246.9 billion by 2028. The following chart presents the historical and projected market size of China's commercial welfare and gifting industry in terms of revenue from 2018 to 2028:



Source: Frost & Sullivan

Competitive Landscape

According to Frost & Sullivan, the commercial welfare and gifting industry in China is fragmented, with the top five commercial welfare and gifting solution providers occupying a market share of 14.3% in terms of revenue in 2023. According to Frost & Sullivan, our Group was China's second-largest commercial welfare and gifting solution provider in terms of revenue in 2023.



Source: Frost & Sullivan

Notes:

(1) Company M: A division of a Shenzhen listed group, established in 2013, which is a e-commerce platform that provides corporate procurement of commercial welfare and gifting services for business customers, mainly including 3C digital electronics, food, office appliances and other FMCG.

(2) Company N: A division of a Hong Kong and New York listed group, established in 1999, which is a e-commerce platform that provides corporate procurement of commercial welfare and gifting services for business customers, mainly including household supplies, food and beverage and office supplies.

(3) Company O: A private group, established in 2012, which is a commercial welfare and gifting solution provider operating in the e-commerce format, mainly serving diversified products, physical examination services, insurance services and customized corporate activities services.

MARKET DRIVERS AND INDUSTRY TRENDS OF FOOD AND FMCG DISTRIBUTION INDUSTRY IN CHINA

Economic Growth. The market for food and FMCG distribution industry is dependent on the level of national economic development. In the past five years, China's per capita GDP has maintained rapid growth with a CAGR of 6.4%. Chinese residents' per capita disposable income grew at a CAGR of 6.8% from 2018 to 2023 and the per capita consumer expenditure grew at a CAGR of 6.2 % during the same period. The growing income level provides a solid foundation for residents to consume high-quality food and FMCG products and the spending power of Chinese residents improves. Economic growth is thus a key driver to the stable growth of China's food and FMCG distribution industry.

Continuous Development of Logistics Infrastructure. Logistics are crucial to food and FMCG distribution industry. The logistics infrastructure in China has been improving. According to the National Bureau of Statistics, the total length of roads in China grew from 4.85 million kilometers in 2018 to 5.44 million kilometers in 2023. The development of cold chain logistics infrastructure is also accelerating. According to the China Federation of Logistics & Purchasing, the number of refrigerated trucks is expected to reach 4.3 billion in 2023, a year-on-year increase of 12.8%. The expanding logistics infrastructure can break through geographical restrictions to reach broader markets and enhance consumer access. This expanded reach creates more market opportunities and fuels consumption growth by allowing consumers to experience and purchase diversified products that are sourced globally, contributing to the growth of food and FMCG distribution industry.

Digitalization. The technological advancements continue to keep stimulate the digitalization of China's food and FMCG distribution industry players, enabling them to manage and control key business steps in relation to products, services and customers more efficiently. Digital systems such as warehouse management systems, transport management systems and customer relationship management systems are designed to optimize operational and management processes. Decision-making empowered by digital tools drives efficient and rapid business development, which further promoting the development of the food and FMCG distribution industry.

Industry Consolidation. Established food and FMCG distribution solution providers have advantages in terms of business management, procurement, production and R&D, quality control, logistics and storage and personnel reserves. These advantages enable leading providers to quickly adapt to industry development and enhance risk resilience. Consumers are increasingly prioritizing food safety, leading to a growing inclination among business customers to expand their partnerships with leading food and FMCG distribution solution providers. This is expected to further drive the consolidation of the industry. The market share of the top five food and FMCG distribution solution providers is approximately 30% in terms of revenue in 2023 in the United States while the top five providers contributed a market share of 0.9% in China. China's food and FMCG distribution solution providers have huge market opportunities and development potential.

Favorable Policies. In 2019, the State Council issued the Opinions on Deepening Reform and Strengthening Food Safety Work, proposed that food distribution providers should strengthen food quality and safety control in the circulation and sales process and establish a food safety traceability system. This policy is anticipated to promote the high-quality development of the food distribution industry. Additionally, in 2021, the "National Food Safety Standard Food Cold Chain Logistics Hygiene Code" specifies the requirements for distribution, storage, traceability and recall procedures, and other management guidelines within the food cold chain logistics process. In 2022, the National Development and Reform Commission released the "14th Five-Year Plan" for the Development of Cold Chain Logistics. By 2025, China will initially form a cold chain logistics network that connects production and sales areas, covers urban and rural areas and connects domestic and international markets. In addition, the No. 1 Central Document in 2023 focuses on stable production and supply of food products and puts forward higher requirements for distribution capacity of the food and FMCG distribution industry. All these policies are anticipated to benefit the healthy and sustainable growth of the food and FMCG distribution industry.

MARKET ENTRY BARRIERS OF FOOD AND FMCG DISTRIBUTION INDUSTRY IN CHINA

New entrants to the food and FMCG distribution industry in China may encounter the following entry barriers:

Procurement Resources. Leading food and FMCG distribution solution providers have formed partnerships with popular brands and trusted food suppliers known for their stable and high-quality products. They also have overseas direct procurement capabilities to import high-quality products and improve the competitiveness of their product offerings. In addition, some leading providers have their own private labels, demonstrating advantages in product differentiation and cost control. It is difficult for new entrants to rapidly establish partnerships with high-quality and reliable sourcing channels and effectively build up well-known brands.

Quality Assurance and Food Safety. High-quality product delivery requires food and FMCG distribution solution providers to have strong capabilities in terms of product traceability, standardization and team management. In addition, leading providers apply for professional certifications in quality control from third-party authorities in evidence of their excellent quality control capabilities. These capabilities and certifications generally take significant time and investment for new entrants to obtain.

Supply Chain. The distribution solution of food and FMCG products is a process that requires a well-established and efficient supply chain to meet the demand of diverse customers across multiple industries. The establishment of a robust supply chain necessitates significant capital investment, comprehensive technical support, diligent workforce and significant efforts to ensure compliance with regulations and standards. It is difficult for new entrants to quickly establish a comprehensive supply chain network.

Digitalization Capability. The digital transformation of the food and FMCG distribution industry is crucial for distribution solution providers to enhance efficiency, reduce costs and improve competitiveness. Leading food and FMCG distribution solution providers are at the forefront of digital transformation. Through digital systems such as warehouse management system, transportation management system and digital procurement system, leading distribution solution providers can achieve precise control over all aspects of the supply chain, optimize resource allocation and enhance market responsiveness to deliver a high-quality and efficient service experience to their business customers. New entrants generally lack the capital, technical support and industry experience to develop suitable digital systems.

Customer Base and Brand Recognition. Leading food and FMCG distribution solution providers generally have stable customer base, well-recognized brand and strong product supply capability. They are able to steadily provide quality products and offer customized solutions for customers, thus having competitive edge in acquiring and maintaining customers. A large customer base is a solid foundation for continuous and sustainable business development. It generally takes significant time and efforts for new entrants to build up such customer base and brand reputation.

SOURCE OF INFORMATION

In connection with the [**REDACTED**], we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and prepare a report about, China's food and FMCG industry. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. In connection with the market research services provided, we have paid a fee of USD85,000 to Frost & Sullivan, which we believe to be consistent with market rates.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following assumptions: (i) the global social, economic, and political environment is likely to remain stable in the five years from 2024 to 2028 (the "**Forecast Year**"), (ii) purchasing power is expected to continue to rise rapidly in the forecast years, (iii) the impact of the public health incident is phased and temporary, against the backdrop of accelerated vaccination, China's epidemic control shows an overall positive trend and the Chinese economy shows long-term positive fundamentals, and (iv) related industry drivers such as high-quality and diversified demand for products, and other key drivers are likely to drive the food and FMCG distribution industry in the Forecast Year.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the food and FMCG distribution industry with certain leading industry participants and secondary research which involved reviewing company reports, independent research reports and data based on its research database. Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict, or have an impact on such information.

Our business operations are based in the PRC and are subject to extensive supervision and regulation by the PRC government. This section summarizes the major laws, rules and regulations which may impact key aspects of our business.

REGULATIONS ON FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Encouraged Industries for Foreign Investment (《鼓勵外商投資產業目錄》) (the "**Encouraged Catalog**"), and the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the "**Negative List**"), which are promulgated and amended from time to time by the Ministry of Commerce (the "**MOFCOM**") and the NDRC, and together with the Foreign Investment Law and its respective implementation rules and ancillary regulations. The Encouraged Catalog and the Negative List lay out the basic framework for foreign investments in China, classifying businesses into three categories regarding foreign investments: "encouraged", "restricted" and "prohibited". Industries not listed in the Encouraged Catalog or the Negative List are generally deemed as falling into a fourth category, "permitted" unless specifically restricted by other PRC laws.

On December 27, 2021, MOFCOM and NDRC promulgated the latest Negative List (2021), which became effective on January 1, 2022. The food and FMCG distribution service were not included in the Negative List (2021). Fields that were not included in the Negative List (2021) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the SCNPC approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

REGULATIONS ON OUR BUSINESS

Food Safety Law and Implementation Rules

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "**Food Safety Law**"), as effective on June 1, 2009 and most recently amended on April 29, 2021, the State Council implemented a licensing system for food production and trading activities. A person or entity that engages in food production, food selling or catering services shall obtain the license in accordance with the Food Safety Law.

The Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), as effective on July 20, 2009 and last amended on October 11, 2019, further specifies the detailed measures to be taken for food producers and business operators and the penalties that shall be imposed should these required measures not be implemented.

In accordance with the Food Safety Law of the PRC and the Implementation Rules of the Food Safety Law, the State Council establishes the Food Safety Committee, which is responsible for analyzing the food safety situation, researching, planning, coordinating and guiding food safety work, proposing major policy measures for food safety supervision and management, and overseeing the implementation of food safety supervision and management responsibilities. Engaging in food production and operation activities without obtaining a food production and operation license shall result in the confiscation of illegal gains, as well as the food and items such as tools, equipment, and raw materials used for illegal production and operation, by the food safety supervision and management department. If the value of the food products involved in the illegal production and operation is less than RMB10,000, a fine of no less than RMB50,000 but no more than RMB100,000 shall be imposed. If the value of the food products involved is RMB10,000 or more, a fine shall be imposed ranging from ten times to twenty times the value of the goods.

Food Operation Licensing

According to the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》), which was promulgated on June 15, 2023 by SAMR and took effect on December 1, 2023, entities involved in food selling within the PRC shall obtain the food operation license which is valid for five years. Applications of food operation licenses shall be filed according to food operators' types of operation and classification of operation projects. Food operators shall display their original food operation licenses outstandingly at their sites of operation. If the licensing items which are indicated on a food operation license change, the food operator shall, within ten business days after the changes take place, apply with the SAMR which originally issued the license for alteration of the operation license. Engaging in food operation activities without a valid food operation license incurs penalties made by local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law.

Food Recall

The Administrative Measures for Food Recall (《食品召回管理辦法》) was promulgated by China Food and Drug Administration on March 11, 2015 and was most recently amended by SAMR on October 23, 2020. According to the Administrative Measures for Food Recall, business operator shall assume primary responsibilities for food safety by establishing a sound management system, collecting and analyzing food safety information and performing legal duties of the cease of production and operation as well as recall and disposal of unsafe food. Where a food operator finds that the food traded by it does not comply with the food safety standards, it shall immediately cease the trading, notify the relevant producers and operators, as well as consumers, and record the cessation of operation and notification. Where the food producers or operators fail to recall or cease trading of the food and thus fail to comply with the food safety standards in accordance with the provisions of the laws, the quality supervision, administration for industry and commerce, food and drug supervision and administration departments at and above the county level shall order them to recall or stop the sale.

Medical Device Operation

According to the Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council on January 4, 2000 and lastly amended on February 9, 2021 and came into effect on June 1, 2021, to engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the municipal level drug supervision and administration department. In accordance with the provisions issued by the medical products administration of the State Council, the medical device products of Class II whose safety and effectiveness are not affected by the circulation process may be exempt from distribution recordation.

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) which were promulgated on July 30, 2014 and amended on November 17, 2017 and March 10, 2022, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope and shall have quality control department or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class I medical devices is not required for license or record filing, the operation of Class II medical devices shall file with the municipal level drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices. Where the business premises, mode of operation, business scope and warehouse addresses of a Class II medical device operator change, the operator shall apply to the competent drug supervision and administration department for filing of the change in a timely manner. The classification of specific medical devices is stipulated in the Medical Device Classification (《醫療器械分類目錄》), which was issued on August 31, 2017 and recently amended on August 15, 2023.

Road Transportations

Regulations of the People's Republic of China on Road Transport, promulgated by the State Council on April 30, 2004 and most recently amended on July 20, 2023, and the Provisions on Administration of Road Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) issued by the MOT, on June 16, 2005 and last amended on November 10, 2023, require that any individual or institution applying for the operation of freight transportation, except international freight transportation and transportation of dangerous goods, shall have: (i) qualified vehicles for operations; (ii) competent drivers under 60 with relevant driving licenses who (except for drivers who use general freight vehicles with a total mass of 4.5 metric tons or less) have passed requisite knowledge tests and obtained qualification certificates, and (iii) sound and proper administrative systems for safe operation. The transportation administrations at the county level (districted city level for transportation of dangerous goods) are responsible for the issuance of the operating permits for the freight transport operating enterprises and the operating licenses for the freight transport operating vehicles. An enterprise shall conduct freight transportation operation in accordance with the scope specified under its road transportation permit and shall not transfer or rent such permit to others.

Online Trading

On August 31, 2018, the NPCSC promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) (the "**E-Commerce Law**"), which became effective on January 1, 2019. Business activities conducted online to sell commodities or offer services shall be governed by the E-Commerce Law. Pursuant to the E-Commerce Law, e-commerce operators are natural persons, legal persons and unincorporated organizations that engage in the business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators, and other e-commerce operators that sell commodities or offer services through a self-built website or other network services. E-commerce operators must fulfill market entity registration (unless no such registration is required by law and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which it is required by law to obtain.

The Administrative Measures for Online Trading (《網絡交易監督管理辦法》) (the "**Measures for Online Trading**"), promulgated by the SAMR on March 15, 2021, and effective from May 1, 2021, stipulate that any business activity of selling goods or providing services through the Internet within the PRC Mainland must comply with PRC laws and the provisions of the Measures for Online Trading. Online trading operators must register for industrial and commercial purposes in accordance with the law. The goods sold or services provided by online trading operators must comply with requirements for personal and property safety and environmental protection. Online trading operators are prohibited from selling goods or providing services that are prohibited by law or regulation, harm national or public interests, or violate public order and good morals.

Product Quality and Consumer Protections

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and latest amended on December 29, 2018 by the SCNPC, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. According to the Product Quality Law, consumers or victims who suffer injuries or property losses due to product defects may demand compensation from either the producer or the seller. Where the responsibility lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**") was adopted by the SCNPC, which became effective on January 1, 2021, according to which, a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to consumers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting consumers' privacy and must strictly keep confidential any consumer information they obtain during their business operations.

Product Price

Pursuant to the Price Law of the PRC (《中華人民共和國價格法》) (the "**Price Law**"), which was promulgated on December 29, 1997, the operators must, in determining prices, abide by the principles of fairness, being in conformity with the law, honesty and credibility. Production and management costs and market supply and demand factors must be the fundamental basis for the determination of prices by operators.

Operators may not commit unfair price acts such as manipulating market prices in collusion to the detriment of the lawful rights and interests of other operators or consumers. Any operator who commits any of the unfair price acts prescribed in the Price Law will be ordered to make rectification, have the illegal gains confiscated and may be imposed a fine of up to five times of the illegal gains; where the circumstances are serious, an order will be issued for the suspension of business operations for rectification, or the business license will be revoked by the SAMR. In addition, any operator who causes consumers or other operators to pay additional prices pursuant to illegal price acts must refund the portion overpaid; where damage has been caused, liability for compensation will be borne according to law.

Anti-unfair Competition

The principal legal provisions governing the market competition are set out in the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-unfair Competition Law**"), which was promulgated by the NPCSC on September 2, 1993 and then amended respectively on November 4, 2017 and April 23, 2019. The PRC Competition Law provides that business operators shall not perform any of the following acts enabling people to mistake its goods for those of someone else or speculate that there are certain relations between the aforesaid goods: (i) using of marks identical or similar to the names, packaging or decorations of the goods of someone else without proper authorization, which is influential to some extent; (ii) using the names (including any shortened name, business name, pen name, stage name, translated name, etc., if applicable) of some other enterprises, social groups or individuals without proper authorization, who are influential to some extent; using the main part of the domain name, website name or webpage without proper authorization, which is influential to some extent; or (iii) other confusing acts sufficient for enabling people to mistake its goods for those of someone else or reckon that there are certain relations between the aforesaid goods. Violations of the PRC Competition Law may result in the imposition of fines and, in serious cases, the revocation of business licenses, as well as the incurrence of criminal liability.

Single-Purpose Commercial Pre-Paid Cards

The Administrative Measures for Single-purpose Commercial Pre-paid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法(試行)》), (the "**Commercial Pre-paid Cards Measures**"), were promulgated by the Ministry of Commerce on September 21, 2012 and amended on August 18, 2016. Single-purpose commercial pre-paid cards refer to pre-paid certificates which are issued by an enterprise engaged in retail, accommodation, catering, and residential services and which are exclusively used to pay for goods or services within the group to which the enterprise belongs to or within the franchise system of one brand. This includes physical cards in the form of magnetic stripe cards, chip cards paper coupons and virtual cards in the form of passwords string codes, graphics and biometric information, among others. According to the Commercial Pre-paid Cards Measures, a card-selling enterprise shall disclose its terms on its single-purpose cards, or provide copies of such terms to purchasers, and shall sign with the purchasers a card purchase agreement upon demand by such purchasers. A card-selling enterprise shall properly fulfill its notification obligation. Where an individual or entity purchases (including topping up) one or more registered cards, or purchases one or more unregistered cards with a total value of RMB10,000 and above at once, the card-selling enterprise concerned shall require the card purchaser or the agent thereof to present their valid identity certificate, and keep the information of the purchaser or the agent thereof to present their valid identity certificate, and keep the information of the purchaser and agent thereof such as their personal name or entity name, valid identity certificate number and contact information. If any card-selling enterprise is in violation of the provisions of the Commercial Pre-paid Cards Measures, the competent commerce department of the people's government above the county-level in the locality where such violation occurs shall order it to rectify the violation. Where the enterprise fails to do so within the said time limit, the enterprise shall be subject to a fine of more than RMB10,000 and less than RMB30,000.

Foreign Trade

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

Customs Law

According to the Customs Law of the PRC (《中華人民共和國海關法》) adopted by the SCNPC on January 22, 1987, most recently amended on April 29, 2021 and effective from the same date, the Customs of the PRC is the state's entry and exit customs supervision and administration authority. According to the relevant laws and administrative regulations, Customs supervises the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) adopted by the General Administration of Customs on November 19, 2021 and effective from January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators. The recordation of the customs declaration entities is valid for a long period of time, while the temporary recordation is valid for one year, after the expiry reapplication of recordation can be made.

REGULATIONS ON CYBER SECURITY, INFORMATION SECURITY, PRIVACY AND DATA PROTECTION

On May 28, 2020, the SCNPC promulgated the Civil Code, which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public the personal information of others.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, requires a network operator, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered, and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users and (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cyber Security Law, network operators of critical information infrastructure (the "**CII Operator**") generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. Any violation of the provisions and requirements under the Cyber Security Law may subject a network operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

On December 15, 2019, the CAC promulgated the Provisions on the Management of Network Information Content Ecology (《網絡信息內容生態治理規定》) (the "**CAC Order No. 5**"), which became effective on March 1, 2020, to further strengthen the regulation and management of network information content. Pursuant to these provisions, each network information content service platform is required, among others, (i) not to disseminate any information prohibited by laws and regulations, such as information jeopardizing national security; (ii) to strengthen the examination of advertisements published on such network information content service platform; (iii) to promulgate management rules and platform convention, improve user agreement, clarify users' rights and obligations and perform management responsibilities required by laws, regulations, rules and convention; (iv) to establish convenient channels for complaints and reports; and (v) to prepare an annual work report regarding its management of network information content ecology. In addition, a network information content service platform must not, among others, (i) utilize new technologies and applications, such as deep-learning and virtual reality, to engage in activities prohibited by laws and regulations; (ii) engage in online traffic fraud, malicious traffic rerouting and other activities related to fraudulent account, illegal transaction account or maneuver of users' account; and (iii) infringe a third party's legitimate rights or seek illegal interests by way of interfering with information display.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") was promulgated by the SCNPC on August 20, 2021 and came into effect on November 1, 2021. Instead of relying solely on "notification and consent" as established in the Cyber Security Law, the Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (i) the individual's consent has been obtained; (ii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfill statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect a natural person's life, health and property safety under emergency circumstances; (v) the personal information that has been made public is processed within a reasonable scope in accordance with this law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, and revocation of licenses, being entered into the relevant credit record or even criminal liabilities.

Pursuant to the Personal Information Protection Law, personal information processors shall take necessary measures to ensure the security of the personal information processed. The Personal Information Protection Law provides the rights of data subjects, including the right to information, right to object, right to restriction of processing, right of access, right to portability, right to rectification, right to erasure, right to ask for explanation concerning the processing rules and rights of close relatives of a dead person.

The Personal Information Protection Law requires that the CII Operators, as well as processors who process personal information that reaches a certain threshold, must store personal information within the territory of China. Where cross-border transfer of personal information is indeed necessary, such transfer must pass a security assessment organized by the CAC. Other personal information processors may conduct cross-border transfer of personal information upon satisfying one of the following requirements: (i) passing the security assessment by the CAC; (ii) obtaining certification of data security by a professional body recognized by the CAC; (iii) entering into an agreement with the overseas recipient with provisions governing the rights and obligations of the parties based on a template contract to be released by the CAC; or (iv) other requirements as provided by relevant laws and regulations.

Processors shall also conduct a personal information protection impact assessment in advance when processing sensitive personal information, using personal information to conduct automated decision-making, entrusting personal information processing, providing personal information to other personal information processors, or disclosing personal information, providing personal information abroad, and conducting other personal information processing activities with a major influence on individuals.

According to the Regulations on Protecting the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) promulgated by the State Council on July 30, 2021, and effective on September 1, 2021, critical information infrastructure means network facilities and information systems in important industries and fields, such as public communication and information services, energy, transportation, irrigation, finance, public services, e-government and science and technology industries for national defense, which may seriously endanger national security, national economy and people's livelihood, and public interests in the event that they are damaged or lose their functions or their data are leaked. The Regulations emphasize that no individual or organization may engage in any activity of illegally hacking into, interfering with, or damaging any critical information infrastructure or endanger the critical information infrastructure security. As of the latest practicable date, we had not been noticed that it is recognized by any competent authority or regulatory authority as a critical information infrastructure operator. In accordance with the Regulations on Protecting the Security of Critical Information Infrastructure, we are not a critical information infrastructure operator.

For purposes of ensuring the security of the supply chain for critical information infrastructure (the "**CII**") and maintaining national security, the CAC and the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance (the "**MOF**"), the MOFCOM, the People's Bank of China (the "**PBOC**"), the SAMR, the National Radio and Television Administration, the CSRC and the National Administration of State Secrets Protection and State Cipher Code Administration jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cyber Security Review Measures**") on December 28, 2021 which came into effect on February 15, 2022. Cybersecurity Review stipulates that the procurement of network products and services by the CII operators and the data processing activities carried out by network platform operators that affect or may affect national security shall be subject to the strict cybersecurity review by the Office of the Cybersecurity Review established by the CAC. Before procuring internet products and services, the CII operators shall assess the potential risk to national security that may be caused by the use of such products and services. If such use of such products and services may give rise to national security concerns, it shall apply for a cybersecurity review by the Office of the Cybersecurity Review and an analysis report of the potential effect on national security shall be submitted at the time of application. In addition, an online platform operator that possess personal data of more than one million users are required to apply for cybersecurity review by the Office of the Cybersecurity Review if it plans to list aboard. The Cybersecurity Review Office may voluntarily conduct a cybersecurity review if any network products and services, data processing activities or the listing of companies overseas affect or may affect national security.

Pursuant to the Cybersecurity Review, any violation shall be punished in accordance with the Cyber Security Law and the Data Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties, suspension of our business in violation. Based on the communication and consultation conducted by our legal advisor as to PRC data compliance law and the person in charge of the PRC cybersecurity review and certification and the network security review of the market regulatory big data centre on June 14 2024, listing in Hong Kong does not fall within the scope of "listing abroad", and the issuer seeking a listing in Hong Kong does not fall within the scope under the Article 7 of the Cybersecurity Review, which requires an online platform operator possessing personal data of more than one million users and intends to list aboard to voluntarily apply for cybersecurity, review. In conclusion, our legal advisor as to PRC data compliance law is of the view that the Company is not required to voluntarily apply for cyber security review in accordance with Article 7 of the Cybersecurity Review.

According to Paragraph 1 of Article 16 of the Cyber Security Review Measures, the office of the Cyber Security Review shall report to the central cyber security authorities in accordance with procedures for network products and services and data processing activities that are deemed to affect or may affect national security. After approval by the Informatization Committee, the review shall be conducted in accordance with the provisions of the Cyber Security Review Measures. Based on the communication and consultation conducted by the our legal advisor as to PRC data compliance law with the China Cybersecurity Review, Certification and Market Regulation Big Data Center on 14 June 2024, the Company is not obligated to voluntarily file a cybersecurity review in accordance with these regulations without the notice from the regulatory authorities.

As of the latest practicable date, we had not received any notice that it is required to apply for a cybersecurity review, had not received any notice that its data processing activity affects or may affect national security. We are not required to apply for a cybersecurity review for the Listing in accordance with Paragraph 1 of Article 16 of the Cybersecurity Review Measures.

In addition, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Cyber Data Security Draft**") was proposed by the CAC for public comments until December 13, 2021. The draft measures reiterates that data processors which process the personal information of at least one million users must apply for a cybersecurity review if they plan the listing of companies in foreign countries, and the draft measures further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests that affect or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security.

As of the latest practicable date, the Cyber Data Security Draft has not been officially promulgated or enforced. As advised by our PRC Data Compliance Legal Adviser, as well as the results of the communication and consultation between our PRC Data Compliance Legal Adviser and the China Cybersecurity Review, Certification and Market Regulation Big Data Center, since the Cyber Data Security Draft has not been officially promulgated and enforced, and the specific effective date of the promulgation is currently uncertain, the requirement that "a data processor going to list in Hong Kong that affects or may affect national security" as stipulated in Article 13 of the Cyber Data Security Draft is not applicable to the Company.

Since the CAC is still seeking comments on the Cyber Data Security Draft from the public, the Cyber Data Security Draft (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021 and became effective on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or knowing that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law.

On January 23, 2019, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and app stores to clearly mark and recommend those certified apps.

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which came into effect on the same day and lists six types of illegal collection and usage of personal information, including "non-disclosure of collection and use rules," "failure to expressly state the purpose, method and scope of collecting and using personal information," "collection or use of personal information without the consent of users," "collection of personal information unrelated to the services they provide in violation of the principle of necessity," "provision of personal information without consent," "failure to provide the function of deleting or correcting personal information in accordance with the law" and "failure to disclose the information such as ways of filing complaints and whistleblowing reports."

On July 22, 2020, the MIIT issued the Notice of Ministry of Industry and Information Technology on Carrying out Special Rectification Actions in Depth against the Infringement upon Users' Rights and Interests by Apps (《工業和信息化部關於開展縱深推進APP侵害用戶權益專項整治行動的通知》), which lists four types of illegal collection and usage of personal information, including "illegally processing personal information of users by the App and the SDK," "setting up obstacles and frequently harassing users," "cheating and misleading users" and "inadequate implementation of application distribution platforms' responsibilities."

On July 7, 2022, the CAC promulgated the Measures on the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "**Measures on CBDT**"), which took effect on September 1, 2022. According to the Measures on CBDT, the data processor that provides personal information or important data collected and generated in the course of business operations in the Chinese mainland to overseas recipients, in any of the following circumstances, shall apply for cross-border data transfer security assessment: (i) data processor provides important data abroad; (ii) critical information infrastructure operators (the "**CIIO**") or the data processor that has processed the personal information of over one million people provides personal information abroad; (iii) data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year, provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of cross-border data transfer is required by the national cyberspace administration.

Pursuant to the Regulations on Promoting and Standardizing Cross-Border Data Transfer (《促進和規範數據跨境流動規定》) (Order No. 16 of the CAC) promulgated by the CAC and came into effect on March 22, 2024, a data processor shall declare the security assessment for cross-border data transfer under one of the following circumstances, except for those specified in Articles 3, 4, 5, and 6 of the regulations: (i) a critical information infrastructure operator (hereinafter referred to as CIIO) provides personal data or important data overseas; (ii) non-CIIO data processor provided personal information (excluding sensitive personal information) of more than one million people or sensitive personal information of more than 10,000 people cumulatively since January 1 of that year to overseas. If a non-CIIO data processor has provided personal information (excluding sensitive personal information) of more than 100,000 but less than one million people overseas, or provided personal sensitive information of less than 10,000 people overseas since January 1 of the current year, The data processor shall enter into a standard contract with the overseas recipient or obtain the personal information protection certification in accordance with the law. However, if the circumstance meets the requirements of Article 3, 4, 5 or 6 of these provisions, the provisions thereof shall prevail. In addition, if such data provided overseas has not been notified by the relevant authorities or regions or publicly disclosed as important information, the data processor is not required to declare security assessment for the cross-border data transfer, unless such data contains personal information and meets the thresholds prescribed by the regulations. Pursuant to Article 3 of these Regulations, data processors are exempted from declaring security assessment for the cross-border data transfer, establishing a standard contract for cross-border data transfer, or obtaining personal information protection certification if they provide data collected and generated in activities including international trade, cross-border transportation, academic cooperation, cross-border manufacturing and marketing, and such data do not contain personal information or important data. Pursuant to the provisions of Articles 4, 5 and 6 of these regulations, the following circumstances may be exempted from applying for security assessment, establishing a standard contract for cross-border data transfer and obtaining personal information protection certification: (i) personal information collected and generated overseas is provided to overseas recipients after being transferred to China for processing, without introducing domestic personal information or important data during the processing; (ii) personal information must be provided overseas for the purpose of entering into or fulfilling a contract to which the individual is a party, including cross-border purchases, cross-border delivery, cross-border remittance, cross-border payment, cross-border account opening, air ticket and hotel reservation, visa processing, examination services, etc.; (iii) cross-border human resources management in accordance with statutory labor laws and regulations and collective contracts entered into in accordance with the law. Personal information of employees must be provided overseas; (iv) personal information must be provided overseas for the purpose of protecting the life, health and property safety of natural persons in an emergency; (v) non-CIIO data processors provided personal information (excluding sensitive personal information) of less than 100,000 persons cumulatively since January 1 of that year overseas; (iv) the data processors in the pilot free trade zone formulate, approve and file the provision of any data not included in the negative list to overseas recipients in accordance with these regulations.

The mobile internet applications are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the "**Mobile Application Administrative Provisions**"), which was promulgated by the CAC on June 28, 2016, amended on June 14, 2022 and enforced on August 1, 2022. Pursuant to the Mobile Application Administrative Provisions, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities and carry out certain duties, including establishing and completing users' real identity authentication mechanism and information content management mechanism. An app provider shall, when handling personal information, follow the principles of legality, legitimacy, necessity and integrity, have clear and reasonable purposes, disclose processing rules, comply with relevant provisions on the scope of necessary personal information, regulate personal information processing activities, and take necessary measures to protect the security of personal information, and shall not force users to agree on the processing of personal information for any reason or refuse users' use of its basic functions and services due to users' disagreement on providing non-essential personal information.

On December 29, 2011, the MIIT issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) and enforced on March 15, 2012, which provides that an internet information service provider may not collect any user's personal information or provide any such information to third parties without such user's consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users' personal information, and in case of any leak or possible leak of a user's personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC on December 28, 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT on July 16, 2013, any collection and use of any user's personal information must be subject to the consent of the user, and abide by the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws. Personal information processors shall take necessary measures to ensure the security of the personal information processed, and the rights of data subjects include the right to rectification and right to erasure.

On August 22, 2019, the CAC issued the Provisions on the Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), which became effective on October 1, 2019 and applies to the collection, storage, use, transfer and disclosure of the personal information of minors under the age of 14, or children, via the internet. Where a personal information processor collects or uses a child's personal information, it shall formulate special personal information processing rules and obtain the consent of the child's parents or other guardians.

REGULATIONS ON THE SANITATION OF THE PUBLIC ASSEMBLY VENUE

The Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例》) effective on April 1, 1987 and as amended on February 6, 2016 and April 23, 2019, and the Implementation Rules of the Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例實施細則》) effective on May 1, 2011 and as amended on January 19, 2016 and December 26, 2017, were promulgated by the Ministry of Health (later known as National Health Commission of the PRC), respectively. The regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people's health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business.

REGULATIONS ON FIRE PREVENTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, and most recently amended on August 21, 2023, special construction projects that have not passed the fire prevention inspection or the fire prevention inspection are prohibited from being put into use. Construction projects other than special construction projects shall go through the fire safety acceptance filing, and the competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If the construction projects fail to pass the random inspection on fire safety acceptance, such projects shall be stopped. Furthermore, before the use of or commencement of the business operations in public gathering places, any construction entities or entities using such places must apply for a fire safety inspection with the fire rescue agencies of the local people's governments of such places at or above the county level. Putting a public gathering place into use or into business operation without permission and when the place has not undergone fire safety and protection inspections or has failed to meet fire safety and protection requirements shall be result in an order to suspend construction, use, production or business operations and a fine of not less than RMB30,000 and not more than RMB300,000 from the competent departments of housing and urban-rural development and the relevant fire rescue agencies (according to their respective duties).

REGULATIONS ON URBAN DRAINAGE

According to the "Regulations on Urban Drainage and Sewage Treatment" issued by the State Council on October 2, 2013, and the "Administrative Measures for the Licensing of Urban Sewage Discharge into Drainage Networks" issued by the Ministry of Housing and Urban-Rural Development on January 22, 2015 and revised on December 1, 2022, enterprises, public institutions, and individual industrial and commercial households (hereinafter referred to as "drainage users") engaged in industries such as industry, construction, catering, and medical services that discharge sewage into urban drainage facilities shall apply to the urban drainage authorities where the drainage activities occur for a permit to discharge sewage into the drainage network. Where there are multiple drainage users in a centrally managed building or unit, the property owner or its entrusted property service provider may apply for a drainage permit on a unified basis, and the licensee shall be responsible for the drainage behavior of the drainage users.

If a drainage user discharges sewage into urban drainage facilities without obtaining a drainage permit, the urban drainage authorities shall order the user to stop the illegal act, take remedial measures within a specified time limit, and apply for a drainage permit. A fine of up to 500,000 yuan may be imposed. For drainage users included in the list of key pollution discharge units, a fine of between 300,000 yuan and 500,000 yuan may be imposed. If losses are caused, compensation shall be borne in accordance with the law. If a crime is constituted, criminal responsibility shall be investigated in accordance with the law.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on August 23, 1982 and latest amended on April 23, 2019, and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years, unless otherwise revoked.

Patent Law

The Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC on March 12, 1984 and most recently amended on October 17, 2020 and effective from June 1, 2021, and its implementation rules (《中華人民共和國專利法實施細則》), which were promulgated by the China Patent Office on January 19, 1985 and most recently amended by the State Council on December 11, 2023 and effective from January 20, 2024, provide for three types of patents: "invention," "utility model" and "design." "Invention" refers to any new technical solution in relation to a product, or a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; "design" refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of color, shape and pattern. The validity period of patent for an "invention" is 20 years, while the validity period of patent for a "utility model" is 10 years and that of a "design" is 15 years, from the date of application.

Copyright Law

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020 and effective from June 1, 2021, Chinese citizens, legal persons or unincorporated organizations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the PRC and other related system, laws and regulations, reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other civil liabilities. In exercising the rights, copyright owners and copyright-related rights holders shall not be in violation to the Constitution and laws nor prejudice to public interests. According to the Measures for the Registration of Computer Software Copyright issued by the Ministry of Machine Building and Electronics Industry (《計算機軟件著作權登記辦法》) (currently incorporated into the Ministry of Industry and Information Technology) on April 6, 1992 and most recently amended by the National Copyright Administration on February 20, 2002 and effective from the same date, and the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and most recently amended on January 30, 2013 and effective from March 1, 2013, the State Copyright Administration shall be responsible for the administration of software copyright registration nationwide, and the China Copyright Protection Center is recognized as the software registration authority. Applicants of computer software copyright satisfying the requirements of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computer Software will be issued a registration certificate by the China Copyright Protection Center.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and effective from November 1, 2017, the Ministry of Industry and Information Technology supervises and administers domain services nationwide. The principle of "first come, first serve" is followed for the domain name registration service. Applicants of domain name registration shall provide the domain name registration authority with true, accurate and complete information about the identity of the domain name holder for registration purpose, and sign a registration agreement with it. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/her/it.

REGULATIONS ON LABOR AND SOCIAL INSURANCE

Labor Law and Labor Contracts Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, and conduct employee training on labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe workplace and sanitation conditions which are in compliance with applicable laws and regulations of labor protection.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008, set out specific provisions in relation to the execution, the terms and the termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

Labor Dispatch

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, employers may only use dispatched workers for temporary, ancillary or substitute positions. The aforementioned temporary positions shall mean positions lasting for no more than six months; ancillary positions shall mean positions of non-major business that serve positions of major business; and substitute positions shall mean positions that can be substituted by other workers for a certain period of time during which the workers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. According to the Interim Provisions on Labor Dispatch, employers should strictly control the number of dispatched workers, and the number of the dispatched workers shall not exceed 10% of the total amount of their employees.

Pursuant to the Interim Provision on Labor Dispatch, the Labor Contract Law of the PRC and the Implementation Rules of the Labor Contract Law of the PRC, employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make rectification within a stipulated period. Where rectification is not made within the stipulated period, employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011 and latest amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and last amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發<生育保險和職工基本醫療保險合併實施試點方案>的通知》) and the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019, respectively, maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the competent administrative department.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. According to the Notice of the General Office of the State Taxation Administration on Conducing the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self collection of historical unpaid social insurance contributions from enterprises. The Notice of the State Administration of Taxation on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated on November 16, 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

REGULATIONS ON TAX IN THE PRC

Income Tax Law

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated by the National People's Congress on March 16, 2007, and most recently amended on December 29, 2018 and effective from the same date and the Enterprise Income Tax Implementation Regulations (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007, and most recently amended on April 23, 2019 and effective from the same date, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in China in accordance with the law, or which are set up in accordance with the law of a foreign country (region) but are actually under the administration of institutions in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income.

Pursuant to the Notice of the State Taxation Administration of the PRC on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the "**STA Circular 82**") issued by the STA on April 22, 2009 and last amended on December 29, 2017, an overseas registered enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management body" located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations are mainly located in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies located in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (iv) no less than half of the enterprise's directors or senior management with voting rights reside in the PRC. The STA issued an amendment to STA Circular 82 delegating the authority to its provincial branches to determine whether a Chinese-controlled overseas-incorporated enterprise should be considered a PRC resident enterprise, in January 2014. Although the STA Circular 82 and its amendment only apply to overseas registered enterprises controlled by PRC enterprises and not those controlled by PRC individuals or foreigners, the determining criteria set forth in the circular may reflect STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners. If offshore entities are deemed PRC resident enterprises, these entities may be subject to the EIT at the rate of 25% on their global incomes.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and most recently amended on November 19, 2017 effective from the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and most recently amended on October 28, 2011, and effective from November 1, 2011, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the provision of services, sales of intangible assets, real estate and importation of goods are required to pay value-added tax ("**VAT**"). Unless otherwise provided, taxpayers engaged in provision of services and sales of intangible assets are subject to a tax rate of 6%.

According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)) promulgated by the Ministry of Finance and the State Administration of Taxation promulgated on March 23, 2016 and effective from May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, respectively, with the approval of the State Council, as of May 1, 2016, the pilot program of replacing business tax with VAT shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of VAT.

According to the Circular on Policies for Simplifying and Consolidating Value-Added Tax Rates (Cai Shui [2017] No. 37) (《關於簡併增值稅稅率有關政策的通知》(財稅[2017]37號)), announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, and effective from July 1, 2017, the structure of value-added tax (VAT) rates will be simplified from July 1, 2017, and the 13% VAT rate will be canceled. The scope of goods with an 11% tax rate and the provisions for deducting input tax are specified.

According to the Circular on Adjusting Value-Added Tax Rates of Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No. 32) (《財政部、稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)) announced by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and effective May 1, 2018, from May 1, 2018, where a taxpayer engages in a taxable sales activity for value-added tax (VAT) purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) announced by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs on March 20, 2019 and effective from April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, the originally applicable VAT rate of 16% shall be adjusted to 13%, and the originally applicable VAT rate of 10% shall be adjusted to 9%.

Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

On December 10, 2009, the STA issued the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the "**Circular 698**"). By promulgating and implementing the Circular 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The STA further issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**") on February 3, 2015 and came into effect on the same day, which replaced certain provisions in the Circular 698. The Circular 7 introduces a new tax regime that is significantly different from that under the Circular 698. The Circular 7 extends its tax jurisdiction to capture not only indirect transfer as set forth under the Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in China of a foreign company through the offshore transfer of a foreign intermediate holding company. The Circular 7 also provides clearer criteria than the Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. Where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for reasonable commercial purposes to avoid its obligation to pay enterprise income tax, such an indirect transfer shall, in accordance with the EIT Law, be recognized by the competent PRC tax authorities as a direct transfer of equity interests or other assets of the PRC resident enterprise.

On October 17, 2017, the STA promulgated the Announcement on Matters concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the "**STA Circular 37**"), which came into force and replaced the Circular 698 and certain provisions in the Circular 7 on December 1, 2017 and was partly amended on June 15, 2018. The STA Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises. Pursuant to the STA Circular 37, where the party responsible for withholding such income tax fails to, or is unable to, withhold the taxes that should have been withheld to the relevant tax authority, the party may be subject to penalties. Where the non-resident enterprise receiving such income fails to declare and pay taxes that should have been withheld to the relevant tax authority, the party may be ordered to rectify within a specific time limit.

REGULATIONS ON M&A AND OVERSEAS LISTING

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》, the "**M&A Rule**"), which were jointly adopted by six PRC regulatory authorities, including the CSRC, on August 8, 2006, and became effective on September 8, 2006, and most recently amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) such foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/her/him, acquires a domestic company which is related to or connected with it/her/him, approval from MOFCOM is required.

On July 6, 2021, the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) was jointly issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council, which steps up scrutiny of overseas listings by companies and calls for strengthening cooperation in cross-border regulation, amending relevant laws and regulations on cyber security, cross-border data transmission and confidential information management, including the confidentiality requirement and file management related to the issuance and listing of securities overseas, enforcing the primary responsibility of the enterprises for information security of China-based overseas listed companies and promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》, the "**Trial Administrative Measures**") and relevant five guidelines, which came into force on March 31, 2023.

According to the Trial Administrative Measures, (i) PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and submit relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) domestic companies that seek to offer or list securities overseas directly are limited by shares offer or list securities in overseas securities markets; and (iii) any PRC company limited by shares is required to file with the CSRC within three business days after its application for overseas listing is submitted. Failure to complete the filing under the Trial Administrative Measures may subject a PRC domestic company to rectification ordered by the CSRC, a warning and a fine of RMB1 million to RMB10 million.

Besides, PRC domestic companies seeking to overseas offering and listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, state-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. PRC domestic companies that conducts overseas offering and listing shall comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data. In addition, the Trial Administrative Measures also provides the circumstances where the overseas offering and listing is explicitly prohibited, including: (i) such securities offering and listing are explicitly prohibited by specific PRC laws and regulations; (ii) such securities offering and listing constitute a threat to or endanger national security; (iii) the PRC domestic company, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or the actual controller.

On February 23, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration of China jointly promulgated the Confidentiality and Archives Administration Provisions, which took effective on March 31, 2023. The Confidentiality and Archives Administration Provisions provide that PRC-based companies seeking to offering and listing securities in overseas markets, either directly or indirectly, shall establish and improve confidentiality and archives system, take necessary measures to carry out the responsibility of confidentiality and archival administration, and shall not divulge the state secrets and the work secrets of PRC government agencies or damage the interests of the state or the public, and shall complete approval and filing procedures with competent authorities, if such PRC domestic companies or their overseas listing entities provide or publicly disclose documents or materials involving state secrets and work secrets of PRC government agencies to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals. It further stipulates that providing or publicly disclosing documents and materials which may adversely affect national security or public interests, and accounting files or copies of important preservation value to the state and society shall be subject to corresponding procedures in accordance with relevant laws and regulations. Where any entity or individual violates relevant laws and regulations in the overseas issuance and listing activities of domestic companies, the relevant authorities shall investigate the legal liabilities thereof in accordance with the law; where a crime is suspected, the case shall be transferred to the judicial authority for investigation of criminal liabilities in accordance with the law.

REGULATIONS ON FOREIGN EXCHANGE

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and was latest amended on August 5, 2008. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade- and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterpart is obtained.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), according to which, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**"). According to the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, the SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**") was promulgated by SAFE on June 9, 2016, and amended on December 4, 2023, which, among other things, amends certain provisions of the SAFE Circular 19. Pursuant to the SAFE Circular 19 and the SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), amended on December 4, 2023, which, among other things, allows all FIEs to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

According to the Circular of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated and effective on April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Round Trip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Under the SAFE Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights and management rights. The SAFE Circular 37 provides that (i) prior to the PRC residents or entities conducting investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments; and (ii) following the initial registration, they must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

The SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) on February 13, 2015, which came into effect on June 1, 2015 and allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

OVERVIEW

The history of our Group can be traced back to 1994 when Dr. Zhang, our founder and one of the Controlling Shareholders, who is a prominent leader in the retail and food and FMCG industry in China and founder of Wumei Technology, founded the brand of Wumart and first used the brand for business operation. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 24, 2019 under the name of WM International Holding Corporation Limited and subsequently changing to WM Tech Corporation Limited to serve as the holding company of our operating subsidiaries.

Following the Business Restructuring, we have become a leading food and FMCG distribution solution provider in China, providing a broad range of corporate and institutional customers as well as retailers with safe and quality merchandise and efficient and convenient services, including food services and distribution solutions, welfare and gifting solutions, retailers distribution solutions and merchandise wholesale.

On June 12, 2024, our Company was renamed as MDL Wholesale Limited (麦德龙供应链有限公司).

OUR MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Event
1994	We started to use the brand of Wumart for business operations.
1996	Metro AG entered China and started to use the brand of Maidelong for business operation.
2004	We developed our strategic focus on the provision of welfare and gifting business.
2007	We launched the Star Farm system, our proprietary fresh food traceability system.
2008	We developed our strategic focus on the provision of food service and distribution business.
2017	We launched the Maifuli system.
2019	We launched the Maixianda system.
2020	We acquired the Maidelong entities from Metro AG and began the collaborative integration of resources between Maidelong and Wumart supply chains.
2021	We launched our private labels, namely M Basic and M Select.
2024	We divested the Retail Business to the Controlling Shareholders, so as to focus on the provision of food and FMCG distribution solutions in China.

OUR MAJOR SUBSIDIARIES

The following subsidiaries served as significant holding entities or principally accounted for the results, assets, liabilities or businesses of the Group during the Track Record Period:

Name of subsidiary	Place of incorporation	Date of incorporation and commencement of business	Shareholding	Principal business activities
Maidelong Commerce	PRC	July 25, 1995	100%	Food and FMCG Distribution Business
Tongfu Commerce	PRC	August 15, 2019	100%	Food and FMCG Distribution Business
Wumei Xintonglu	PRC	June 9, 2020	100%	Food and FMCG Distribution Business

1. Maidelong Commerce

Maidelong Commerce was incorporated in the PRC on July 25, 1995 under the name of Shanghai Maidelong Jinjiang Shopping Centre Company Ltd. (上海錦江麥德龍購物中心有限公司). In 2020, we, through our subsidiary WM Holding (HK) Limited ("**WM Holding HK**"), acquired Maidelong Commerce and Maidelong Commerce became our wholly-owned subsidiary. For details, see "Major shareholding changes of our Company" in this section. Maidelong Commerce is primarily engaged in the Food and FMCG Distribution Business under the brand of Maidelong in the PRC.

2. Tongfu Commerce

Tongfu Commerce was incorporated in the PRC on August 15, 2019, and has been our indirect wholly-owned subsidiary since its establishment. Tongfu Commerce is primarily engaged in the Food and FMCG Distribution Business under the brand of Wumart in the PRC.

3. Wumei Xintonglu

Wumei Xintonglu was incorporated in the PRC on June 9, 2020, and has been our indirect wholly-owned subsidiary since its establishment. Wumei Xintonglu is primarily engaged in the Food and FMCG Distribution Business under the brand of Wumart in the PRC.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

1. Incorporation of our Company

On July 24, 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, with an authorized share capital of US$50,000 divided into 50,000 shares with par value of US$1 each and one share was issued to Osiris International Cayman Limited as the subscriber. On the same date, the one issued share was transferred from Osiris International Cayman Limited to our Controlling Shareholder Wumart HK at par value, and Wumart HK became the then sole shareholder of our Company.

Since the establishment of our Company, we have incorporated a series of onshore operating entities and conducted a series of acquisitions through the following steps:

From November 2019 to November 2020, we through our subsidiaries, namely Guangdong Shenzhen Runze Tonghui Technology Co., Ltd. (廣東深圳潤擇通匯科技有限公司) ("**Runze Tonghui**"), Guangdong Shenzhen Zhidajiatai Technology Co., Ltd. (廣東深圳智達佳泰科技有限公司) ("**Zhida Jiatai**") and Guangdong Shenzhen Wumart Business Management Co., Ltd. (廣東深圳物美商業管理有限公司) ("**Wumart Business Management**"), acquired Wumart Supermarket from Wumart Stores, Inc. and Value Extra (Hong Kong) Management Limited to operate the Retail Business under the Wumart brand.

On August 15, 2019, we incorporated Tongfu Commerce to operate the Food and FMCG Distribution Business under the Wumart brand.

In 2020, we acquired the Maidelong entities, to operate both the Retail Business and the Food and FMCG Distribution Business under the brand of Maidelong. We, through our subsidiary WM Holding HK, acquired 100% of the shareholding interests in the Maidelong entities from Metro AG and their other respective shareholders for a consideration of RMB4,710,809,095 and EUR1,593,419,934 in cash. On April 23, 2020, METRO Cash & Carry International GmbH ("**MCCI**"), a subsidiary of Metro AG, purchased 20.04% equity interests in WM Holding HK, for a consideration of RMB1,996,698,330. MCCI was granted a put option by us as set out in the shareholders agreement entered into between, among others, MCCI and us on the even date. The above considerations have been determined based on the property valuation of the Maidelong entities as well as its historical financial performance, and were settled in cash on April 23, 2020. On February 24, 2023, MCCI, through its subsidiaries namely METRO Cash & Carry China Holding GmbH and METRO Asia Investment GmbH, transferred the 20.04% equity interests in WM Holding HK to us at a consideration of RMB2,002,960,443.87 pursuant to the put option granted to MCCI. Such consideration was determined based on arm's length negotiation with reference to the abovementioned property valuation of the Maidelong entities and fair market value of WM Holding HK and its subsidiaries after taking into consideration of the business plan and financial results, and was fully settled on November 13, 2023.

Subsequently, we completed the Business Restructuring to dispose the Retail Business operated under the brand of Wumart and Maidelong from our Group. See "— Business Restructuring."

2. Offshore Shareholding Restructuring

On November 6, 2019, the Company conducted a share subdivision and the authorized share capital of US$50,000 was divided into 5,000,000,000 shares with par value of US$0.00001 each. The Company then issued and allotted a total of 99,900,000 ordinary shares to the following shareholders at par value, the consideration of which have been settled on November 6, 2019. Upon the completion of the share subdivision and allotment of shares, the shareholding structure of the Company was as follows:

Name	Number of shares allotted	Consideration	Approximate percentage of shareholding in our Company after the allotment
Wumart HK[(1)]	91,161,038	US$910.61038	91.16%
Ci Ying[(2)]	38,834	US$0.38834	0.04%
Tropical Power Limited[(3)]	2,568,500	US$25.68500	2.57%
Harvest Line Limited[(4)]	2,709,300	US$27.09300	2.71%
New Trading Commercial Limited[(5)]	1,620,855	US$16.20855	1.62%
Sunrise Business Limited[(5)]	1,901,473	US$19.01473	1.90%

Notes:

(1) Including 100,000 shares as a result of the subdivision of the 1 share owned by Wumart HK before the above share allotment and 91,061,038 shares further subscribed by Wumart HK with par value.

(2) Ci Ying is an Independent Third Party.

(3) Tropical Power Limited was an investment holding company ultimately held by Chi Sing HO as to 27.27% with no other shareholder holding more than 10% and is an Independent Third Party.

(4) Harvest Line Limited is an investment holding company ultimately controlled by Guangze Wu as to 37.72% and is an Independent Third Party. None of the other shareholders hold more than 30% of the shareholding interests.

(5) Each of New Trading Commercial Limited and Sunrise Business Limited was wholly owned by Ultron Age Inc., which was in turn wholly owned by Mr. ZHANG Bin, one of our non-executive Directors, and therefore would not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

3. Pre-[REDACTED] Investments

Since its establishment, our Company has undertaken a series of capital increases to, among others, raise funds for the development of its business and bring in new shareholders to our Company. See "— Pre-[**REDACTED**] Investments".

4. Loans Capitalization

On September 30, 2020, our Company issued and allotted 16,878,127 Preferred Shares and 519,314 Preferred Shares to Digit Lab Limited and Foremost Way Limited, respectively, each of which is ultimately owned by Dr. Zhang. Such Preferred Shares were credited as fully paid to repay the loans of US$524,065,843.35 and US$16,124,699.65 (the "**Loans**") owing by our Company to Digit Lab Limited and Foremost Way Limited, respectively. Accordingly, the Loans were converted into Preferred Shares with a subscription price of US$31.05 for each Preferred Share (the "**Loans Capitalization**"). Immediately before the completion of the [**REDACTED**], Digit Lab Limited and Foremost Way Limited are interested in 11.38% and 0.35% of the issued share capital of the Company, respectively.

PRE-[REDACTED] INVESTMENTS

1. Overview

For the long-term business development and expansion of our Group, the Company entered into share subscription agreements with each the following Pre-[**REDACTED**] investors (the "**Share Subscription Agreements**"), pursuant to which all Pre-[**REDACTED**] investors subscribed for Preferred Shares of our Company.

	Name of the Pre-[REDACTED] Investors	Date of investment and payment of consideration	Number of Preferred Shares subscribed at the time of subscription	Number of Preferred Shares after the completion of the Share Subdivision and immediately before the completion of the [REDACTED][(1)]	Consideration (in USD)	Cost per share paid by the investor (in USD)[(2)]	[REDACTED] to the [REDACTED][(3)]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
1. . .	Rising Vista Holding (Cayman) Limited[(4)]	December 20, 2019	6,441,224	128,824,480	200,000,000	1.55	[REDACTED]%	[REDACTED]%
		June 26, 2020	1,610,306	32,206,120	50,000,000	1.55	[REDACTED]%	
		August 21, 2020	8,051,530	161,030,600	250,000,000	1.55	[REDACTED]%	
2. . .	Robust Continent Limited	June 29, 2020	644,122	12,882,440	20,000,000	1.55	[REDACTED]%	[REDACTED]%
3. . .	Mighty Solution Limited	June 29, 2020	1,610,306	32,206,120	50,000,000	1.55	[REDACTED]%	[REDACTED]%
4. . .	Easy Joy Ventures Limited	June 26, 2020	1,288,245	25,764,900	40,000,000	1.55	[REDACTED]%	[REDACTED]%
5. . .	Image Frame Investment (HK) Limited	June 26, 2020	1,127,214	22,544,280	35,000,000	1.55	[REDACTED]%	[REDACTED]%
6. . .	Ultimate Lenovo Limited	June 26, 2020	161,030	3,220,600	5,000,000	1.55	[REDACTED]%	[REDACTED]%
7. . .	National Education Holding Limited	June 26, 2020	483,092	9,661,840	15,000,000	1.55	[REDACTED]%	[REDACTED]%
8. . .	Mind Power Investments Limited	June 29, 2020	1,610,306	32,206,120	50,000,000	1.55	[REDACTED]%	[REDACTED]%
9. . .	Radiant Skill Limited	June 29, 2020	644,122	12,882,440	20,000,000	1.55	[REDACTED]%	[REDACTED]%
10. .	Market Guard Limited	August 28, 2020	3,680,699	73,613,980	120,000,000	1.63	[REDACTED]%	[REDACTED]%
11. .	Hong Zhi (Holding) Limited	August 28, 2020	306,725	6,134,500	10,000,000	1.63	[REDACTED]%	[REDACTED]%

	Name of the Pre-[REDACTED] Investors	Date of investment and payment of consideration	Number of Preferred Shares subscribed at the time of subscription	Number of Preferred Shares after the completion of the Share Subdivision and immediately before the completion of the [REDACTED][(1)]	Consideration (in USD)	Cost per share paid by the investor (in USD)[(2)]	[REDACTED] to the [REDACTED][(3)]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
12. .	Fuzhou Economic and Technological Zone Xingrui Hesheng Equity Investment Partnership (Limited Partnership) (福州經濟技術開發區興睿和盛股權投資合夥企業(有限合夥))	August 28, 2020	2,576,490	51,529,800	80,000,000	1.55	[REDACTED]%	[REDACTED]%
13. .	Beijing Fengjin Investment Co., Ltd. (北京豐金投資有限公司)	August 28, 2020	96,618	1,932,360	3,000,000	1.55	[REDACTED]%	[REDACTED]%
14. .	Pak Yuen Asset Management Limited	August 28, 2020	322,061	6,441,220	10,000,000	1.55	[REDACTED]%	[REDACTED]%
15. .	Chain Success Limited	August 28, 2020	96,618	1,932,360	3,000,000	1.55	[REDACTED]%	[REDACTED]%
	Total		30,750,708	615,014,160	961,000,000			[REDACTED]%

Notes:

(1) Calculated based on the Share Subdivision that one share will be divided into 20 shares.

(2) The cost per share was calculated based on dividing the consideration by the number of shares after the completion of the Share Subdivision.

(3) Calculated on the assumption that (i) the price paid per share is adjusted for the dilutive effect of the Share Subdivision, (ii) the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]; and (iii) each Preferred Share shall be converted to one ordinary share.

(4) Rising Vista Holding (Cayman) Limited was controlled by several funds that are ultimately managed by Ascendent Capital Partners II GP Limited and Ascendent Capital Partners III GP Limited, each of which is ultimately beneficially owned by Mr. MENG Liang, one of our non-executive Directors, and therefore would not be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

(5) Except for Rising Vista Holding (Cayman) Limited, each of the Pre-[**REDACTED**] Investors is an Independent Third Party.

2. Principal terms of the Pre-[REDACTED] Investments

Conversion rights	Upon the [**REDACTED**], the Preferred Shares shall be converted into ordinary shares on a one-on-one basis.
Lock-up period	The Pre-[**REDACTED**] Investors are not subject to lock up according to the terms of the pre-[**REDACTED**] Investments.
Use of proceeds from the Pre-[**REDACTED**] Investments	The funds raised from the Pre-[**REDACTED**] Investments were used for acquisition of the Maidelong entities, our working capital and general corporate purposes. As of the Latest Practicable Date, the funds raised from the Pre-[**REDACTED**] Investments have been fully utilized.
Basis of determining the consideration paid	Based on arm's-length negotiations between the relevant parties after taking into consideration the business value of the Company and its subsidiaries at the time of the investment.

Special Rights of the Pre-[REDACTED] Investors

The Pre-[**REDACTED**] Investors have been granted certain special rights including redemption rights, director appointment right, protective provisions and pre-emptive right. Pursuant to the existing memorandum and articles of association of the Company and the shareholders agreement among the Company and the Pre-[**REDACTED**] Investors, (i) the redemption rights have ceased to be exercisable immediately before the submission of [**REDACTED**] by the Company to the Stock Exchange, and shall only be exercisable if the [**REDACTED**] does not take place before a pre-determined date between the Company and the Pre-[**REDACTED**] Investors; (ii) all other special rights granted to the Pre-[**REDACTED**] Investors will be automatically terminated on the consummation of an [**REDACTED**] of the Company.

Strategic benefits from Pre-[REDACTED] Investments

At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-[**REDACTED**] Investments, as well as the Pre-[**REDACTED**] Investors' knowledge and experience. Our Directors were also of the view that our Company could benefit from the Pre-[**REDACTED**] Investors' commitment to our Company as their investments demonstrated their confidence in the operations of our Group and served as an endorsement of Company's performance, strength and prospects. In addition, benefiting from the Pre-[**REDACTED**] Investors' extensive business network, our Company would also be able to reach out various business opportunities, including potential customers, suppliers and research and development partners.

Public Float

Upon completion of the Share Subdivision and the [**REDACTED**], the 2,566,897,940 Shares, including the 2,174,390,180 Shares controlled by Dr. Zhang through various intermediary entities, the 70,446,560 Shares held by New Trading Commercial Limited and Sunrise Business Limited controlled by our non-executive Director Mr. ZHANG Bin and the 322,061,200 Shares held by Rising Vista Holding (Cayman) Limited controlled by our non-executive Director Mr. MENG Liang, representing approximately [**REDACTED**]% of the total issued Shares immediately after the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be counted towards the public float of the Company. All other Shares held by the Pre-[**REDACTED**] Investors (except for the Shares held by Rising Vista Holding (Cayman) Limited) will be counted towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Taking into account the above and the Shares to be issued pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), [**REDACTED**]% of the total issued Shares upon [**REDACTED**] will be counted towards the public float of the Company.

Information about the Pre-[REDACTED] Investors

1. Rising Vista Holding (Cayman) Limited

Rising Vista Holding (Cayman) Limited was an investment holding company incorporated in Cayman Islands on November 5, 2019 and was wholly owned by several funds that are ultimately managed by Ascendent Capital Partners II GP Limited and Ascendent Capital Partners III GP Limited, each of which is ultimately beneficially owned by Mr. MENG Liang, one of our non-executive Directors, as of the Latest Practicable Date.

2. Robust Continent Limited

Robust Continent Limited was an investment holding company incorporated in BVI on May 19, 2020, which was controlled and managed by Direct Galore Limited which was ultimately held as to 100% by Chi Sing HO (the chief financial officer of IDG Capital) as of the Latest Practicable Date.

3. Mighty Solution Limited

Mighty Solution Limited was an investment holding company incorporated under the laws of the BVI on June 8, 2020. It was wholly owned by MIC CAPITAL MANAGEMENT 20 RSC LTD, which was ultimately wholly owned by the government of Abu Dhabi as of the Latest Practicable Date.

4. *Easy Joy Ventures Limited*

Easy Joy Ventures Limited was an investment holding company incorporated in BVI on May 28, 2020 and was solely held by CMBI Private Equity Series SPC on behalf of and for the account of Grocery Retail Fund I SP. CMBI Private Equity Series SPC on behalf of and for the account of Grocery Retail Fund I SP is a segregated portfolio under CMBI Private Equity Series SPC that invests in private equity portfolios. CMBI Private Equity Series SPC is an exempted company with limited liability and registered as a segregated portfolio company in the Cayman Islands. Its management share is 100% held by CMB International Private Investment Limited, a Cayman Islands limited company, which is in turn wholly-owned by CMB International Investment Management Limited, a limited company established in the BVI. CMB International Investment Management Limited is wholly-owned by CMB International Capital Corporation Limited, and the latter is an indirect wholly-owned subsidiary of China Merchants Bank Co., Limited, a company listed on the Stock Exchange (Stock code: 3968).

5. *Image Frame Investment (HK) Limited*

Image Frame Investment (HK) Limited was incorporated in Hong Kong and was a wholly-owned subsidiary of Tencent Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 700) as of the Latest Practicable Date.

6. *Ultimate Lenovo Limited*

Ultimate Lenovo Limited was an investment holding company incorporated in BVI on August 17, 2001 and was solely held by Lenovo Holdings (BVI) Limited, which was ultimately wholly owned by Lenovo Group Limited (a company listed on the Hong Kong Stock Exchange, stock code: 992) as of the Latest Practicable Date.

7. *National Education Holding Limited*

National Education Holding Limited was an investment holding company incorporated in BVI on April 2, 2008 and was solely held by Hongtao LI, an Independent Third Party, as of the Latest Practicable Date.

8. *Mind Power Investments Limited*

Mind Power Investments Limited was an investment holding company incorporated in BVI on October 23, 2013 and was solely held by Anbang Group Holdings Co. Limited, which was ultimately wholly owned by Dajia Insurance Group Co., Ltd. (大家保險集團有限責任公司).

9. *Radiant Skill Limited*

Radiant Skill Limited (耀藝有限公司) was an investment holding company incorporated in BVI on May 28, 2018 and was solely held by China Everbright Venture Capital Limited, which was ultimately wholly owned by China Everbright Limited (a company listed on the Hong Kong Stock Exchange, stock code: 165) as of the Latest Practicable Date.

10. Market Guard Limited

Market Guard Limited was an investment holding company incorporated in BVI on June 8, 2020, which is wholly owned by a RMB fund ("**IDG RMB Fund**") managed by Harmony Aiqi Investment Management (Beijing) Co., Ltd. a company ultimately owned by Kuiguang NIU, Jingbo WANG, Jianguang LI and Dongliang LIN as to 20.72%, 20.72%, 41.60% and 16.96% respectively, as of the date hereof.

11. Hong Zhi (Holding) Limited

Hong Zhi (Holding) Limited was an investment holding company incorporated in BVI on July 28, 2020 and was solely held by Shanghai Hong Zhi Business Consulting Partners (Limited Partnership), which was owned as to 99.99% by Nanjing CICC Qihong Investment Fund Partnership (Limited Partnership) as its sole limited partner, the general partner of which was CICC Capital Operation Co., Ltd., a wholly-owned subsidiary of China International Capital Corporation Limited, a company listed on the Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 3908.hk), and as to 0.01% by CICC Capital Operation Co., Ltd. as its general partner. as of the Latest Practicable Date.

12. Fuzhou Economic and Technological Zone Xingrui Hesheng Equity Investment Partnership (Limited Partnership)

Fuzhou Economic and Technological Zone Xingrui Hesheng Equity Investment Partnership (Limited Partnership) was an investment holding entity incorporated in PRC on July 26, 2019 and was held as to 0.03% and 99.97% by Xingzi Ruiying (Pingtan) Asset Management Co., Ltd. and Industrial Asset Management Co., Ltd., which was ultimately held by Industrial Bank Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601166) as to 73% as of the Latest Practicable Date.

13. Beijing Fengjin Investment Co., Ltd.

Beijing Fengjin Investment Co., Ltd. was an investment holding company incorporated in the PRC on December 16, 2010 and was held as to 70% and 30% by Kangyun YANG, an Independent Third Party, and Beijing SFJ Energy Technology Co., Ltd. (北京順豐基能源科技有限公司), which is ultimately wholly owned by Kangyun YANG, as of the Latest Practicable Date.

14. Pak Yuen Asset Management Limited

Pak Yuen Asset Management Limited was an investment holding company incorporated in Hong Kong on July 21, 2017 and was solely held by CHAN Nang Yung, an Independent Third Party, as of the Latest Practicable Date.

15. Chain Success Limited

Chain Success Limited was an investment holding company incorporated in Hong Kong on April 20, 2018 and was solely held by Chu Lui, an Independent Third Party, as of the Latest Practicable Date.

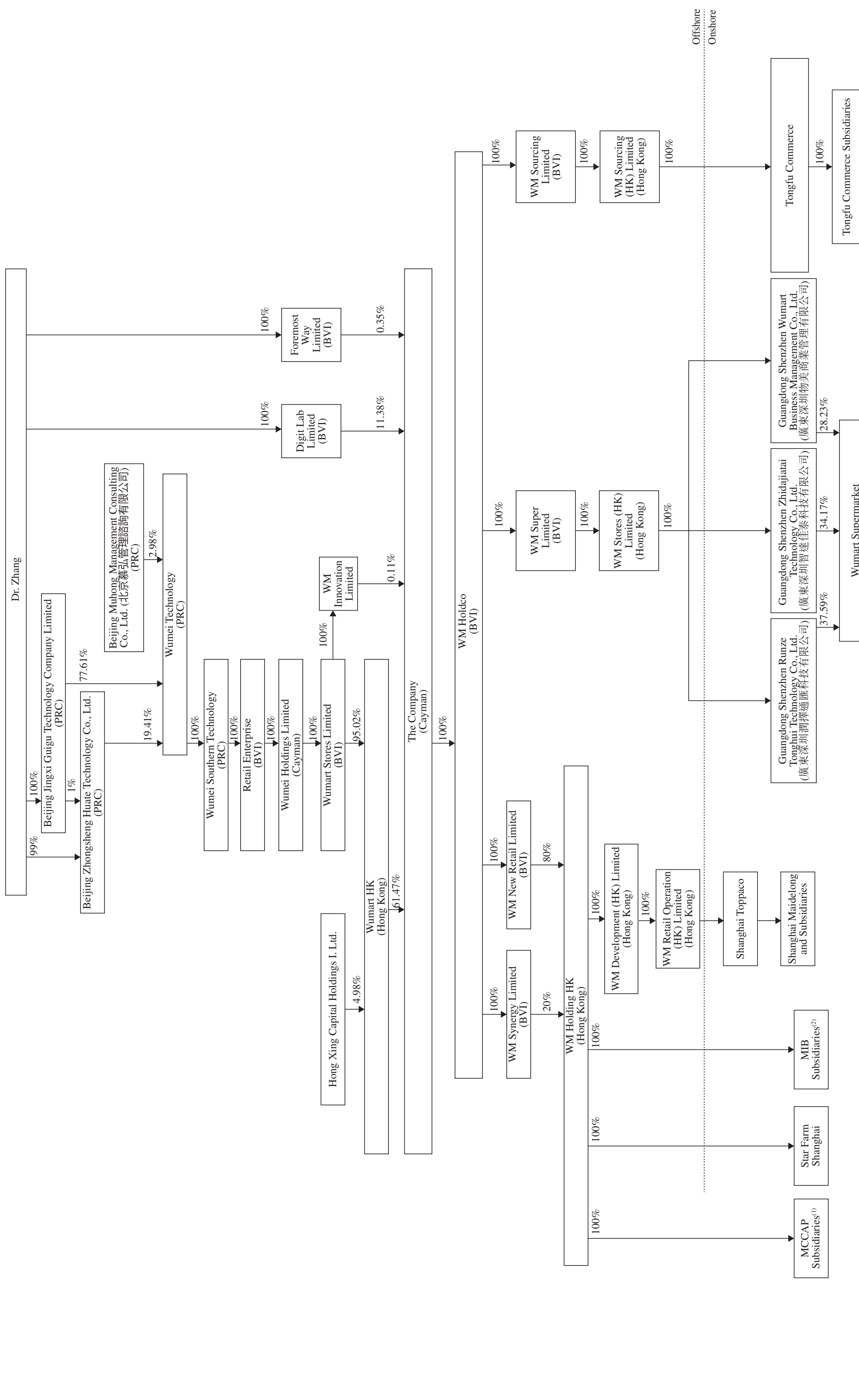
To our best knowledge after due enquiry, except for Rising Vista Holding (Cayman) Limited, each of the above Pre-[**REDACTED**] Investors is an Independent Third Party of the Company.

COMPLIANCE WITH PRE-[REDACTED] INVESTMENT GUIDANCE

On the basis that (i) the consideration for the Pre-[**REDACTED**] Investments was irrevocably settled no less than 28 clear days before the date of our first submission of the [**REDACTED**] to the Stock Exchange, and (ii) the termination of special rights granted to the Pre-[**REDACTED**] Investors as disclosed in "— Special Rights of the Pre-[**REDACTED**] Investors" above, the Joint Sponsors have confirmed that the Pre-[**REDACTED**] Investments are in compliance with the Pre-[**REDACTED**] Investment Guidance published by the Stock Exchange effective from January 1, 2024.

BUSINESS RESTRUCTURING

Since the establishment of our Company and before the Business Restructuring, the Group's businesses primarily consist of the Food and FMCG Distribution Business and the Retail Business. Following our Company's assessment of the overall market positions of the Food and FMCG Distribution Business and the Retail Business and to enable our Group and our Controlling Shareholders to focus on their respective businesses, our Company decided to conduct the Business Restructuring to focus on the Food and FMCG Distribution Business, and to dispose subsidiaries which engaged in the Retail Business to our Controlling Shareholders. The following chart sets forth our Group's simplified corporate and shareholding structure immediately prior to the Business Restructuring:


Dr. Zhang
99%
100%
Beijing Jingxi Guigu Technology Company Limited (PRC)
1%
Beijing Zhongsheng Huate Technology Co., Ltd. (PRC)
77.61%
19.41%
Beijing Muhong Management Consulting Co., Ltd. (北京慕弘管理諮詢有限公司) (PRC)
2.98%
Wumei Technology (PRC)
100%
Wumei Southern Technology (PRC)
100%
Retail Enterprise (BVI)
100%
Wumei Holdings Limited (Cayman)
100%
Wumart Stores Limited (BVI)
100%
WM Innovation Limited
95.02%
Hong Xing Capital Holdings I. Ltd.
4.98%
Wumart HK (Hong Kong)
61.47%
0.11%
100%
Digit Lab Limited (BVI)
11.38%
100%
Foremost Way Limited (BVI)
0.35%
The Company (Cayman)
100%
WM Holdco (BVI)
100%
WM Synergy Limited (BVI)
20%
100%
WM New Retail Limited (BVI)
80%
WM Holding HK (Hong Kong)
100%
WM Development (HK) Limited (Hong Kong)
100%
WM Retail Operation (HK) Limited (Hong Kong)
Shanghai Toppaco
Shanghai Maidelong and Subsidiaries
100%
MIB Subsidiaries(2)
100%
Star Farm Shanghai
100%
MCCAP Subsidiaries(1)
100%
WM Super Limited (BVI)
100%
WM Stores (HK) Limited (Hong Kong)
100%
Guangdong Shenzhen Runze Tonghui Technology Co., Ltd. (廣東深圳潤擇通匯科技有限公司)
Guangdong Shenzhen Zhidajiatai Technology Co., Ltd. (廣東深圳智達佳泰科技有限公司)
Guangdong Shenzhen Wumart Business Management Co., Ltd. (廣東深圳物美商業管理有限公司)
37.59%
34.17%
28.23%
Wumart Supermarket
Wumart Supermarket Subsidiaries
100%
WM Sourcing Limited (BVI)
100%
WM Sourcing (HK) Limited (Hong Kong)
100%
Tongfu Commerce
100%
Tongfu Commerce Subsidiaries
Offshore
Onshore

Notes:

(1) MCCAP Subsidiaries refer to Maidelong Commerce, Shanghai Xinqing Property Management Co, Ltd. ("**Shanghai Xinqing**") (上海鑫晴物業管理有限公司) and Xinyan Property Management (Shanghai) Co., Ltd. ("**Xinyan Property**") (鑫研物業管理(上海)有限公司).

(2) MIB Subsidiaries immediately before the Business Restructuring refer to one Hong Kong subsidiary, M Group Commerce Ltd. and its 40 PRC subsidiaries (the "**PRC MIB Subsidiaries**").

The major steps of the Business Restructuring are detailed as below:

(1) Streamline of our major business

To streamline our Group's business to focus on our major business, we acquired certain entities which engaged in Food and FMCG Distribution Business from our Controlling Shareholders and disposed certain entities which engaged in businesses other than our major business to our Controlling Shareholders.

On December 14, 2023 and December 19, 2023, Wumart Supermarket entered into two equity transfer agreements with Tongfu Commerce, respectively, pursuant to which Wumart Supermarket agreed to transfer 100% of the equity interests of its two subsidiaries engaging in Food and FMCG Distribution Business, namely Beijing Dmall Extreme Supply China Technology Co., Ltd. (北京多點極緻供應鏈技術有限公司) and Beijing Wumart Shangjia Fresh Business Management Service Co., Ltd. (北京物美尚佳鮮品商業管理服務有限公司), to Tongfu Commerce at nil consideration, respectively. The considerations were determined based on arms' length negotiations with reference to their net asset value.

On December 28, 2023, Tongfu Commerce entered into a share transfer agreement with Wumart Supermarket to transfer 100% of the equity interests it held in Beijing Liansheng Yingke Decoration Construction Engineering Co., Ltd. (北京聯盛盈科裝飾建築工程有限公司) ("**Beijing Liansheng**"), which was engaged in construction engineering, with a consideration of RMB1 million, which was determined based on the registered share capital of Beijing Liansheng and was settled on December 29, 2023. On January 2, 2024, Tongfu Commerce entered into a share transfer agreement with Wumart Supermarket to transfer 100% of the equity interests it held in Dmall Smart (Beijing) Media Co., Ltd. (多點智慧(北京)傳媒有限公司) ("**Dmall Smart Media**") which was engaged in media and advertisement activities, at nil consideration, which was determined based on the net asset value of Dmall Smart Media.

(2) Disposal of Retail Business

(i) Establishments of onshore and offshore holding entities

Shanghai Dimai Trading Co., Ltd. (上海諦麥商貿有限公司) ("**Dimai Trading**") was incorporated under the laws of the PRC on January 18, 2024, to serve as the onshore holding company for acquisition of the Retail Business under the brand of Maidelong. As of the Latest Practicable Date, Dimai Trading was wholly owned by WM Controlling (HK) Limited ("**WM**

Controlling HK"), the offshore holding company for the Retail Business under the brand of Maidelong, which is ultimately controlled by Retail Enterprise Corporation Limited (BVI) ("**Retail Enterprise**"), one of our Controlling Shareholders. Meanwhile, Wumei Controlling (HK) Limited ("**Wumei Controlling HK**") was incorporated under the laws of the Hong Kong on February 9, 2024 to serve as the offshore holding company for acquisition of the Retail Business under the brand of Wumart, which is also ultimately controlled by Retail Enterprise.

(ii) Disposal of onshore Retail Business

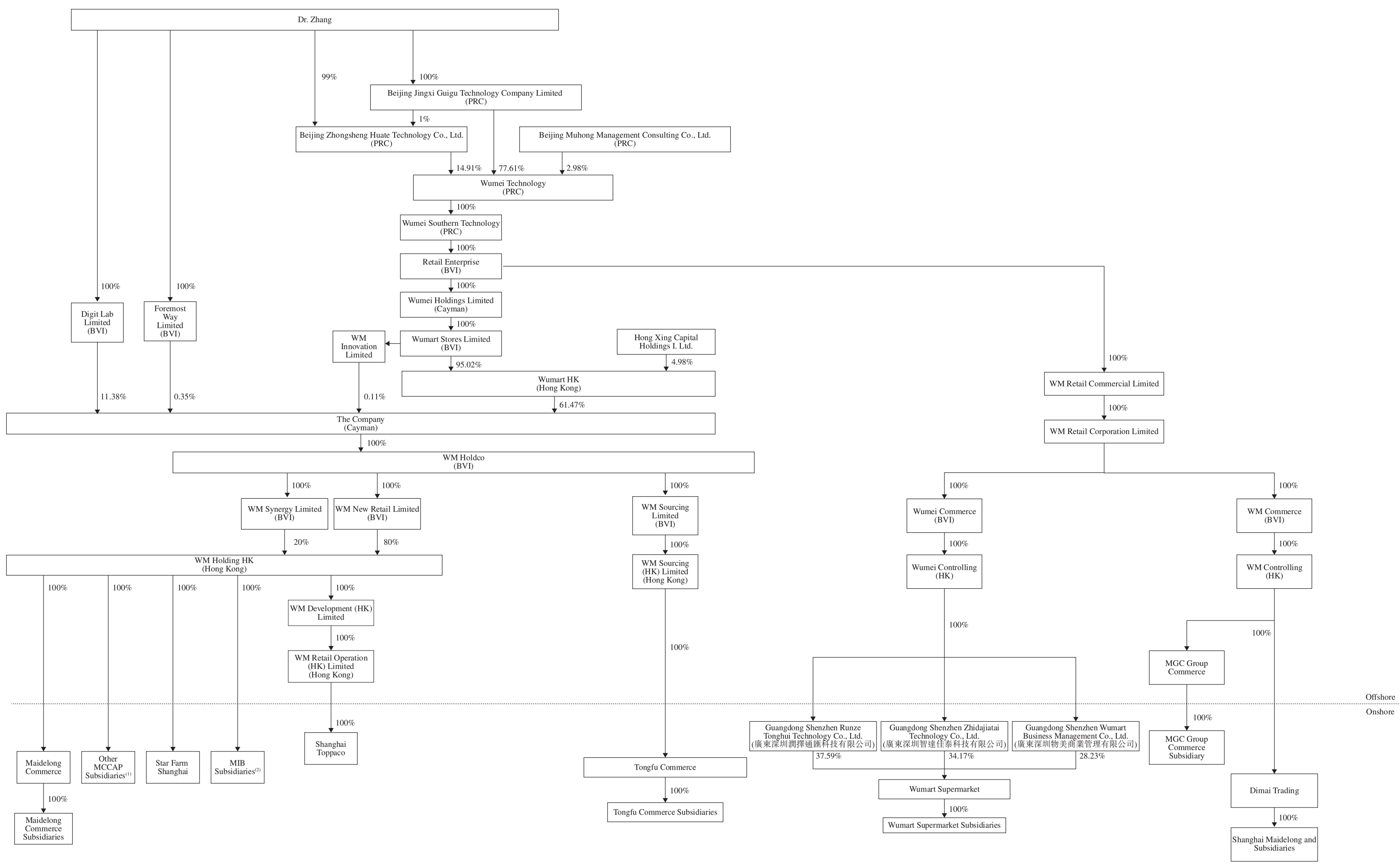
Before the Business Restructuring, the Retail Business was conducted by our Group under the brands of Wumart and Maidelong.

Through a series of internal restructuring, the employees, assets, contracts and intellectual properties in relation to the Retail Business were allocated to our subsidiary Shanghai Maidelong AG Trading Co., Ltd. (上海麥德龍商貿有限公司) ("**Shanghai Maidelong**"). On June 20, 2024, Shanghai Toppaco Management Consulting Co., Ltd. (上海拓巴蔻管理諮詢有限公司) ("**Shanghai Toppaco**"), the sole shareholder of Shanghai Maidelong, entered into a share transfer agreement with Dimai Trading, to transfer 100% equity interest of Shanghai Maidelong to Dimai Trading with a consideration of RMB546 million, which was determined based on the independent valuation of the businesses under Shanghai Maidelong as of December 31, 2023 and has been fully settled.

On June 1, 2024, WM Holding HK, the sole shareholder of M Group Commerce Ltd. ("**MGC**"), entered into a share transfer agreement with WM Controlling HK, to transfer 100% equity interest of MGC together with its subsidiary, namely M Group Commerce (Shanghai) Co., Ltd. (配帝商貿(上海)有限公司), which engage in online cross border Retail Business, to WM Controlling HK with a consideration of RMB44 million. Such consideration was determined based on the valuation results of the businesses under MGC as of December 31, 2023 and has been fully settled.

In addition, the Retail Business under the brand of Wumart was conducted by a series of operating entities controlled by Runze Tonghui, Zhida Jiatai and Wumart Business Management. On June 4, 2024, WM Stores (HK) Limited, the sole shareholder of Runze Tonghui, Zhida Jiatai and Wumart Business Management, entered into a share transfer agreement with Wumei Controlling HK, to transfer 100% equity interest of Runze Tonghui, Zhida Jiatai and Wumart Business Management to Wumei Controlling HK with a consideration of approximately RMB1.43 billion, while the employees, assets, contracts and intellectual properties in relation to our businesses were relocated out of the entities under Runze Tonghui, Zhida Jiatai and Wumart Business. Such consideration was determined based on the independent valuation of the businesses under Runze Tonghui, Zhida Jiatai and Wumart Business as of December 31, 2023 and has been fully settled.

The following chart sets forth our Group's simplified corporate and shareholding structure immediately following the completion of the Business Restructuring:



Notes:

(1) Other MCCAP Subsidiaries refer to Shanghai Xinyan and Shanghai Xinqing.

(2) MIB Subsidiaries refer to 39 PRC incorporated subsidiaries of WM Holding HK. For details, see "CORPORATE AND SHAREHOLDING STRUCTURE — shareholding and corporate structure immediately prior to the completion of the [**REDACTED**]" below.

Our PRC Legal Advisors has confirmed that each of the above onshore disposals and acquisitions has been legally completed and all relevant regulatory approvals necessary to effect the disposals and acquisitions have been obtained in accordance with PRC laws and regulations.

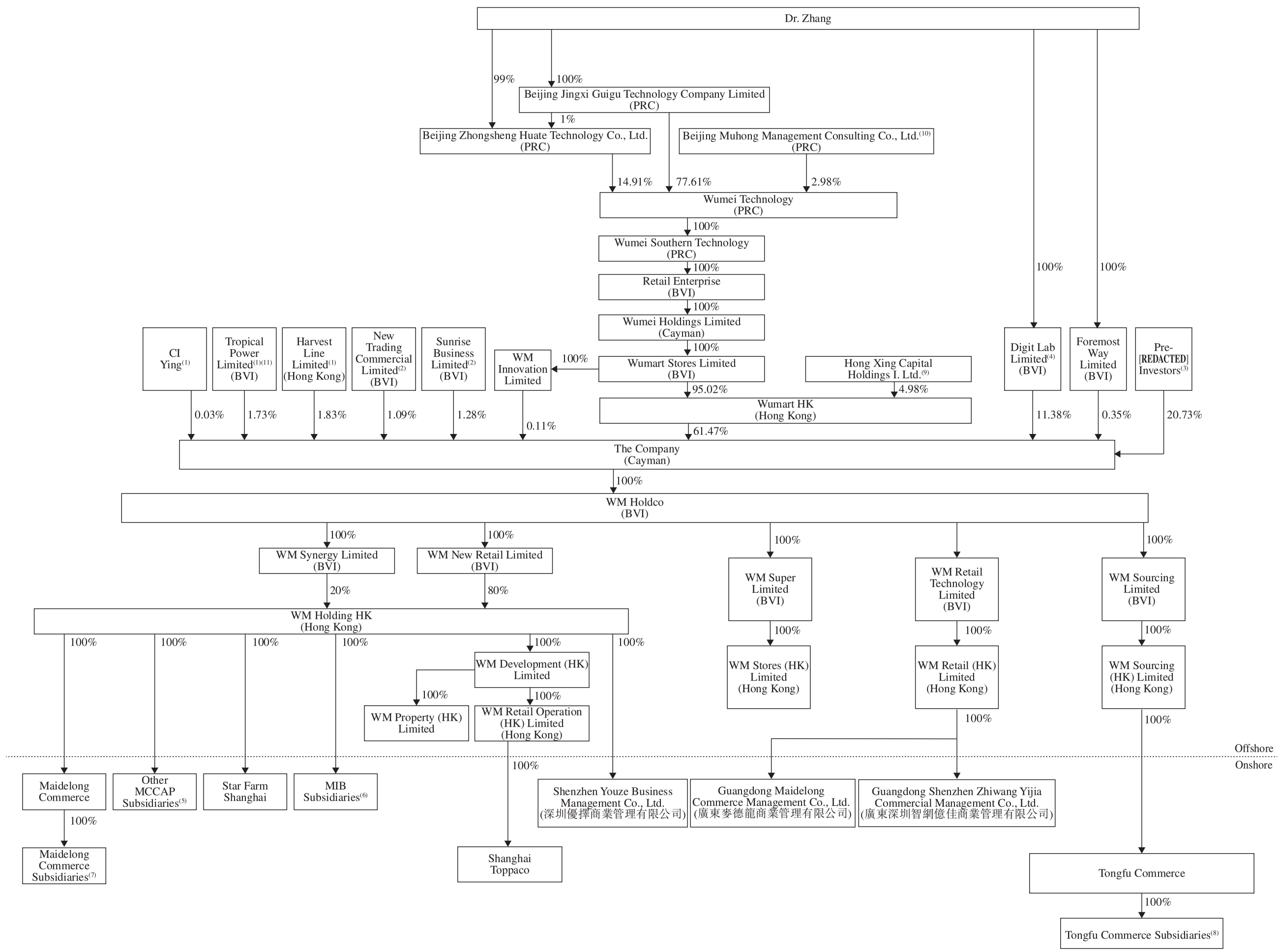
PREVIOUS [REDACTED] ATTEMPT

To explore the opportunity of establishing a capital market platform, we applied for the [**REDACTED**] of our Shares on the Main Board of the Stock Exchange in March 2021 (the "**Previous** [**REDACTED**] **Attempt**"). Nevertheless, given the then market conditions, we decided to refocus and prioritize the time and resources to our business development and terminated the Previous [**REDACTED**] Attempt. Our Directors are not aware of any matters relating to the Previous [**REDACTED**] Attempt which should be brought to the attention of the Stock Exchange and our Shareholders.

As we further achieved business development and completed the collaborative integration of resources upon our Business Restructuring, we consider that it is the proper timing to seek the [**REDACTED**] on the Main Board of the Stock Exchange to introduce our business to a wider range of investors.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out the shareholding and corporate structure immediately prior to the completion of the [**REDACTED**]:



Notes:

(1) Each of CI Ying, Tropical Power Limited and Harvest Line Limited is an Independent Third Party.

(2) Each of New Trading Commercial Limited and Sunrise Business Limited was wholly owned by Ultron Age Inc., which was in turn wholly owned by Mr. ZHANG Bin, a non-executive Director. Therefore, the shares held by New Trading Commercial Limited and Sunrise Business Limited are not counted as part of the public float for the purpose of Rule 8.08 of the Listing Rules.

(3) Immediately before the completion of the [**REDACTED**], our Company was held by Pre-[**REDACTED**] Investors including Rising Vista Holding (Cayman) Limited as to 10.86%, Robust Continent Limited as to 0.43%, Mighty Solution Limited as to 1.86%, Easy Joy Ventures Limited as to 0.87%, Image Frame Investment (HK) Limited as to 0.76%, Ultimate Lenovo Limited as to 0.11%, National Education Holding Limited as to 0.33%, Mind Power Investments Limited as to 1.86%, Radiant Skill Limited as to 0.43%, Market Guard Limited as to 2.48%, Hong Zhi (Holding) Limited as to 0.21%, Fuzhou Economic and Technological Zone Xingrui Hesheng Equity Investment Partnership (Limited Partnership) as to 1.74%, Beijing Fengjin Investment Co., Ltd. as to 0.07%, Pak Yuen Asset Management Limited as to 0.22% and Chain Success Limited as to 0.07%. Except for Rising Vista Holding (Cayman) Limited, each of the Pre-[**REDACTED**] Investors is an Independent Third Party.

(4) Digit Lab Limited is wholly owned by AZ Global Limited, which is wholly owned by AZ Trust, a trust established for the benefit of Dr. Zhang with Trident Trust Company (Singapore) Pte. Limited acting as the trustee.

(5) Other MCCAP Subsidiaries include Shanghai Xinqing and Xinyan Property.

(6) The MIB Subsidiaries refer to 39 PRC incorporated subsidiaries of WM Holding HK, including Xi'an Maidelong Commercial and Trading Company Ltd. (西安麥德龍商貿有限公司), Qingdao Maidelong Warehouse Management Co., Ltd. (青島麥德龍倉儲管理有限公司), Dalian Maidelong Warehouse Management Co., Ltd. (大連麥德龍倉儲管理有限公司), Maidelong Property Management (Wuhu) Co., Ltd. (麥德龍物業管理(蕪湖)有限公司), Maidelong Property Management (Harbin) Co., Ltd. (麥德龍物業管理(哈爾濱)有限公司), Maidelong Property Management (Xiangyang) Co., Ltd. (麥德龍物業管理(襄陽)有限公司), Maidelong Property Management (Changsha) Co., Ltd. (麥德龍物業管理(長沙)有限公司), Maidelong Property Management (Cixi) Co., Ltd. (麥德龍物業管理(慈溪)有限公司), Maidelong Property Management (Nanchang Qingshanhu) Co., Ltd. (麥德龍物業管理(南昌青山湖)有限公司), Maidelong Property Management (Huai'an) Co., Ltd. (麥德龍物業管理(淮安)有限公司), Maidelong Property Management (Nantong) Co., Ltd. (麥德龍物業管理(南通)有限公司), Maidelong Property Management (Changzhou) Co., Ltd. (麥德龍物業管理(常州)有限公司), Maidelong Warehouse Management (Chongqing) Co., Ltd. (麥德龍倉儲管理(重慶)有限公司), Maidelong Warehouse Management (Yantai) Co., Ltd. (麥德龍倉儲管理(煙台)有限公司), Maidelong Warehouse Management (Suzhou) Co., Ltd. (麥德龍倉儲管理(蘇州)有限公司), Maidelong Warehouse Management (Zibo) Co., Ltd. (麥德龍倉儲管理(淄博)有限公司), Maidelong Warehouse Management (Taizhou) Co., Ltd. (麥德龍倉儲管理(台州)有限公司), Maidelong Warehouse Management (Wuhan) Co., Ltd. (麥德龍倉儲(武漢)有限公司), Maidelong (Changchun) Property Services Co., Ltd. (麥德龍(長春)物業服務有限公司), Maidelong North Warehouse Management (Chongqing) Co., Ltd. (麥德龍北部倉儲管理(重慶)有限公司), Maidelong Warehouse Management (Hangzhou) Co., Ltd. (麥德龍倉儲管理(杭州)有限公司), Maidelong Property Management (Qingdao) Co., Ltd. (麥德龍物業管理(青島)有限公司), Maidelong Property Management (Jiangyin) Co., Ltd. (麥德龍物業管理(江陰)有限公司), Maidelong Property Management (Wuxi) Co., Ltd. (麥德龍物業管理(無錫)有限公司), Maidelong Property Management (Hangzhou) Co., Ltd. (麥德龍物業管理(杭州)有限公司), Maidelong Property Management (Zhongshan) Co., Ltd. (麥德龍物業管理(中山)有限公司), Maidelong Property Management (Kunshan) Co., Ltd. (麥德龍物業管理(昆山)有限公司), Maidelong Property Management (Suzhou) Co., Ltd. (麥德龍物業管理(蘇州)有限公司), Maidelong Property Management (Changshu) Co., Ltd. (麥德龍物業管理(常熟)有限公司), Maidelong Property Management (Zhangjiagang) Co., Ltd. (麥德龍物業管理(張家港)有限公司), Maidelong Property Management (Weifang) Co., Ltd. (麥德龍物業管理(濰坊)有限公司), Maidelong Property Management (Shenyang) Co., Ltd. (麥德龍物業管理(瀋陽)有限公司), Maidelong Property Management (Jiaxing) Co., Ltd. (麥德龍物業管理(嘉興)有限公司), Maidelong Property Management (Dongguan) Co., Ltd. (麥德龍物業管理(東莞)有限公司), Maidelong Property Management (Shenzhen) Co., Ltd. (麥德龍物業管理(深圳)有限公司), Maidelong Property Management (Xi'an) Co., Ltd. (麥德龍物業管理(西安)有限公司), Maidelong Property Management (Tianjin Hongqiao) Co.,

Ltd. (麥德龍物業管理(天津紅橋)有限公司), Maidelong Property Management (Zhengzhou) Co., Ltd. (麥德龍物業管理(鄭州)有限公司) and Maidelong Property Management (Xiamen) Co., Ltd (麥德龍物業管理(廈門)有限公司). As of the Latest Practicable Date, each of the MIB Subsidiaries is directly or indirectly wholly-owned by WM Holding HK.

(7) Maidelong Commerce Subsidiaries refer to Maidelong Commerce Group South (Shenzhen) Co., Ltd. (麥德龍商業集團南方(深圳)有限公司) and Maidelong (Yantai) Commerce Co., Ltd. (麥德龍(煙台)商業有限公司), which are wholly owned by Maidelong Commerce.

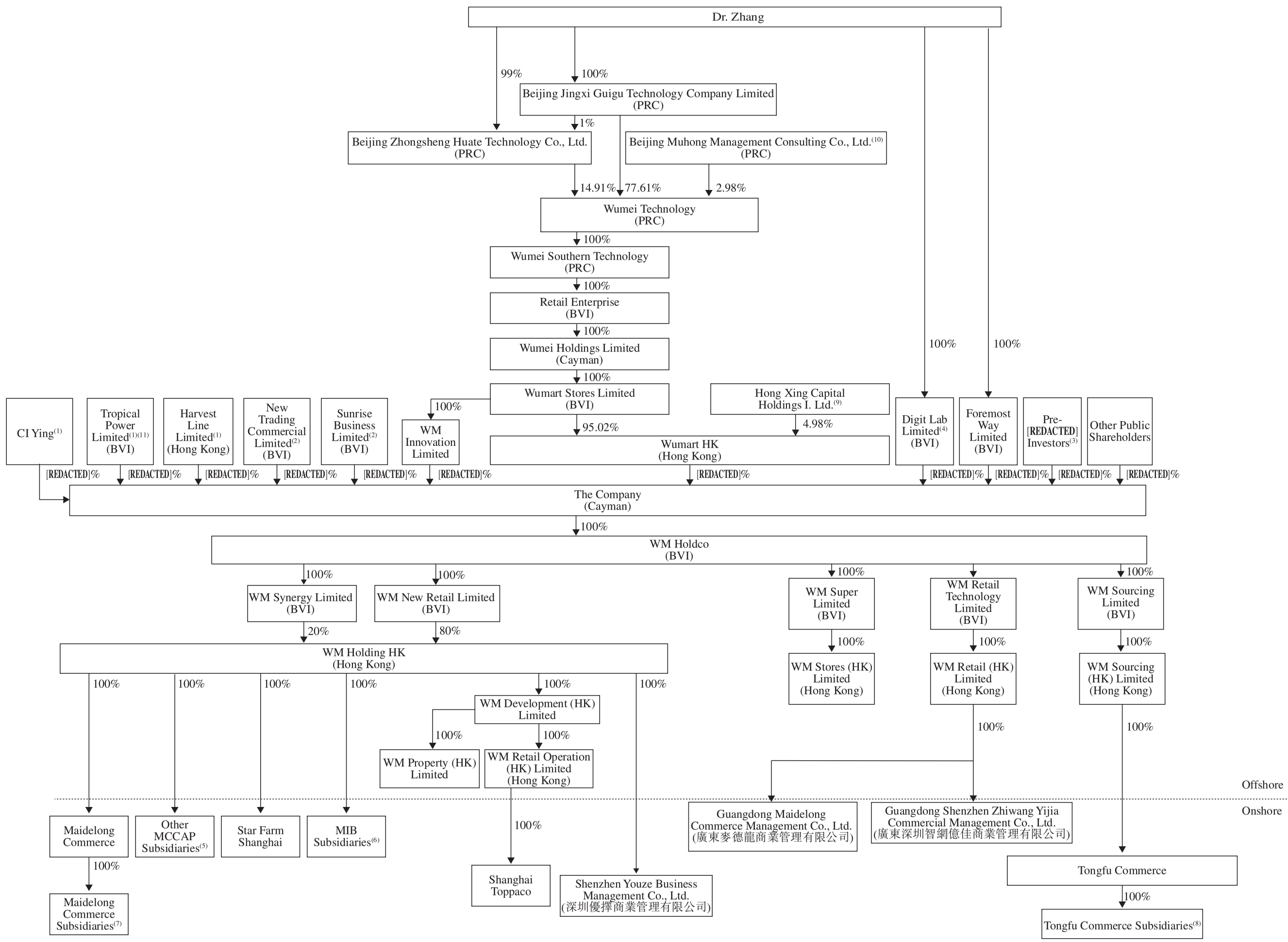
(8) Tongfu Commerce Subsidiaries refer to 13 PRC incorporated of Tongfu Commerce, including Beijing Dmall Extreme Supply Chain Technology Co., Ltd. (北京多點極緻供應鏈技術有限公司), Beijing Wumei Green Agriculture Fresh Supply Chain Technology Co., Ltd. (北京物美綠農優鮮供應鏈科技有限公司), Jiaxing Green Agriculture Fresh Supply Chain Technology Co., Ltd. (嘉興綠農優鮮供應鏈科技有限公司), Beijing Dingli Santong Logistics Co., Ltd. (北京鼎立三通物流有限公司), Hangzhou Santong Logistics Co., Ltd. (杭州三通物流有限公司), Deqing Liantong Logistics Co., Ltd. (德清連通物流有限公司), Tianjin Wumei Dingli Logistics Technology Co., Ltd. (天津物美鼎立物流科技有限公司), Beijing Wumei Xintonglu Logistics Technology Co., Ltd. (北京物美新通路物流科技有限公司), Guangdong Shenzhen Tonghang International Trade Co., Ltd. (廣東深圳通航國際貿易有限公司), Beijing Wumei North Supply Chain Technology Co., Ltd. (北京物美北方供應鏈科技有限公司), Hangzhou Ruixin Commerce Operation Management Co., Ltd. (杭州睿昕商業經營管理有限公司), Beijing Wumei Shangjia Fresh Commerce Management Service Co., Ltd. (北京物美尚佳鮮品商業管理服務有限公司) and Hangzhou Ruishang Food Processing Co., Ltd. (杭州睿尚食品加工有限公司). As of the Latest Practicable Date, each of the Tongfu Commerce Subsidiaries is directly or indirectly wholly-owned by Tongfu Commerce.

(9) Hong Xing Capital Holdings I. Ltd. is an investment holding company which is owned by IDG-Accel China Capital II L.P., IDG Accel China Capital II Investors L.P. and China Consumer Capital Fund II L.P. as to 77.89%, 3.47% and 18.64%, respectively. It is ultimately controlled by Quan ZHOU and Chi Sing HO (the chief financial officer of IDG Capital), each of whom is an Independent Third Party.

(10) Beijing Muhong Management Consulting Co., Ltd. is ultimately owned by Mr. LIN Dongliang and Mr. WU Guangze, each of whom is an Independent Third Party.

(11) Tropical Power Limited was an investment holding company which is ultimately held by Chi Sing HO (the chief financial officer of IDG Capital) as to 27.27% with no other shareholder holding more than 10% and is an Independent Third Party.

The following chart illustrate our corporate and shareholding structure immediately after the completion of the [**REDACTED**] (assuming that the [**REDACTED**] has not been exercised):



Notes (1) to (10): Please refer to the shareholding and corporate structure immediately prior to the completion of the [**REDACTED**].

PRC REGULATORY REQUIREMENTS

Regulations on Overseas Listing

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures and relevant supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a domestic enterprise: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in the PRC or its main places of business are located in the PRC, or a majority of the senior management in charge of operation and management of the issuer are PRC citizens or are domiciled in the PRC. The filing is required to be conducted within three business days after the submission of the application for initial public offering and listing overseas to the overseas regulators.

Our PRC Legal Advisors are of the view that we are required to submit the filing materials to the CSRC within three business days after the submission of [**REDACTED**] to the Stock Exchange. For details, please see "Regulatory Overview — Regulations on Overseas Securities Offering and Listing" in this Document.

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (1) acquires the equity of a domestic non-foreign-invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares or equity interest in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that each of the CSRC approval for the [**REDACTED**] and MOFCOM approval is not required under the M&A Rules because the WFOEs were foreign-invested enterprises before the acquisition by us and therefore shall not be subject to M&A Rules.

SAFE registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, and which replaced the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among others, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisors, our Shareholder, Mr. Zhang Bin, being a PRC citizen, has completed his initial foreign exchange registration as required under the SAFE Circular 37 and the SAFE Circular 13 on November 13, 2015.

OUR MISSION AND VISION

Our vision: We strive to become the most trusted food and FMCG distribution partner in China.

Our mission: We provide customers with easily accessible, high-quality merchandise by embracing digitalization and developing the modern supply chain in China.

WHO WE ARE

We are a leading food and FMCG distribution solution provider in China, providing a broad range of corporate and institutional customers as well as retailers with safe, high-quality merchandise and efficient and convenient solutions. These solutions mainly include (i) food service and distribution solutions, (ii) welfare and gifting solutions, and (iii) retailer distribution solutions (which comprise product sales to retailers and supply chain service). During the Track Record Period, we provided food service and distribution solutions and welfare and gifting solutions to over 52,000 and over 88,000 customers, respectively. We provided retailer distribution solutions to Wumart Group for its 100 Maidelong stores, as well as 366 Wumart supermarkets and 304 Wumart convenience stores in China as of December 31, 2023. We combined Metro AG's quality assurance standards with China's local practices, and have established the Maidelong assessment standards. We also built a product traceability system, a high-quality product portfolio featuring private label and imported merchandise, and a nationwide logistics network based on the distributed warehousing and processing model. We have also applied our digital capabilities to all aspects of our business.

OUR DEVELOPMENT HISTORY

The following timeline sets forth some of our key corporate milestones:

1994	We started to use the brand of Wumart for business operations.
1996	Metro AG entered into China, and opened its first store.
2001	We introduced Metro AG's private label merchandise to the Chinese market.
2004	We developed our strategic focus on the provision of welfare and gifting business.
2006	We developed our strategic focus on the provision of food service and distribution business. We expanded our business footprints in tier-two cities in China.
2007	We launched the Star Farm system, our proprietary fresh food traceability system.
2017	We launched the Maifuli system.
2019	We adopted a strategic focus on serving canteens of customers in the core target groups. We launched the Maixianda system.
2020	We acquired the Maidelong entities from Metro AG and began the collaborative integration of resources between Maidelong and Wumart supply chains.
2021	We launched our private labels, namely M Basic and M Select.
2024	We divested the Retail Business to the Controlling Shareholders, so as to focus on providing the provision of food and FMCG distribution solutions in China.

OUR FUNDAMENTAL CAPABILITIES

Inheriting Metro AG's uncompromised attention to food safety, we have built an excellent food safety and quality assurance system. According to Frost & Sullivan, we are the first company in China to introduce international quality assurance standards into China's food and FMCG distribution industry. Our established food safety and quality assurance system covers every aspect of our business operations, including procurement, warehousing and logistics, food processing and order fulfillment. Attributable to our food safety and quality assurance, all the stores in the Retail Business under the Maidelong brand have all been accredited the HACCP certifications. In addition, our proprietary Star Farm system integrated international food safety standards into a highly transparent traceability system, enabling the customers to track end-to-end information of fresh food and helping upstream stakeholders including farms and suppliers to enhance their operations. Since its launch in 2007, our Star Farm system has accumulatively covered over 6,000 SKUs as of the Latest Practicable Date. As of December 31, 2023, we provided quality assurance training to over 4,700 farms and factories and over 1,000 suppliers that seek to register their merchandise in the system.

With our global procurement capabilities, we have curated a comprehensive and differentiated product portfolio for our customers, featuring both private label merchandise and imported merchandise, to meet their ever-changing needs. Through meticulous analysis of customer needs, we have strategically crafted a portfolio of private label merchandise with differentiated positioning, namely M Basic and M Select. Our private labels are highly recognized in the industry and we are one of the few food distribution companies in China whose private labels that can compete with those of brand owners.

We have built a nationwide logistics network based on a distributed warehousing and processing model that is easily accessible to our customers. As of the Latest Practicable Date, our strategic nationwide logistics network included two central distribution centers and 16 regional distribution centers, four fresh food processing centers and 100 local fulfillment centers, with an aggregate gross floor area of approximately 501,600 sq.m.. We store inventory in the local fulfillment centers that are adjacent to the stores under the Maidelong brand, which achieve more flexible and faster order fulfillment and distribution, thereby improving the operational efficiency and reducing operating costs. Our warehousing and logistics facilities that combine ambient and cold chain storage can meet the required storage and transportation conditions of different product types. Multiple temperature zones are set according to the temperature requirements of different products to ensure the best product quality is maintained. In addition, we have a sophisticated processing management system which processes food professionally to meet the customers' tailored needs.

Digitalization empowers every aspect of our operation. Through the application of technologies such as big data analytics, SaaS, and artificial intelligence of Things (AIoT), we have adopted digital applications throughout our business operations. From procurement to warehouse management and transportation management, digital applications enable us to improve operational capability in every aspect of our business. In addition, we have also launched the Maifuli and Maixianda systems, which are accessible to our customers to meet their diversified, multi-scenario demands for procurement and fulfillment.

OUR CORE CUSTOMER BASE

We serve customers with strong purchasing power and repeated purchasing behavior. Our customer base includes core target groups including (i) educational institutions; (ii) government and public service agencies such as power grids, airlines and mass transit operators; (iii) manufacturing enterprises; (iv) financial institutions such as commercial banks; as well as (v) retailers. We adopt a customer-centric approach through our in-house sales team of over 1,000 dedicated and experienced customer managers and sales support personnel, who provide customers with attentive and professional one-on-one services and respond promptly to customers' needs. To further our adherence to strict food safety standards, we developed and implemented the MAS evaluation system to meet quality assurance requirements of our customers in different industries. We also provide a series of value-added services to enhance our differentiated competitive strengths.

Our customer base has generally strict food safety requirements and supplier screening procedures, and has high operational stability. Through our high-quality products and comprehensive services, we have established long-term and stable collaboration with our customers. During the Track Record Period, we provided food service and distribution solutions and welfare and gifting solutions to over 52,000 and 88,000 customers, respectively, or over 108,000 customers in aggregate. We always adhere to the customer-first principle, which enables us to continuously cover our core target groups and achieve high penetration rate and cross-selling. In 2023, 178 out of China's top 500 companies (as published jointly by the China Enterprise Confederation and the China Enterprise Directors Association) and their affiliates were our customers. During the Track Record Period, over 31,000 customers engaged us for both food service and distribution and welfare and gifting solutions, which accounted for 28.9% of our corporate and institutional customers engaging us for these two solutions.

OUR HISTORICAL RESULTS

We generate revenue mainly from providing food and FMCG distribution solutions to corporate and institutional customers as well as retailers. Our past performance demonstrates that we have an effective business model that enables us to weather through a challenging external environment and continue to explore future growth potential. In 2021, 2022, and 2023, our revenue amounted to RMB27,820.2 million, RMB27,102.3 million and RMB24,858.3 million, respectively. In 2021, 2022 and 2023, adding back the change of the carrying amounts of the redemption liabilities arising from preferred shares, our adjusted net profit (*non-IFRS measure*) amounted to RMB108.2 million, RMB411.9 million and RMB429.9 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe our past successes and our ability to capture future growth opportunities hinge on the following competitive strengths:

China's leading integrated food and FMCG distribution solution provider

The growing demand for high-quality, standardized food and FMCG fueled the rapid development of the food and FMCG distribution industry, and such growth is expected to continue. According to Frost & Sullivan, the market size of China's food and FMCG distribution industry increased from RMB7,036.6 billion in 2018 to RMB9,900.7 billion in 2023, representing a CAGR of 7.1%. It is expected that the market size will reach RMB14,149.7 billion in 2028, representing a CAGR of 7.4% from 2023 to 2028. Compared to more developed markets, China's food and FMCG distribution industry remains at its early stage of development, with a highly fragmented competitive landscape. There is potential for improvement of industry standardization, and industry leaders are expected to lead the development.

Supported by our food-centric, digitalized global supply chain network, and complemented by our robust product sourcing capability and professional customer service, we deliver differentiated merchandise offerings and customized food and FMCG distribution solutions to our customers.

According to Frost & Sullivan, in terms of sales in 2023:

— We are the largest group meals distribution solution provider in China;

— We are the second-largest commercial welfare and gifting solution provider in China; and

— We are the second-largest retail distribution solution provider, and the largest supermarket distribution provider in China.

We position ourselves as one of the few food and FMCG distribution enterprises in the market that cater to corporate and institutional customers as well as retailers. Drawing upon Metro AG's expertise in B2B business, we are dedicated to delivering professional and tailored food service and distribution and welfare and gifting solutions to corporate and institutional customers. We pioneered the adoption of international quality assurance standards in our operations in China, driving industry improvements and fostering trusted relationships with our customers. As such, we also have a great advantage in providing food and FMCG distribution solutions to retailers.

Also, we are one of the few food and FMCG distribution companies with nationwide coverage, which includes our distribution centers and local fulfillment centers in over 60 cities of China. Our nationwide coverage maximizes the utilization of our supply chain infrastructure to enhance asset utilization efficiency.

Pioneer for high standards of food safety and quality assurance, highly-recognized by the market

Food safety and quality assurance are paramount to us. We inherit Metro AG's heightened attention to food safety and implement advanced international quality assurance standards and protocols in quality management, which are highly trusted by customers. Our well-established food safety and quality assurance system provides guarantee for every aspect of our business operation including procurement, warehousing, processing, transportation and fulfillment, as well as sales.

Procurement-related quality assurance

We implement food quality management measures by identifying food safety risks from the origins and addressing potential food safety hazards in a preemptive manner. We prefer top-tier suppliers with GFSI certification, and for those potential suppliers without such certification, we conducted on-site assessments according to the MAS evaluation system. In particular, as we purchase fresh food from local suppliers, we integrate food safety and quality control to their production process, so as to ensure clear control over the quality at the origins and throughout the food production cycle. In 2023, we conducted approximately 1,000 MAS quality assessments and approximately 7,500 laboratory tests.

Warehousing, processing, and transportation-related quality assurance

We have established food quality standards for fresh food and all private label merchandise. For example, fresh vegetables purchased at the origin are classified, processed and packaged to reduce product spoilage caused by collisions. Freshly sourced fish will be processed under strict technical and quality specifications and procedures, and preserved in vacuum sealers to minimize microbial food safety hazards. We manage storage conditions based on food specifications to ensure the freshness of the food. In order to ensure meeting the different temperature requirements of different products, we applied different temperature zones in the cold chain warehouses, including (i) frozen, (ii) chilled, (iii) fresh cool (for fruits and vegetables) and (iv) controlled ambient (wines and chocolates), and conduct real-time temperature monitoring of the warehouses. The temperatures of our warehouses are tracked and recorded, and an alarm is issued when the temperature exceeds the specified range. We use an uninterrupted cold chain system to transport frozen and chilled goods, and use refrigerated vehicles or containers equipped with dry ice packs and ice packs (as the case may be) in trucks, to transport them, so as to keep the merchandise within the required low temperature range and ensure that customers enjoy freshness and safety. Our quality control personnel regularly inspects the warehouses and fleet to ensure that the storage temperatures and hygiene conditions comply with our logistics quality control standards.

Sales-related quality assurance

In 2007, we innovatively launched the Star Farm system, our proprietary food traceability system, which has become a benchmark for high quality and food safety in the food and FMCG distribution industry. Through the Star Farm system, our customers can scan the tracking codes on the product packaging to access and view product information, including details of product origin, processing plant, test results and logistics arrangements. By involving customers in monitoring the growing, harvesting, processing, packaging, transporting, handling and selling of food products, we increase the transparency throughout the entire process from production to sales. Our IT team continuously upgrades and maintains the Star Farm system, so as to ensure every process that the SKUs undergo is traceable. Since its launch, our Star Farm system has accumulatively covered over 6,000 SKUs as of the Latest Practicable Date.

Our food safety and quality assurance capabilities are highly regarded in the industry, we are invited to participate in the development of industry standards and continue to provide food and FMCG distribution solutions for important domestic and international events. According to Frost & Sullivan, we are the first company in China that introduced international standards of supply chain operation into China's food and FMCG distribution industry. We are the member of the Technical Committee under the Standardization Administration of China, the vice-chair of the China Steering Committee of the GFSI, and the deputy director of the Food Safety Committee of the China Chain Store & Franchise Association, committed to leading the establishment of industry standards. We were the designated supplier for 2008 Beijing Olympics, 2010 Guangzhou Asian Olympics, 2013 Asian Youth Games, 2013 China National Games, 2016 G20 Hangzhou Summit, 2017 BRICS Summit, 2017 China National Games, 2023 Chengdu Summer World University Games and 2023 Hangzhou Asian Olympics and Asian Para Games. In addition, we participated in the 2022 China International Import Expo and displayed our exquisite range of imported merchandise. Our proven track record is a testament to our ability to meet the strict food standards for athletes, reflecting the trust our customers place in the safety and quality of our offerings. Attributable to our food safety and quality assurance in our local fulfillment centers, the stores in the Retail Business under the Maidelong brand have all been accredited the HACCP certifications. Such achievements by stores under the Maidelong brand reflect our role as a benchmark of quality assurance in the food and FMCG merchandise.

Attractive, high-quality product portfolio featuring our private label and imported merchandise

Leveraging our procurement volume, differentiated sourcing strategy and close relationships with suppliers, we are able to continuously provide comprehensive product offerings with high quality at competitive prices to our customers. Our product portfolio features private label merchandise and imported merchandise. With our stable supply of high-quality products, quality assurance capabilities, trusted private labels and efficient fulfillment, we have established ourselves as a reliable and professional choice for our customers. For food service and distribution business, as of the Latest Practicable Date, we offered over 5,000 SKUs of high-quality and safe food at competitive pricing in the "seven core categories (七大餐盤)" to meet the procurement requirements of our customers with professional and diversified services. For the welfare and gifting business, we typically offer high-quality merchandise with solutions ranging from procurement, packaging to delivery for major festivals and business occasions throughout the year.

Popular Private Label Merchandise

We introduced Metro AG's private labels in 2001, and we are one of the first food and FMCG distribution companies in China to launch private label merchandise, according to Frost & Sullivan. We subsequently launched our own private labels in 2021. We closely track consumers' behavior and preferences, and by combining our deep insights of customers' needs and our robust supply chain capabilities, we have meticulously crafted a brand portfolio of private label merchandise with targeted and differentiated positioning, including M Basic and M Select, which can satisfy the specific needs of different customer segments. For instance, M Basic focuses on professional food service and distribution customer groups, and mainly provides high-quality merchandise in bulk packaging at competitive prices. M Select targets welfare and gifting customers and retailer. As of the Latest Practicable Date, our merchandise portfolio included over 2,300 SKUs of private label merchandise. M Basic's peeled shrimps, northeast rice, original flavored pancake and three-kilogram-pack ice cream, and M Select's peanut butter egg rolls, stewed duck tongue, premium forest and ocean blended (山海尋鮮禮盒), are well received by our customers and end consumers.

We focus on the evolving needs of our customers and craft the selection of our private label merchandise based on these needs to create core assortments. We are continuously improving our research and development process which is becoming increasingly efficient, and we collaborate with reputable brand partners and IPs to co-develop and produce cross-brand merchandise. For example, we collaborated with Yechun (冶春) to develop specialty merchandise from Yangzhou, such as chicken soup meatballs (雞湯獅子頭) and shiitake and vegetable buns (手工香菇青菜包). We also developed cross-brand merchandise that are tailored for festivals. For example, we collaborated with Wufangzhai (五芳齋) to develop zongzi for Dragon Boat Festival and Guangzhou Restaurant (廣州酒家) to develop mooncakes for Mid-autumn Festival. We also collaborated with Dunhuang Art Museum to develop customized packaging for our gift boxes.

Benefiting from our long-term investment and continuous exploration in product quality, flavor and diversity, our private label merchandise offerings are highly recognized by our customers, and we are among the few players in the food and FMCG distribution industry whose private labels can compete with that of brand owners. Several products under M Select have won honors including the Superior Taste Award from the International Taste Institute, Golden Star Prize from the Shanghai Private Label Fair, and the International Salute to Excellence from the Private Label Manufacturers Association International Council.

Differentiated Imported Merchandise

We procure imported merchandise directly from the origins or through reputable distributors, so as to provide our customers with authentic products from across the globe and introduce the internationalized lifestyles. Our highly differentiated range of imported products include a wide and premium selection of wine from famous regions picked by our sommeliers, beef products from Australia and the United States, milk from Germany and New Zealand, salmon from Denmark and olive oil from Spain and Italy. As of the Latest Practicable Date, our merchandise portfolio consisted of over 3,700 imported SKUs from 58 countries and regions.

We have a strong global supply chain network and extensive global sourcing insight and bargaining power. We are a member of the German Chamber of Commerce. We also participate in prestigious international food fairs, such as Tutto Foods, Anuga, Foodex and Marca to facilitate product sourcing. Such resources allow us to source differentiated and high-quality merchandise directly across the globe. We also have robust warehousing and logistics infrastructure to support the procurement of imported merchandise. For instance, we have designated food processing capabilities, such as handling salmon products at high hygiene standards, so as to ensure quality and freshness. In addition, we are also a trusted partner with some of the overseas brand owners, which granted us exclusive distribution of their merchandise in China, such as certain mulled wine from Germany.

High-quality and stable customer base that strengthens our risk resilience

We strategically focus on serving corporate and institutional customers as well as retailers with high food quality and safety requirements. Our customer base for the retailer distribution solutions is primarily Wumart Group. As of December 31, 2023, we covered 100 stores under the Maidelong brand, as well as 366 supermarkets and 304 convenience stores under the Wumart brand across China. We developed a differentiated and exquisite selection of merchandise, and offer a stable supply of these merchandise at competitive pricing for retailers.

Our customer base for the food service and distribution solutions and the welfare and gifting solutions is dominated by our four core target group, which include (i) educational institutions; (ii) government and public service agencies such as power grids, airlines and mass transit operators; (iii) manufacturing enterprises; and (iv) financial institutions such as commercial banks. These customers have a high degree of health and hygiene awareness and stringent food quality and compliance requirements. They adopt a strict supplier selection process, and exhibit high stickiness in their purchasing behavior. These customers are more risk adverse and their orders are more stable. In 2023, we had over 22,000 food service and distribution customers and over 33,000 welfare and gifting customers in the core target groups, which represent 81.2% and 83.2% of our customers in food service and distribution business and welfare and gifting business of the same year, respectively.

We maintain customer stickiness and increase penetration by providing customers with high-quality, high-value and differentiated products, professional solutions, and value-added services. Through our in-house sales team of over 1,000 dedicated and experienced customer managers and sales support personnel, we provide attentive and professional one-on-one services to our food service and distribution and welfare and gifting customers, deploying resources across the supply chain to address and fulfill customer needs in a timely manner. We have developed a series of differentiated product offerings based on our food service and distribution customers' core needs, such as "seven core categories (七大餐盤)" and "top ten must-buy items (十大必買單品)." For welfare and gifting customers, we offer one-stop integrated online-to-offline welfare and gifting solutions for corporate enterprises and public institutions, and also invite customers to participate in the festive symposiums to jointly design tailored welfare and gifting packages.

In addition, we provide a series of value-added service such as "A Talk on Healthy Eating (食育講座)." Through our Maidelong Catering Academy, we offer chef training and certification services to our customers, and invite experienced nutritionists from the Capital Healthcare and Nutrition Cuisine Society to formulate weekly menus with recipes that take into account dietary nutrition and provide nutrition seminars. These recipes are then used by our customers as a reference for designing their own menus to meet their respective needs. Through our online and offline promotional efforts, our differentiated private label merchandise has penetrated into the food service and distribution business and welfare and gifting business, enhancing the overall recognition of our business. We will also help our customers to adapt to food requirements on quality, nutrition and health, and new regulations in the catering industry.

Global supply chain network with nationwide logistics infrastructure to provide quality solutions within reach

We have built a global and localized sourcing capabilities featuring direct procurement from the origins. With our extensive global sourcing insight and bargaining power, we are able to import a wide range of quality merchandise at favorable costs from 58 countries and regions. Through our own global procurement capabilities and Metro AG's five global sourcing centers, we source a range of unique products including wine and canned food. We also apply big data analytics to the vast amount of real-time data we collect on purchasing behavior, and our customer managers interact with our customers to gain feedback on their preferences and market-wide perspectives, so as to continually optimize merchandise selection.

With our leading warehousing and logistics infrastructure, we are one of the few FMCG supply chain service providers covering over 60 cities in China. We have achieved a strategic footprint with a logistics network comprising central distribution centers, regional distribution centers, fresh food processing centers and local fulfillment centers. Our warehouse system integrates central, regional, and local fulfillment centers, which combines warehousing and fulfillment arrangements. Our two central distribution centers and 16 regional distribution centers are strategically located in Beijing, Tianjin, Suzhou, Hangzhou, Huzhou, Guangzhou, Chongqing and Wuhan, covering key markets. Our local fulfillment centers perform functions, such as warehousing and processing, and serve our own procurement demands and customers' orders at the same time, which further improves operation efficiency. We manage inventory in real time through the combination of (i) cross-docking and staple stock, and (ii) rack-shelf and backroom stocking, so as to optimize the utilization of warehouse space and increase stocking density. We have clear control and planning over our inventories, and share inventory for order fulfillment based on the overlap of our food service and distribution customers, welfare and gifting customers, and retailer, which improve our warehousing and logistics efficiency. Based on our distributed warehousing and processing model, we have built an efficient and competitive supply chain infrastructure. We have the potential to attract more suppliers and customers and provide them with more efficient and accessible services and solutions.

We have well-established processing and storage management capabilities, and our level of processing and storage refinement and specialization are industry leading. For example, we have set up designated storage and handling standards for different types of products, such as fresh goods, groceries, electrical appliances, and have strictly stipulated their handling standards and procedures to minimize wastage and maximize efficiency. Based on our nationwide logistics network and strong processing capability, we also provide a series of flexible value-added services to our customers, including procurement support, quality assurance consulting and inventory management, so as to fulfill our operational objective of providing customers with quality services at their fingertips.

We offer a wide range of customized fulfillment arrangements to provide our customers with convenience. For example, we provide night-time delivery service to retailers without the need for any on-duty personnel, so that our customers can flexibly and conveniently arrange for delivery according to their needs. We achieve a high level of punctuality and on-time fulfillment performance, giving our customers the assurance that they are receiving a quality service. In 2023, our on-time delivery rate was approximately 99.0%, higher than industry average according to Frost & Sullivan.

End-to-end digitalization for operational excellence

Digitalization is pivotal to our success. We apply our digital capabilities across the business operations to improve operational efficiency in all aspects spanning across procurement, logistics, fulfillment and sales. As a result, we have achieved high efficiency and exceptional customer experience.

- At the procurement stage, we adopt a series of digital applications that empower us to procure quality products at reasonable prices. Through our advanced price comparison system that provides quick response and real-time collection of market prices, our procurement team has an advantage in procurement negotiations. We also adopt big data analytics to assist in product sourcing and category planning.

- At the warehousing stage, our digital capabilities enable us to track merchandise and inventory in real time and adjust inventory levels in a timely manner. The WMS system enables us to track product flow and inventory on a real-time basis and allows prompt follow-ups in the event of any discrepancies, which assists us in maintaining optimal inventory levels and enhancing our working capital efficiency. We assist suppliers to keep track of their inventory levels and performance through our vendor collaboration system, which is equipped with a digital panel and VMI management tool, to mutually enhance efficiency.

- At the fulfillment stage, through flexible digital application, we have implemented WMS and TMS, which are capable of automatic route planning and digital order fulfillment. Such system significantly improved our operational indicators such as on-time delivery rate. At the same time, with a temperature tracking system, our vehicles can record temperature fluctuations throughout the journey which provides assurance to product safety and quality.

- At the sales stage, through the digital systems we operate, we are able to satisfy the diverse, multi-scenario purchasing and fulfillment needs of our customers. For example, the Maixianda system provides one-stop online ordering services to food service and distribution customers, offers functions to improve efficiency of ordering and communication, and supports customization; whilst the Maifuli system provides welfare and gifting customers with an integrated online-to-offline purchasing solution, allowing customers to place orders anywhere and anytime and enjoy timely fulfillment. Sales generated from the Maifuli system as a percentage of the total sales of the welfare and gifting business increased from 10.2% in 2021 to 40.4% in 2023.

Experienced management team with deep industry expertise and foresight, combining their global B2B business operational insights with local market insights

We have been established in the Chinese market for many years with rich local operational experience and industry insights. Our founder and our Controlling Shareholder, Dr. Zhang, first became involved in the retail industry in 1994 when he founded Wumei Technology. Based on this foundation, he became a prominent leader in the food supply chain and retail industry in China.

Our management team led by Mr. XU Shaochuan and Mr. ZHOU Yang who both have extensive management experience in food and FMCG distribution industry. Our management team embodied Metro AG's global B2B business operational insights and Dr. Zhang's digital supply chain management concept. As such, the strengths of our team enable us to formulate optimal operational strategies that enable us to achieve sustainable growth by capturing market demand.

Our corporate culture is simple and genuine, allowing us to continuously attract talented individuals with diverse backgrounds and perspectives. We are committed to our value statement of "*customer centric, long-term vision, embracing innovation and responsibility*." We have built a talent pool that shares the same values through comprehensive personnel training. We adhere to the concept of harmonious coexistence with nature, attach great importance to corporate responsibility, and promote sustainable growth by advocating green operations, continuously implementing energy saving measures to improve efficiency and actively participate in public welfare efforts.

OUR STRATEGIES

We believe the following strategies pave the way for our sustained success in the future:

Strengthen our digitalized supply chain and integrated operational capabilities

According to Frost & Sullivan, China's food and FMCG distribution industry is still at an early stage of development compared to developed markets, with a highly fragmented competitive landscape and a low degree of industry standardization that needs to be improved. We are focusing on solidifying our global supply chain network, with the goal of becoming the most trusted food and FMCG distribution partner in China. By enhancing the standardization, automation, and digitalization levels of the supply chain, integrating premium resources, we aim to efficiently match supply and demand, coordinate procurement and sales, and reduce our operating costs.

(i) ***Strengthening our supply chain network and optimize our infrastructure.*** We are committed to further enhancing the comprehensive synergy, thereby solidifying our competitive advantage in terms of the national coverage and food and FMCG distribution capabilities. We plan to further upgrade our food processing capabilities and expand our logistics network by setting up new distribution centers and acquiring OEM manufacturer(s). We plan to set up four new fresh food processing centers with warehousing facilities in selected key locations in Qingdao, Wuhan, Xi'an and Shenyang to improve coverage and distribution efficiency. We also intend to renovate and upgrade our existing warehouses by increasing our investment in automated equipment to enhance operational efficiency and cost savings.

(ii) ***Prioritizing investment in digitalization.*** We will continuously upgrade and iterate our existing digital systems, so as to optimize the integration of our business systems across the supply chain and foster greater cohesion. By developing systems and sharing resources, we will promote the digitalization of upstream and downstream partners, enabling collaborative business operation and data sharing. We will implement further process streamlining and transformation initiatives to enhance internal management efficiency. In addition, we plan to invest in the application of advanced technologies such as artificial intelligence, the Internet of Things and big data analytics. This strategic investment aims to better analyze data, gain insights into and uncover customer needs, and bolster our automated decision-making capabilities.

To achieve this, we will invest in our IT infrastructure and system upgrades, and recruit talent specialized in data analytics, modeling and IT. Through the implementation of our continued digitalization efforts, we endeavor to build a more robust and agile digital supply chain to support our sustainable development.

(iii) ***Building a differentiated supply chain model.*** We seek to better serve our nationwide customer base, which includes corporates and institutions from a diverse range of industries, as well as retailers. We plan to develop a differentiated segmented supply chain model. This involves differentiated merchandise selection, tailored storage, food processing and fulfillment methods for different types of customers. This aims to improve the scalability and flexibility of our supply chain and lay a stronger foundation for its openness. To achieve this, we intend to further enhance our supply chain infrastructure, optimize our talent pool, and increase investments in upgrading IT systems, logistics infrastructure and recruiting operational talent.

By expanding our well-established supply chain to include a broader range of industry participants, we aim to enhance our industry leadership and consolidate our market position. We intend to build an efficient and collaborative supply chain ecosystem. We believe our integrated supply chain can empower our customers, suppliers and other participants along the value chain. We also plan to expand our provision of food and FMCG distribution solutions and value-add services to more suppliers and customers, which create more value for the industry chain.

Strengthen our merchandise competitiveness

We will continue to improve our food safety and quality assurance to enhance our merchandise competitiveness. We intend to focus on enriching our merchandise offerings to meet the diverse needs of our customers. Strengthening merchandise competitiveness will expand our customer base, increase our market share by cross-selling, and solidify our market leadership.

(i) ***Enhancing our private label merchandise.*** We believe that successful private label merchandise and premium imported merchandise will enhance customer loyalty and create more brand premium. We will continue to focus on the development of our private labels, centering on our product strategies of "seven core categories (七大餐盤)" and "top ten must-buy items (十大必買單品)." Such efforts reflect our insights to the customer needs and commitment in investing in the research and development of new merchandise. We plan to upgrade our food processing capabilities and continuously improve product quality and price advantage. Leveraging our global supply chain network, we intend to enrich our portfolio of private label merchandise with imported goods. We also plan to strengthen product development and marketing of product categories, such as frozen food, snacks, alcoholic beverages and pastries.

(ii) ***Expanding our direct sourcing capabilities.*** We will further optimize our procurement capabilities by strengthening (i) centralized direct sourcing of specialty merchandise at the origins and (ii) localized direct sourcing of certain vegetables and meat products. We plan to expand our local procurement team and upgrade our warehousing and logistics infrastructure at origins, so as to reduce intermediary costs.

Expand and diversify our customer base

We intend to expand and diversify our customer base by (i) recruiting new customer managers to expand our in-house sales team, (ii) engaging and collaborating with channel partners who possess an extensive customer base in target markets with high growth potentials and (iii) collaborating with more third-party regional retailers. We believe these approaches will allow us to explore and meet the latent needs of our target customers. By developing customized food and FMCG distribution solutions, and increasing our online and offline marketing and promotional activities, we aim to attract new customers and explore cross-selling opportunities for our existing customers. For instance, we intend to participate in industry events and seminars, so as to enhance the exposure of our provision of food and FMCG distribution solutions to potential customers.

Enhance supply chain vertical integration and identify opportunities for strategic cooperation, investment and merger and acquisition

In order to strengthen our relationships with suppliers and enhance the stability, flexibility and responsiveness of our merchandise supply, we plan to form strategic alliances with some of our suppliers. By identifying strategic suppliers through a comprehensive multi-dimensional assessment, we intend to work with them to develop long-term cooperation and development goals. We plan to focus on key areas such as quality management, product development, and R&D of production technologies, which will foster mutual growth. We aim to create a more robust, efficient and innovative supply chain ecosystem with our suppliers.

We also plan to further strengthen our cooperation with our strategic suppliers via joint ventures, investments of equity interests or mergers and acquisitions. We believe such efforts will maintain the differentiated competitiveness of our products and the reliability of our supply chain network. As of the Latest Practicable Date, we had not identified any target for strategic cooperation, investment and acquisition. We endeavor to identify and pursue highly attractive investment and partnership opportunities that will further enhance our supply chain and business expansion.

OUR BUSINESS MODEL

We are a food and FMCG distribution solution provider, dedicated to providing safe, high-quality merchandise and efficient and convenient solutions to customers. Our comprehensive range of food and FMCG distribution solutions mainly include (i) food service and distribution solutions, welfare and gifting solutions for corporate and institutional customers; (ii) retailer distribution solutions (which comprise product sales to retailers and supply chain service) for retailers; and (iii) merchandise wholesale. According to Frost & Sullivan, the market size of the food and FMCG distribution industry in China, in terms of revenue, grew from RMB7,036.6 billion in 2018 to RMB9,900.7 billion in 2023, representing a CAGR of 7.1%. This growth is expected to continue at a CAGR of 7.4% from 2023 to 2028, and the market size is expected to reach RMB14,149.7 billion by 2028.

The table below sets out a breakdown of our revenue by business line for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Food service and distribution solutions	4,159.5	15.0	3,592.3	13.3	3,520.3	14.2
Welfare and gifting solutions	3,477.3	12.5	3,935.8	14.5	3,497.9	14.1
Retailer distribution solutions	16,634.0	59.8	16,414.4	60.6	14,932.2	60.1
Merchandise Wholesale	2,620.7	9.4	2,224.5	8.2	1,937.0	7.8
Others[(1)]	928.7	3.3	935.3	3.4	970.9	3.8
Total	27,820.2	100.0	27,102.3	100.0	24,858.3	100.0

Note:

(1) Mainly related to our logistics, consulting and other services and the lease of our owned properties.

Food Service and Distribution Solutions

In 2006, we developed our strategic focus on the provision of food service and distribution solutions. During the Track Record Period, our customers in our food service and distribution business were typically corporate and institutional customers including (i) educational institutions; (ii) government and public service agencies such as power grids, airlines and mass transit operators; (iii) manufacturing enterprises; and (iv) financial institutions such as commercial banks. We analyze the needs of our customers under different scenarios and address such needs by offering bespoke food service and distribution solutions with balanced nutritional value, taste and cost efficiency. These are mainly attributable to our market leadership in the food and FMCG distribution industry in China and our stable corporate and institutional customer base. During the Track Record Period, we provided food service and distribution solutions to over 52,000 customers, among these customers, over 6,000 customers required daily deliveries. As of December 31, 2023, 178 of the top 500 Chinese companies (as published jointly by the China Enterprise Confederation and the China Enterprise Directors Association) and their affiliates were our customers.

In 2021, 2022 and 2023, our revenue generated from food service and distribution solutions amounted to RMB4,159.5 million, RMB3,592.3 million and RMB3,520.3 million, respectively, accounting for 15.0%, 13.3% and 14.2% of our total revenue in the same periods. According to Frost & Sullivan, in terms of revenue in 2023, we were the largest group meals distribution solution provider in China.

As of the Latest Practicable Date, we provided a comprehensive selection of approximately 34,000 SKUs. Within our merchandise portfolio, we offer over 500 SKUs with full traceability. Based on the analysis of historical transactions and the insights into customers' needs obtained through our customer managers, we introduced the concepts of "seven core categories (七大餐盤)" and "top ten must-buy items (十大必買單品)." The "seven core categories (七大餐盤)" include fresh pork, vegetables, frozen poultries, seasoning, rice, flour as well as cleaning detergents and disposable supplies; and the "top ten must-buy items (十大必買單品)" include beef brisket, beef shank, sliced beef, chicken breast meat, chicken drumsticks, chicken wings, frozen shrimps, pangasius fish fillets as well as cabbage and pork dumplings. These selections of products are designed to meet customers' needs for typical group meals and menus prepared in our customers' canteens.

We were also engaged to provide food service and distribution solutions to major national and international events. We were the designated supplier for 2008 Beijing Olympics, 2010 Guangzhou Asian Olympics, 2013 Asian Youth Games, 2013 China National Games, 2016 G20 Hangzhou Summit, 2017 BRICS Summit, 2017 China National Games, 2023 Chengdu Summer World University Games and 2023 Hangzhou Asian Olympics and Asian Para Games. In addition, we participated in the 2022 China International Import Expo and displayed our exquisite range of imported merchandise. We believe such engagements demonstrated the quality of our food service and distribution solutions.

We offer an attentive and accessible procurement experience for customers by assigning dedicated customer managers to provide one-on-one professional consultations and order processing service. Our customer managers formulate customized catering and menu solutions with detailed food selection, food processing advice and value-added services such as menu recommendations and product knowledge training. Customers have designated chat groups with their customer managers, which allow them to communicate and place orders conveniently. As of December 31, 2023, we had over 1,000 customer managers and sales support personnel. In 2017, we launched the Maixianda system, and our customers can browse our merchandise range and place orders for doorstep delivery through the Maixianda system. See "— Our Digitalization — Maixianda system." Our Maixianda system captures information including ordering history, which allows us to analyze and provide each customer with customized purchase recommendations and ordering options.

In addition, we provide value-added services to our customers, including meal planning, nutrition planning and menu design. We have qualified and award-winning chefs, sommeliers and baristas in our Maidelong Catering Academy, who are specialized in different cuisines, wine tasting or coffee brewing. Our Maidelong Catering Academy provides online and offline training sessions for our customers' canteen chefs on cooking techniques and catering theories, recommendations on standard protocols for kitchen operations, as well as over 5,000 canteen menus. We also collaborate with the Capital Healthcare and Nutrition Cuisine Society (首都保健營養美食學會) to formulate weekly menus with recipes that take into account dietary nutrition and provide nutrition seminars. Furthermore, we provide kids' menu designs to help our customers make well-balanced meals.

Welfare and Gifting Solutions

Established corporates and institutions often provide extensive welfare to their employees, and have needs for gifting for special occasions, such as the Chinese New Year, Dragon Boat Festival and Mid-autumn Festival. In 2004, we developed our strategic focus on the provision of welfare and gifting business. Our solutions include comprehensive assortments of high-quality merchandise, and tailored solutions for corporate and institutions customers with medium to high welfare budgets based on the industries they are in. Our customers in the welfare and gifting business mainly include (i) educational institutions; (ii) government and public service agencies such as power grids, airlines and mass transit operators; (iii) manufacturing enterprises; and (iv) financial institutions such as commercial banks. We accumulated insights to these customers' welfare and gifting needs for office teatime, office stationery, team building and celebration of festivals, and based on our extensive operational experience, we are able to design merchandise selections and bundles that capture opportunities in the fast-growing commercial welfare and gifting solution industry. In addition, we have the capabilities to provide first-response food supply solutions. During the Track Record Period, we worked closely with the local government authorities, which provided the supply and distribution of food packages to residents in designated districts. In late March 2022, we received an urgent order for 87,000 packages of essential supplies, which was fulfilled within two days.

During the Track Record Period, we provided welfare and gifting solutions to over 88,000 customers. In 2021, 2022 and 2023, our revenue generated from welfare and gifting solutions amounted to RMB3,477.3 million, RMB3,935.8 million and RMB3,497.9 million, respectively, accounting for 12.5%, 14.5% and 14.1% of our total revenue in the same periods. According to Frost & Sullivan, in terms of sales in 2023, we were the second largest company in China's commercial welfare and gifting industry.

In 2017, we launched the Maifuli system which provides integrated online-to-offline solutions. This system includes a mini-program which provides a user-friendly interface for our customers and their employees to arrange merchandise selections and fulfillment. The utilization of our Maifuli system increased throughout the Track Record Period, from a monthly average of approximately 110,700 orders in 2021 to approximately 214,000 orders in 2022, and further to approximately 263,000 orders in 2023. In particular, the average annual purchase frequencies of welfare and gifting customers increased from 6.5 times in 2021 to 8.6 times in 2022, and further increased to 11.4 times in 2023. The transaction sales of the Maifuli system as a percentage of the gross merchandise value generated from welfare and gifting solutions increased from 26.5% in 2022 to 36.4% in 2023.

Our corporate and institutional customers are offered options to serve two main scenarios, including (i) customized gift bundles and (ii) welfare at employees' choice.

Customized Welfare Gift Bundles

We provide a flexible welfare and gifting solutions to our customers, where they can select any combination of merchandise across all categories within our portfolio based on their budgets. To streamline the ordering process, our customer managers typically propose a selection of welfare gift bundles based on a budget between RMB100 and RMB2,000 and our insights in local markets and traditions. Our customers may also browse our merchandise catalog and vary the product mix based on their own preferences. Customization in terms of merchandise selection, packaging and delivery can be arranged through one-on-one consultation with our designated customer managers. Our dedicated customer managers typically present our preset gift bundles within the customer's budgets, and assist them in the selection of merchandise in gift bundles.

Pictures of some of our customized gift bundles are set forth below:

In addition, our customer managers typically propose a selection of trendy merchandise to diversify the product mix in the bundles, such as beverages, snacks and mixed nuts. Pictures of selected merchandise to diversify the product mix for gift bundles are set forth below:

Daily Nuts

Egg Yolk Pastry

Jumbo Popcorn

We sort and package the merchandise based on the selection by our customers. The fulfillment of gift bundles can be arranged by (i) direct delivery to the customers, (ii) self pick-up by the employees of our customers at our local fulfillment centers, and (iii) delivery to each employee's address. In particular, the Maifuli system is designed to allow the employees to designate delivery addresses and we will arrange door-step delivery.

Welfare at Employees' Choice

Our corporate and institutional customers may purchase credits in designated amounts as welfare allowance for their employees. This option provides the greatest flexibility to the employees of our welfare and gifting customers, who are able to enjoy their benefits both online and offline. We offer our customers the option to add certain restrictions in terms of product categories, such as excluding alcoholic beverages. This is facilitated by our Maifuli system, which offers the great flexibility to our customers by providing an integrated online-to-offline purchase solution.

- *Offline Purchase*

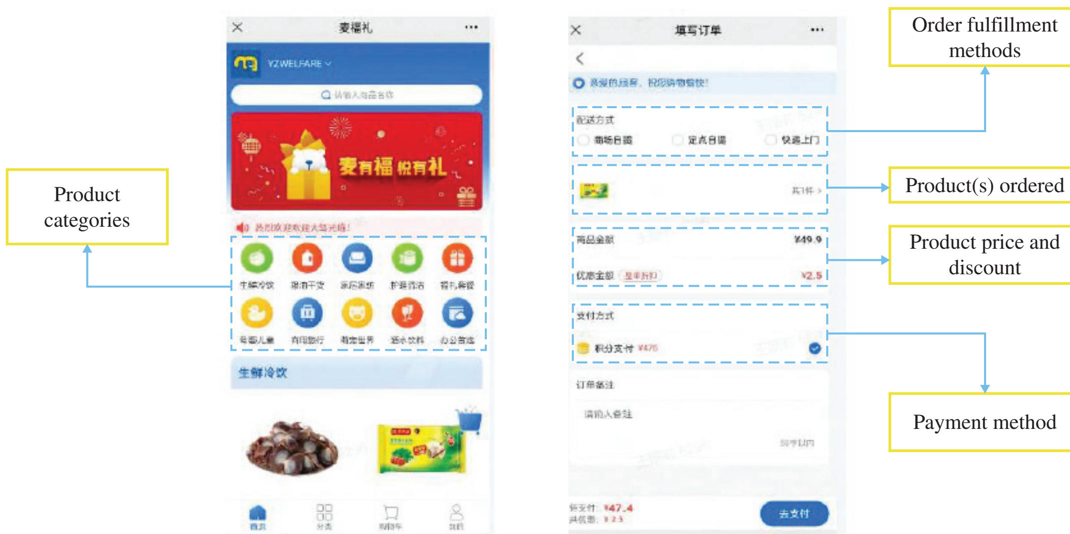
Employees of our customers may visit our local fulfillment centers and browse the merchandise assortments on-site. They can log in to the Maifuli system, access the credits in their accounts, and make payments by presenting their unique payment codes in their Maifuli accounts at the designated check-out counters. We can set up customized restrictions at check-out to available product range according to customer requirements, and their employees can only purchase merchandise within the product categories with those credits at the local fulfillment centers. As an additional option, our customers may also purchase pre-paid cards from us and distribute as welfare and gifting benefits. The designated check-out counters at our local fulfillment centers accept payments by such pre-paid cards.

The screenshots below show the mini-program interface of the Maifuli system in relation to account number and unique payment code:

- *Online Purchase*

Employees of our corporate and institutional customers can log in to the mini-program of our Maifuli system and use the credits in their accounts to purchase merchandise online. We support order fulfillment methods including door-step delivery and self pick-up at the local fulfillment centers. We offer exclusive discounts, delivery service and after-sales service. The product categories available on our Maifuli system primarily include oil, rice, milk, meat products, nuts, kitchen electrics, laundry and dried vegetables.

The screenshots below show the user interface of the Maifuli system for online purchases:



Retailer Distribution Solutions

Our global sourcing and quality control capabilities allow us to provide merchandise across a broad range of product categories and supply chain service. During Track Record Period, we mainly provided retailer distribution solutions to Wumart Group for its Maidelong stores as well as Wumart supermarkets and Wumart convenience stores. As of the Latest Practicable Date, we also established business relationships with other regional chain retailers in Hubei and Hunan, which are Independent Third Parties. We focus on providing comprehensive range of merchandise that were globally and domestically sourced and improving the operational efficiency and sales performance of our customers. We provide a comprehensive range of merchandise across all product categories, such as seasoning, snacks, fresh pork, vegetables, fruits, cleaning detergents and office supplies. As of the Latest Practicable Date, our merchandise portfolio included approximately 34,000 SKUs.

In addition to product sales, our supply chain service supplements the business operations of retailers that subsequently sell the merchandise to consumers. We designed the provision of supply chain services to help optimize the operational efficiency and sales performance of the retailer customers, such as (i) personnel training, (ii) supplier management solutions and (iii) inventory management solutions.

In particular, we offer comprehensive warehousing, inventory management and logistics solutions to our customers. As of the Latest Practicable Date, our logistics network included two central distribution centers, 16 regional distribution centers and 100 local fulfillment centers across China, including room-temperature warehouses and cold chain warehouses. Such logistics network ensures the product storage conditions as well as timely delivery to support our customers. As we maintain an inventory of merchandise in the local fulfillment centers that are strategically located close to retailers, it ensures that the customers' inventory of fast-selling merchandise can be replenished promptly. Moreover, we systemically manage our inventory to avoid insufficient inventory levels during peak sales periods and suppliers' downtime. See "— Our Nationwide Logistics Network."

In 2021, 2022 and 2023, our revenue generated from retailer distribution solutions amounted to RMB16,634.0 million, RMB16,414.4 million and RMB14,932.2 million, respectively, accounting for 59.8%, 60.6% and 60.1% of our total revenue in the same periods.

Merchandise Wholesale

Our global sourcing and quality control capabilities allow us to provide merchandise wholesale across all categories. Our merchandise wholesale segment mainly serves customers for bulk purchases, such as wholesalers, merchandise retailers, small and medium-sized restaurants and independent budget hotels. Bulk purchases are typically sold to wholesalers, which purchase merchandise such as alcoholic beverages, rice and oil products. Relying on our market recognitions and wide range of differentiated, high-quality merchandise at competitive pricing, we provided merchandise wholesale to over 11,000 customers during the Track Record Period.

In 2021, 2022 and 2023, our revenue generated from merchandise wholesale amounted to RMB2,620.7 million, RMB2,224.5 million and RMB1,937.0 million, respectively, accounting for 9.4%, 8.2% and 7.8% of our total revenue in the same periods.

Logistics, Consulting and Other Services

We provide logistic support service to certain suppliers from time to time, including warehousing service and transportation service. Accordingly, we recognize revenue deriving from such logistics services. Such logistic services not only benefit suppliers in increasing the efficiency of managing their inventories, but also serve as a value-added service to retailers, since we offer a wide range of customized fulfillment arrangements, including night-time delivery service which is required by retailers. Once the shipments of merchandise are handed over to us, our customers can flexibly and conveniently arrange delivery according to their needs.

Our consulting services mainly comprise (i) supplier assessment service, (ii) product traceability consulting and (iii) quality assurance consulting. We provide assessment service to prospective suppliers that seek to become one of our panel suppliers, where we evaluate their supply chain based on our MAS evaluation system. Upon clearance, our procurement team may source and purchase merchandise from these suppliers. Thereafter, we also conduct ad hoc assessments from time to time, and provides training session, so as to enable efficient enforcement and strict compliance of our quality standards. We have professional and seasoned personnel who are responsible for maintenance and updates of the information stored in the Star Farm system to ensure the most up-to-date merchandise information and traceability of every step along the process.

Product traceability consulting is centered around our Star Farm system, where we provide training to suppliers that seek to register their merchandise in the system. As of December 31, 2023, we provided quality assurance training to over 4,700 farms and factories and over 1,000 suppliers that seek to register their merchandise in the system. We have formulated food quality standards for each type of fresh foods, under which fresh foods are processed and checked at certified processing facilities in order to mitigate risks. For example, fresh vegetables procured at the origins are sorted, picked and packaged in serving sizes to reduce product attrition from bruise damages, and freshly sourced fish is processed under strict technical and quality specifications and procedures and preserved in vacuum sealers to minimize microbial food safety hazards. Our Star Farm system enables us to achieve the traceability of every step along the process. Merchandise that is fully traceable in our Star Farm system bears a unique QR code and our Star Farm logo, for which we charge a licensing fee.

Lastly, we provide quality assurance consulting to agricultural product providers and suppliers primarily in relation to merchandise quality and food safety, operational transparency and sustainability, technology and systems and waste management. We provide training in relation to merchandise information recording and how to monitor and test growing environment of crops to ensure soil, irrigation water and processing water to meet national and/or international quality assurance standards. Our comprehensive consulting service aims to help our strategic suppliers to enhance their quality management standards, improve their productivity and operational efficiency, ensuring their food safety and sustainable development, which also benefits us. We have established an integral food safety and quality assurance system and hold the ISO 9001 in relation to quality management.

During the Track Record Period, we also provided other services to our suppliers, such as inventory management services. In 2021, 2022 and 2023, our revenue generated from the provision of logistics, consulting and other services amounted to RMB427.7 million, RMB427.4 million and RMB450.9 million, respectively, accounting for 1.5%, 1.6% and 1.8% of our total revenue in the same years.

OUR PRODUCT SOURCING CAPABILITY

We have built a trusted and evolving portfolio of merchandise that covers a broad range of award-winning private label merchandise and distinctive imported merchandise. We analyze and solve the pain points of our customers by providing them with tailored services and solutions. As of the Latest Practicable Date, we provided over 2,300 SKUs under our private labels and over 32,100 SKUs under non-private labels. Our global sourcing capability is established and efficient to meet the diversified needs of our customers. Our considerable procurement volume, differentiated merchandise sourcing strategies and strong relationships with suppliers enable us to continuously offer a comprehensive selection of high-quality merchandise at competitive prices. We have prominent product development capabilities, so as to continuously introduce new products and merchandise selection to capture customer needs and market trends.

Private Label Merchandise

As a feature of our product sourcing capabilities, we offer a variety of private label merchandise. We design our private label merchandise based on a thorough analysis of market trends and understanding of the preferences of our customers as well as end consumers. We offer high-quality private label merchandise with competitive pricing as compared to other similar merchandise. Our private labels are highly recognized by our customers. Multiple products under M Select have earned accolades, including the Superior Taste Award from the International Taste Institute and the Golden Star Prize from the Private Label Fair. In addition, our selection of gift boxes is particularly popular among our customers in the welfare and gifting business. We believe that our private label merchandise is an essential component of our business.

We have crafted a portfolio of private labels with differentiated positioning. Whilst both private labels may have similar merchandise, these merchandise are crafted differently to capture different customer groups. For instance, we sell fresh eggs in a carton of 360 eggs under the M Basic label, and grain fed fresh eggs in a carton of 20 eggs under the M Select label. The table below sets out certain key information of our major private labels as of the Latest Practicable Date:

	Logo	Market Positioning	Merchandise Selection	Number of SKU	Typical Price Range
M Basic (宜客)		Mass market and value for money merchandise, typically available in large packaging	Food and non-food categories such as seasoning, snacks, fruits, cleaning detergents and office supplies	Over 500	RMB20-RMB120
M Select (麥臻選) . . .		High-quality and differentiated merchandise, especially premium gift boxes	Food and non-food categories such as seasoning, snacks, fresh pork, vegetables, fruits, cleaning detergents and office supplies	Over 1,200	RMB50-RMB500

The M Basic private label is developed to introduce value for money merchandise that are for mass market and typically in large packaging. In 2023, in terms of sales volume, the top selling merchandise selection of M Basic included peeled shrimps, northeast rice, pork buns and three-kilogram-pack ice cream. Our M Basic ice cream is featured in three kilograms package and in flavors, such as vanilla, chocolate and strawberry. We also launched this product in limited edition flavors, such as matcha, mango and taro, which had been well received by our customers as well as end consumers. We sold over 436,000 tubs of M Basic three-kilogram-pack ice cream in 2023. We believe that the popularity of this product is underpinned by the value-for-money pricing for its three-kilogram volume, and recipes that are developed by us. Our M Basic first-grade soybean oil and non-GMO soybean oil were also one of our bestselling products in 2023. We sold over 4.7 million units of M Basic first-grade soybean oil in 5 liters and achieved sales of approximately RMB214.1 million in 2023. In 2023, we launched 47 new SKUs under our M Basic.

The M Select private label is developed to introduce high-quality and differentiated merchandise. In 2023, in terms of sales volume, the top selling merchandise assortments of M Select included egg rolls, stewed duck tongue, premium forest and ocean blended (山海尋鮮禮盒) and forest origins blended (山珍家宴禮盒). The M Select butter-flavored egg rolls are a popular product among our assortment of snacks. We sold over 390,000 boxes of butter-flavored egg rolls in 2023, and the buttery flavors that they are known for were developed by us. The M Select peanut butter-flavored egg rolls won the Superior Taste Award in 2024 by the International Taste Institute in Brussels. We sold over 8.6 million units of gift boxes and achieved sales of approximately RMB498.3 million in 2023. In 2023, we launched 118 new SKUs under our M Select.

Non-private Label Merchandise

With our strong global supply chain capabilities, we also offer an array of non-private label merchandise that we procure at the origins or through local and overseas distributors. We globally source high-quality products, including a wide and premium selection of wine picked by our sommeliers, beef products from Australia and the United States, milk from Germany and New Zealand, salmon from Denmark and olive oil from Spain and Italy. See "— Integrated Procurement Management." In particular, we import authentic products across the world to customers in China. For instance, the HEIDI chocolate from Romania is a thin chocolate product known for its intense cocoa taste and velvety-smooth texture, which is very popular. In addition, fruits are one of key product category of our non-private label merchandise, which include durians from Thailand and Vietnam, and cherries from Chile during their seasons. We also have exclusive imported merchandise, which were primarily imported from overseas suppliers, such as certain mulled wine from Germany. We sourced and procured many of these products directly, which is quality assured and reduces intermediary costs.

Set forth below are representative products of our imported merchandise:

Black tiger shrimps from Thailand

Spanish ham

Frozen Foods

To capture the ready-to-eat, ready-to-cook and ready-to-heat trends, we have developed a wide range of differentiated frozen food products. As we endeavor to offer products with the utmost quality and safety to our customers, we source products from overseas at origins. During the product selection and procurement process, we place particular emphasis on food standardization, which reduced shrinkage, enhanced food safety and increased order fulfillment efficiency. These frozen food products may be launched as our private label merchandise or non-private label merchandise.

We offer a wide selection of ready-to-cook food products, which include pre-cut vegetables, frozen meats and pre-made sauces. For instance, our frozen beef products and frozen ribbon fish are cleaned and processed, which eliminates food processing time for the chefs. Our frozen raw white shrimps are a great source of proteins while low calories, carbs and fats. We also developed ocean fish fillets with scales and bones removed, which are ideal for kids' meals. Such merchandise are prepared and ready to be cooked according to the desired recipe once thawed. Pictures of some of our frozen products in 1kg packaging designed for canteen cooking are set forth below:

Meat products, such as beef and lamb

Frozen ready-to-heat food products are designed to be easily reheated and served, so as to offer a quick and convenient dining experience. Such merchandise is popular among our customers in the welfare and gifting business. These merchandise are consistent in quality and taste, thus popular among for end consumers. Our popular frozen food products that are ready-to-heat include cheese beef rolls, mackerel dumplings and pork buns. Pictures of some of our frozen products are set forth below:

Cheese beef rolls

Mackerel dumplings

Pork buns

Chicken kebab

As of the Latest Practicable Date, our comprehensive selection of frozen food products included over 2,500 SKUs.

INTEGRATED PROCUREMENT MANAGEMENT

Our sophisticated procurement management process is fueled by data-driven technologies. We improved the accuracy of demand forecasting and optimized merchandise planning based on our analytics of historical data on merchandise demand during seasons and festivals.

Our procurement team consisted of 236 personnel as of the Latest Practicable Date, which is in charge of our merchandise procurement. Our procurement team is supported by our procurement system that features auto-replenishment ordering, sales forecasting, as well as automatic placing and aggregation of orders. Our big data analytics capabilities combine modeling, statistics and artificial intelligence with tremendous volume of customer demographics and sales data. As a result, we are able to make proactive procurement decisions by anticipating cost and price fluctuations, changes in market demand and supply chain risks. We believe that this allows us to attain the following goals:

- ***Improved cost efficiency.*** We conduct procurement cost analysis, and select our suppliers accordingly, which may include direct sourcing at origins or procuring from suppliers. Our direct sourcing efforts allow us to procure directly from farms, orchards and producers, and thus cut down logistics lead time and intermediary costs. Procurement from third-party suppliers enables us to leverage our procurement volume, and obtain favorable pricing.

- ***Enhanced freshness and food quality.*** We have an experienced and dedicated fresh food procurement team, which is responsible for visiting farms, plants and orchards and liaising with local suppliers on a regular basis. We negotiate directly with the suppliers at the sources, which empower us with greater control over freshness and quality of merchandise. We achieve visibility and transparency through product traceability, which enhance product consistency.

- ***Differentiated product matrix.*** We source from a wide range of suppliers, which allow us to explore and procure specialty products. By achieving a differentiated product matrix, we enhance the exclusivity and competitiveness of our merchandise offerings.

- ***Stable and reliable supply.*** Our procurement team works closely with our OEM partners and suppliers. As of the Latest Practicable Date, we procured from over 2,200 suppliers and sourced merchandise from 59 countries and regions. Such extensive global supply chain network ensures the stability and reliability of the supply of merchandise, which mitigates the limitations of any unforeseen disruptions in certain regions.

Data-driven Merchandise Selection

We offer a comprehensive and differentiated merchandise portfolio and continuously roll out new merchandise with excellent market reception. Our merchandise selection is supported by our scalable technological infrastructure and big data analytic capabilities. We collect and process a massive volume of real-time data in relation to purchasing behaviors, and our customer managers obtain valuable insights into customer preferences and the market in general via their interactions with our customers. We analyze customer and sales data on the Maixianda and Maifuli systems, thereby identifying customer demand and preferences and optimizing our range of merchandise. This results in a selection of popular and competitively priced merchandise portfolio, which has become a significant edge in attracting and retaining customers. As of the Latest Practicable Date, our merchandise selection includes approximately 34,000 SKUs. Within our merchandise portfolio, we offer over 500 SKUs with full traceability. As of the Latest Practicable Date, we offered an exquisite selection of approximately over 5,000 SKUs as core assortments tailored for our customers in the food service and distribution business.

Our product development team is dedicated to introducing new merchandise and upgrading existing items. We develop our private label merchandise based on customers' needs. We generally adopt a four-step process in relation to the launch of new merchandise, namely (i) product idea inputs, (ii) internal screening, (iii) external screening, and (iv) decision making.

- ***Product idea inputs.*** We conduct market research, and attend industry events and seminars, and maintain regular communications with our OEM partners and suppliers to gain insights in latest market trends and developments.

- ***Internal screening.*** We established a dedicated internal product evaluation team, which comprises of approximately 36 personnel from the procurement, quality assurance, marketing and business operation functions. This internal product evaluation team will assess the products in pipeline in terms of innovation and marketability.

- ***External screening.*** Our customer managers are responsible for collecting first-hand customer feedback through measures such as sample tasting, and have regular communications with our product development team.

- ***Decision making.*** We decide on the launch of a new merchandise after thorough consideration of marketability and profitability.

This four-step process enables us to have excellent on-demand capabilities and be able to capture the evolving needs of our customers efficiently and accurately. For instance, in October 2022, we launched the M Select mackerel dumplings developed by the chefs in our Maidelong Catering Academy, to capture the unique flavor of seafood, which is distinct from the typical dumplings. We sold over 76,000 units within the first three months after its launch.

Intelligent Merchandise Procurement Management

We have established a global supply chain network to procure merchandise. We acquire merchandise primarily through centralized procurement, supplemented by other procurement methods to ensure supply chain efficiency and sustainability. We generally procure one type of merchandise from designated OEM partners or suppliers, so as to ensure procurement volume achieves economies of scale. For merchandise under regional brand management and fresh foods, we procure from regional suppliers to ensure timeliness and lower transportation costs. OEM partners and suppliers are screened and selected through a competitive bidding process in conjunction with our internal evaluation by taking into account production costs, product quality, production capacity and factory inspections. OEM partners with strong product development capabilities and proven track records are among our preferred choices. We conduct thorough and vigorous quality checks on private label merchandise supplied to ensure strict adherence to our quality assurance standards. See "— Food Safety and Quality Management."

Global Procurement

In order to develop a differentiated portfolio of merchandise, we endeavor to procure specialty merchandise that are of high quality and competitive pricing. As such, we source some of our merchandise across the globe, working with our overseas OEM partners and suppliers, including Metro AG. We had developed longstanding relationship with Metro AG. We have access to their five global sourcing centers, and thus tap into their global sourcing capabilities to procure niche products, such as wines and certain canned food. This complements our own direct sourcing efforts to introduce a wide array of imported merchandise to our customers. We also built relationships with overseas commerce chambers, which enable us to gain direct access to merchandise from the respective countries. In addition, we also participate in well-known international food exhibitions, such as Tutto Foods, Anuga, Foodex and Marca.

With our extensive global procurement insights and bargaining power, we are able to import a wide array of distinctive products with favorable purchasing costs. We globally source high-quality products, including a wide and premium selection of wine picked by our sommeliers, beef products from Australia and the United States, milk from Germany and New Zealand, salmon from Denmark and olive oil from Spain and Italy. We typically enter into standard supply agreements with suppliers of non-private label merchandise. See "— Our Suppliers." Procurement frequency varies based on the types and sales performance of the underlying non-private label merchandise. As of the Latest Practicable Date, we sourced and imported over 3,700 SKUs from 58 countries and regions to satisfy customers' ever-growing and evolving demand. According to Frost & Sullivan, the proportion of SKUs that are imported in our merchandise portfolio is above industry average.

Local Procurement with Direct Sourcing

We purchase a significant volume of merchandise directly from manufacturers at the origin or through established distributors. Our direct sourcing efforts improve the overall supply chain efficiency, cut down intermediary costs and ensure freshness. As of the Latest Practicable Date, we offered over 29,000 SKUs of merchandise that were sourced domestically within China. In addition, we procure most of our fresh food directly from local suppliers. As we collaborate directly with certain local farmers, who grow and produce upon our requests, and for these procurement arrangements, we are responsible for acquiring all harvests. Our procurement personnel also visit orchards during the flowering period of seasonal fruits. Our procurement team is set up to source a range of produce in major growing regions in China, such as rice from Wuchang, Heilongjiang, and ham from Jinhua, Zhejiang. Our direct sourcing capabilities were proven to be reliable during the public health incidents in 2022.

OUR NATIONWIDE LOGISTICS NETWORK

We have established an efficient and strategic logistics network based on a distributed warehousing and processing model that is easily accessible to our customers and empowers our business operations. As of the Latest Practicable Date, we had two central distribution centers, 16 regional distribution centers, four fresh food processing centers and 100 local fulfillment centers, with an aggregate gross floor area of approximately 501,600 sq.m.. The two central distribution centers are located in Suzhou, Jiangsu, and 16 regional distribution centers in Beijing, Tianjin, Hangzhou, Huzhou, Guangzhou, Chongqing and Wuhan. Our local fulfillment centers are located adjacent to 100 stores under the Maidelong brand, which conduct the order fulfillment to customers in the vicinity. The selection of these locations was strategized to optimize operational efficiency and ensure food safety and quality, allowing us to expedite the shipment of merchandise from our distribution centers to our customers across cities and provinces. The average utilization rate of our distribution centers in each year during the Track Record Period was over 88.0%. When a supplier is unable to fulfill our procurement orders for certain merchandise, our inventory across the logistics network can be redirected to resolve a localized shortage. By doing so, we achieved nimbler and faster distribution and order fulfillment, thus enhancing operational efficiency and cost savings.

We first began our efforts to digitalize our warehouse operations in 2010 by installing sorting machines and electronic labeling equipment in our warehouses, and has been continuously enhancing our digitalization efforts. By implementing technologies in relation to big data analytics, cloud-based computing, artificial intelligence of things (AIoT), we succeeded in transforming our procurement logistics into a digitized logistics network to capture benefits of improved flexibility, efficiency and responsiveness. In addition, we deploy a cloud environment to achieve rapid scaling, which ensure our business operations during peak seasons. We have installed IoT equipment in our warehouses, which obtains business operation data and adjust our warehouse operations in a timely manner. The adoption of big data analytics is combined with our operational data, such as historical order information and in-transit order information, which then calculate the quantity of merchandise to be ordered and replenish our inventory. This has contributed in ensuring the timely arrival of new stocks, and reduce the out-of-stock rate across all product categories.

Equipped with a scalable logistics network and associated data flow, we optimize operations and standardize processes to ensure agile and secured logistics management and efficient responses to operational demands at every stage along the logistics process. All shipments of merchandise are handled automatically by following instructions generated by our WMS, separating a load of merchandise into multiple batches and assigning each batch to a container code which will be subsequently delivered to a designated destination. The WMS also automatically sorts and groups merchandise, arranging fulfillment of each order with a proper mix of merchandise matching requests from our customers. See "— Our Digitalization — Warehouse Management System (WMS)."

Tailored Warehousing Approach

Our distribution centers are designed to have storage capabilities in different temperature ranges, so as meet the warehousing conditions across product types, which included room-temperature warehouses and cold chain warehouses. In order to ensure different temperature requirements are met, we typically established temperature zones in our cold chain warehouses, namely (i) frozen, (ii) chilled, (iii) fresh cool (for fruit and vegetable) and (iv) controlled ambient (for wines and chocolates). In addition, we have designated cold chain warehouses for products with specific storage requirements. We conduct real-time temperature monitoring with an automatic temperature monitoring device in the warehouses and send alarms whenever temperature falls out of the designated range.

In terms of cold chain transportation, we require temperature-controlled vehicles equipped with GPS to conduct temperature control throughout the transportation, record the temperature every five minutes, and send temperature abnormalities to the driver in a timely manner, so as to quickly correct exceptions, protect product quality and reduce loss rate.

Real-Time Inventory Management

During the Track Record Period, our inventories were primarily merchandise. Our WMS is implemented for inventory monitoring and management. This system allows digitalized, real-time and visualized management of each stage of our inventory, including (i) procurement orders, applications and settlements; (ii) customer orders and the delivery process; and (iii) the movement of inventories within our warehouses. This system enables us to track shipment and inventory on a real-time basis and allows prompt follow-ups in the event of any discrepancies, which assists us in maintaining optimal inventory levels and enhancing our working capital efficiency. We determine minimum levels of our inventory according to delivery schedules of our suppliers, historical inventory turnover days and future sales forecasts. We manage inventories efficiently to optimize utilization of warehouse space and increase inventory density.

Each warehouse facility is responsible for setting up delivery schedules under its management by taking into account delivery schedules of our suppliers, volume of orders received, inventory levels at the time and logistics arrangements. We are able to track and amass real-time data including inventory level, movement of SKUs and order cycle and to synchronize auto-replenishment based on sales history and demand forecasting, sales frequency and efficiency, seasonality and promotion activities. In addition, the distributed warehousing model enables us to integrate warehousing, processing and fulfillment operations under the same roof, facilitating seamless and flexible inventory transfer between channels and holistic inventory adjustments based on aggregate dynamics.

We established a dedicated inventory management committee comprising personnel from procurement, operating, finance and supply chain teams to oversee and manage inventory performance, including inventory aging, outdated inventory and slow-moving inventory and optimizing merchandise replenishment. We set targets for inventory turnover days and product availability each year, and the inventory management committee follows up on the progress on a monthly basis, and develop measures such as product returns and price reductions to clean up inventory and reach the annual target. During the Track Record Period, we did not encounter any material shortage or obsolete inventory.

Superior Fulfillment Service

Our fulfillment and delivery personnel are responsible for order confirmation, organizing stock picking, packing and handling as well as assigning drivers based on the route plans produced by TMS to facilitate order fulfillment. We provide our customers with customized delivery arrangements, for example, we provide cold chain delivery and night-time delivery service to retailers without the need for any on-duty personnel, allowing our customers to schedule delivery services flexibly and expediently. Our customers can track the delivery status at each step of the orders on the Maixianda and Maifuli systems and give feedback to delivery services upon receipt of purchased items. The timing for each workstream is strictly controlled and closely monitored.

We established a dedicated fulfillment process for orders placed by our customers, which was underpinned by our WMS and TMS systems, to manage picking, scheduling, loading, shipping, handover, billing and inventory. Inventories across our logistics network can be used to fulfill orders placed by our customers, and those in the local fulfillment centers that are geographically closer to the destinations are prioritized to enhance operational efficiency. Our order management system automatically sorts and assigns picking tasks to the staff assigned to the specific section who are responsible for gathering items from warehouses, and packing them into separate insulated containers labeled with order barcodes in the delivery area based on their storage conditions. Using TMS, we optimize algorithms to efficiently allocate vehicles and plan transportation routes. Our fleet teams subsequently load the containers in trucks and hand over to customers at scheduled time. As of the Latest Practicable Date, our logistics fleet included over 1,400 trucks and 1,400 drivers, including over 740 temperature-controlled trucks. All of our trucks were leased from external logistics services partners as of the Latest Practicable Date. Our TMS enables us to achieve a standardized and centralized management of our logistics fleet.

Such nationally standard fulfillment processes allow us to cut off the orders for our customers in the food service and distribution business at 8 p.m. and deliver the orders as early as 4 a.m. While we usually fulfill our orders the next day, we also work closely with our customers to accommodate their urgent and ad hoc orders, and provide same-day delivery from time to time. Our customers are able to track their order status through the Maixianda and Maifuli systems which provide visualization on local maps by TMS to illustrate where the orders have traveled and locates vehicles and orders in real time. We achieve a high degree of fulfillment timeliness and punctuality. In 2023, our on-time delivery rate was 99.0%, which was higher than the industry average according to Frost & Sullivan.

MARKETING AND PROMOTION

We implement customer-centric marketing strategies to promote our food and FMCG distribution solutions and broaden our customer base in each of our core target groups, namely (i) educational institutions; (ii) government and public service agencies such as power grids, airlines and mass transit operators; (iii) manufacturing enterprises; and (iv) financial institutions such as commercial banks. We amassed online and offline customer and sales data, including customer purchase records and purchase behavioral data. Based on these data, we formulate different marketing strategies for customers across key target industries, and analyze their responses to these marketing strategies on a monthly basis.

We focus on establishing contacts with potential customers through multiple touchpoints and carry out online and offline marketing initiatives with our targeted customer groups:

- ***Online channels***. We primarily conduct marketing and promotion through platforms such as WeChat official accounts, video accounts and corporate WeChat. For example, we regularly send updates of our merchandise portfolios to corporate and institutional customers through WeChat official accounts. Our official accounts for food service and distribution business and welfare and gifting business typically have an average of 100 updates, and approximately five sessions of live stream per year.

- ***Offline channels***. We regularly distribute product brochures to corporate and institutional customers in terms of different festivals and scenarios, and participate in offline industry events such as the International Delicious Awards (國際美味大獎), the China Education Logistics Exhibition (中國教育後勤展), the China Food Education Conference (中國食育大會), the Cooking Skills Competition (烹飪技能大賽) and the China International Import Expo (中國國際進口博覽會). In addition, we also organize seminars on food topics, such as nutrition, food safety and menu designs. In 2023, we organized over 50 sessions of chef training for our customers in food service and distribution business and welfare and gifting business.

Through our online and offline marketing efforts, we drive the growth of our customer base and enhance customer stickiness and loyalty to and contribute to our financial performance and our remarkable growth in the food and FMCG distribution industry.

Cross-brand Collaborations

From time to time, we collaborate with established food and beverage brands and renowned IPs. We co-developed products that would bear both brand names. Cross-brand collaborations allow both brands to reach new but relevant audiences, so as to enhance their brand awareness and exposure. Such collaborations typically generate buzz and leverage each other's product development strengths and marketing resources. During the Track Record Period, we developed cross-brand merchandise that are tailored for festivals, such as Wufangzhai (五芳齋) to develop gift boxes of zongzi dumplings for the Dragon Boat Festival and Guangzhou Restaurant (廣州酒家) to develop gift boxes of mooncakes for the Mid-autumn Festival. We also collaborated with Yechun (冶春) to develop specialty merchandise from Yangzhou, such as chicken soup meatballs (雞湯獅子頭) and shiitake and vegetable buns (手工香菇青菜包). During the Chinese New Year in 2024, we collaborated with Dunhuang Art Museum (敦煌藝術館) to use traditional "Dunhuang" culture as element to upgrade our product packaging.

Pictures of selected featured products of cross-brand collaborations are set forth below:

Mooncakes co-developed with Guangzhou Restaurant

Zongzi co-developed with Wufangzhai

Chicken soup meatballs co-developed with Yechun

Pictures of selected merchandise packaging in collaboration with Dunhuang Art Museum are set forth below:

Tailored Marketing Approaches

In light of the diversity of industries where our customers operate, each customer type has its unique attributes and needs for our food and FMCG distribution solutions. As such, we believe that our solutions should be tailored to their needs correspondingly. We adopted a "one industry one strategy" marketing approach in this regard.

Specifically, for our food service and distribution solutions, we optimized the product promotion strategy of the "seven core categories (七大餐盤)" and the "top ten must-buy items (十大必買單品)" to increase our industry penetration rate. For example, in 2022, with our insights into customers' needs in the education industry, we have customized snacks selection designed for kindergarten children of different age groups, such as small packets for one time consumption and taking into account nutritional values of the snacks. For instance, for the cookie category, we have developed products with different gram weights to meet the needs of children in different age groups respectively. We have also carried out a series of offline activities, such as one-on-one training on children's nutritional meals and nutritional lectures. We have also worked with the Meal Committee of Capital Healthcare and Nutrition Cuisine Society (首都保健營養美食學會配餐委員會) to design a comprehensive nutritional menu that includes ten months of professionally customized packages that meet the nutritional needs of young children.

For our welfare and gifting solutions, we target established corporates that provide extensive welfare to their employees for special occasions. We strategically focus on three major festivals in the Chinese culture, namely the Chinese New Year, Dragon Boat Festival and Mid-autumn Festival, and four major welfare occasions, namely International Women's Day, annual parties, summertime welfare and year-end benefits. Established corporates nowadays celebrate International Women's Day and have benefits for female employees, such as office teatime, as well as organize annual parties which include merchandise for lucky draw gifts. Government agencies and manufacturers also provide summertime welfare to employees that work under harsh outdoor conditions, such as personal care and beverages. In addition, corporate and institutional customers that operate their own canteens for group meals often use employee meal cards. As the credits on these employee meal cards typically expire at the end of each financial year, we work with these customers and allow the employees to purchase merchandise with the remaining credits on our Maifuli system and offline purchases.

FOOD SAFETY AND QUALITY MANAGEMENT

We take great care to ensure merchandise quality and safety throughout the supply chain. We require our suppliers to be certified by the GFSI, or pass our MAS evaluation system. Our food safety and quality assurance system safeguards every step of our business operations, including supplier selection, procurement, food processing, warehousing, logistics, order fulfillment and after-sale service. As of the Latest Practicable Date, we held multiple quality assurance certifications, including ISO 9001 for quality management, ISO 14001 for environmental management, ISO 45001 for occupational health and safety management and ISO 22000 for food safety management.

The president of our Group oversees the practices, programs, procedures and initiation relating to food safety and quality assurance. As of December 31, 2023, we had a quality assurance team with experienced personnel to enforce our food safety and quality control standards. The quality assurance team is responsible for formulating and updating their respective internal regulations and standards in relation to food safety from time to time. They also oversee the implementation of food safety measures, host training to employees to maintain a safety and wellness culture and conduct comprehensive evaluations of food safety performance. We engaged qualified third-party institutions to conduct onsite assessments at our distribution centers on a regular basis.

Procurement Quality Control

With our established logistics network and management system, we procure most of our fresh foods from the origins, in which we worked with our suppliers to implement extensive quality control from growing and breeding stage. We closely monitor the production process, including sanitization and disinfection and the use of fertilizers, pesticides and herbicides. Substantially all of our produces need to go through multiple rounds of tests for herbicide and/or pesticide residues and pass relevant food safety standards before being reaped or captured and further dispatched to customers. Upholding the principle of "quality foremost, safety first," we are committed to serving customers a wide variety of quality fresh foods to meet different culinary styles including steaming, frying, oven-baking and braising.

All of our suppliers are required to follow stringent quality control standards. We strictly select top-tier suppliers with GFSI certification, for those potential suppliers without such certification, we conducted on-site assessments according to the MAS evaluation system. The MAS is a set of vigorous and comprehensive food safety management standards based on GFSI certification standards and local standards, which is able to effectively evaluate suppliers' quality assurance capabilities, select high-quality and qualified suppliers and conduct regular reviews of their performance. Such standards are meticulously adopted throughout the supply chain of our merchandise and our quality assurance efforts also extend to the order fulfillment with our customers. We also organize annual assessment of suppliers and product testing. In 2023, we conducted approximately 1,000 MAS assessments and approximately 7,500 laboratory tests.

Our finance team and quality assurance team are jointly responsible for ongoing monitoring of our suppliers, with the former evaluating suppliers' financial performance and the latter examining the whole production process from procurement and handling of raw materials to hygiene conditions of sanitation facilities. We have a dedicated team to conduct ad-hoc checks and periodical inspections of suppliers' production sites and processing facilities, examining merchandise samples furnished by suppliers in accordance with our comprehensive set of technical criteria. We also engage qualified external experts to conduct general and special quality assessments of the merchandise and the production system within which the merchandise is brought into being. From time to time, we carry out ad hoc assessments of certain suppliers if we receive customer complaints or become aware of quality issues or negative publicity in connection with those suppliers or their products.

In particular, we impose stringent requirements on our fresh food suppliers through (i) demanding valid manufacturing and sales licenses and certificates for suppliers pursuant to applicable laws, regulations and standards, and (ii) carrying out periodical onsite inspections on approximately 1,000 agricultural production sites and factories in 2023 in accordance with MAS evaluation system. We also provide quality control solutions and training sessions to hundreds of suppliers, helping them identify and evaluate food safety risks. In addition, we collaborate with third-party auditors to conduct annual quality assessment and safety tests on poultry, seafood, fruit, vegetable, grain and oil. We identify suppliers with different levels of risks and exercise heightened scrutiny and control over high-risk suppliers.

Merchandise Quality Control

Generally, we conduct two-stage quality assurance reviews of our merchandise. Firstly, we check merchandise barcodes, licenses and certifications and examine merchandise against applicable laws and regulations as well as international and national standards. Lastly, we carry out ad hoc assessments on merchandise on an annual basis. We have formulated food quality standards for each type of fresh foods, under which fresh foods are processed and checked at certified processing facilities in order to mitigate risks. For example, fresh vegetables procured at the origin are sorted, picked and packaged in serving sizes to reduce product attrition from bruise damages, and freshly sourced fish is processed under strict technical and quality specifications and procedures and preserved in vacuum sealers to minimize microbial food safety hazards. We manage storage conditions based on food specifications to ensure the freshness of the food. See "— Our Nationwide Logistics Network — Tailored Warehousing Approach." Our Star Farm system enables us to achieve the traceability of every step along the process. See "— Our Digitalization — Star Farm System." In addition, we use QR codes on labels of fresh foods to manage product expiration dates and prevent the sale of expired products, when scanning the QR codes of expired products, a reminder of the product expiration will pop up.

Logistics and Warehousing Quality Control

Temperature, hygiene and physical containment of merchandise are among the key aspects of our logistics quality control, and we impose vigorous requirements on the shipping, storage and acceptance of our merchandise. Our suppliers are responsible for procurement logistics. Drivers of logistics fleets are required to obtain health certificates issued by qualified hospitals or other qualified health offices. The equipment temperature, humidity and sanitization of each batch of merchandise in transit are required to meet prescribed standards. See "— Our Suppliers." Our quality control personnel conduct regular inspections of warehouses and vehicles to ensure the environment and hygiene conditions in compliance with our logistics quality control standards. Before receiving inbound products and discharging outbound products, we carry out visual inspection of product packaging, expiration date and product quality such as pesticide residue, freshness, size and other conditions. We have implemented a first-expire, first-out policy for all our merchandise inventory and expired products are required to be removed from our inventory before the expiration date.

Fulfillment Quality Control

We strive to deliver a compelling customer experience by fulfilling orders timely and accurately and making customers indulge in fresh and safe culinary enjoyment. We carefully package fresh foods, frozen products and general merchandise in distinctive insulated containers to maintain separate temperature controls and prevent cross-contamination. In particular, we employ the unbroken cold chain system for frozen and chilled merchandise by transporting them through cold chain trucks or insulated containers equipped with customized dry ice packs and ice packs (as the case may be), maintaining a desired temperature range all the way to our customers' home destination. We deliver such frozen and chilled merchandise within the agreed time.

Customer Quality Assurance

In order for our customers to obtain the accreditations under HACCP certification, we must comply with, among others, a set of stringent hygiene and quality requirements under PRC laws and regulations and implement stricter internal policies. We have adopted the MAS evaluation system throughout the supply chain of our private label merchandise and fresh foods to select high-quality merchandise. Our quality assurance efforts enabled the stores under the Maidelong brand in the Retail Business to obtain HACCP certifications. HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to production, distribution and consumption of the finished products.

We are committed to providing high-quality customer services, and we have established a comprehensive after-sale service policy. We have a dedicated after-sale service team that responds to customers' complaints and feedback. We proactively address complaints through multiple channels such as the customer service hotlines, customer managers and corporate WeChat. When we receive a customer complaint or become aware of quality issues or negative publicity in connection with a supplier or their products, our quality assurance team will perform a thorough inspection of the supply chain process, so as to identify any issue affecting merchandise quality and food safety. Our quality assurance team promptly performs risk analysis, proposes rectification measures and stringently oversees their implementation.

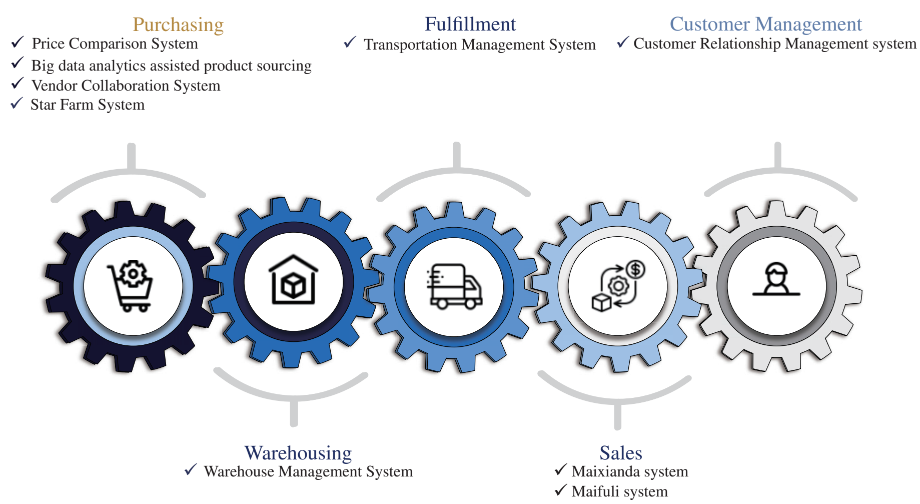
As a result of our stringent quality control procedures, we did not experience any material product liability or other legal claims due to quality control issues during the Track Record Period. See "Risk Factors — Failure to maintain the quality and safety of our products could adversely impact our reputation, financial condition and results of operations."

OUR DIGITALIZATION

We are committed to innovating the food and FMCG distribution industry. Digitalization is integrated into every aspect of our operation. We engaged external service providers that work closely with our business operation personnel, and digitalized each business process. We are able to integrate our offline operations and online resources, spanning across procurement, logistics and order fulfillment. As a result of digitalizing our business processes, we have achieved high efficiency, low operational costs and exceptional customer experience.

Our technological competence and the stability of our information infrastructure are vital to our business operations. We continue to optimize our operational infrastructure in collaboration with retail software service providers. We engaged Dmall to formulate our software and application solutions, into which we continuously integrate our accumulated insights, management experience and industry know-how. Dmall is engaged to develop systems, such as WMS, TMS and CRM, that are highly compatible with our business processes, catering to our operational needs.

The following chart illustrates our major digitalized business processes:



We digitalized the business processes throughout our operations, namely purchasing, fulfillment, sales and customer management. This is made possible through the implementation of the following systems:

Price Comparison System

We developed our proprietary price comparison system, that enable to monitor and manage prices of our merchandise. This system is able to track and extract prices of similar products from third-party suppliers real-time. This system allows us to check pricing levels, compare with our own prices and provide pricing suggestions. This system generates automatic pricing reports with price adjustment recommendations, which enables us to promptly respond to the shifting market trends. This system supports both our procurement team and product pricing team, so as to ensure reasonable and competitive pricing of our products. We collaborate with third parties to obtain price information of similar products on the market.

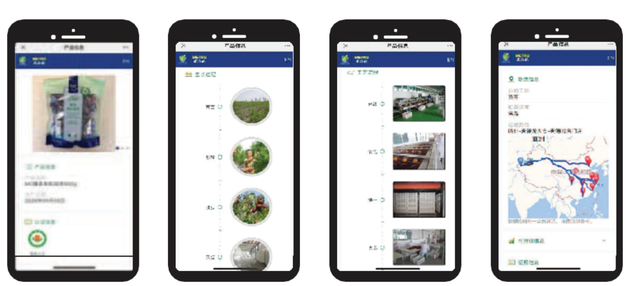
Vendor Collaboration System

Our vendor collaboration system allows us to work closely with our suppliers and share inventory data in relation to the merchandise that they supply to us. This system is equipped with a digital panel and VMI management tool to improve our operational efficiency. This system enables our suppliers to (i) receive orders; (ii) view settlement statements; (iii) electronically sign logistics contracts; (iv) reserve warehouse and delivery capacities; (v) provide daily VMI inventory reports; and (vi) receive our announcements and training materials in relation to our logistics and fulfillment process and inventory management. Specifically, the digital panel has an on-time and dashboard panel, which displays the on-time and in-full rate by date and product category. Our procurement team, in conjunction with our vendor management team, monitors the on-time and in-full rates of our suppliers, and follows up with those with low fulfillment rates.

Star Farm System

We have long been the benchmark of high-quality and food safety in the market. We have developed and implemented the Star Farm system, which allows the engagement of upstream and downstream market players in food safety and quality management and integrates generally accepted international food safety standards into a transparent traceability system. We record the key information of our products, such as source and supplier data, and track them along the supply chain. Our Star Farm system has increased the transparency of the production process by involving customers in monitoring the growing, harvesting, processing, packaging, transporting, holding and selling of food products, while allowing us to control the merchandise flow and document the end-to-end supply chain. Since its launch, our Star Farm system had accumulatively covered over 6,000 SKUs as of the Latest Practicable Date. Customers may scan the traceability codes printed on the products' packaging for information of the products, including place of origin, details of the processing plant, testing results and logistics arrangements.

Within the Star Farm system, we provide regular training sessions to farmers and corporate suppliers on merchandise information recording and how to monitor and test growing environment of crops to ensure soil, irrigation water and processing water to meet national and/or international standards. We also conduct assessments and provides training to our supplier partners, farmers and producers to enable efficient enforcement and strict compliance of our quality standards. Alongside controls over the places of origin, we closely oversee and follow up on fresh foods' processing, shipment and sales.



Warehouse Management System (WMS)

Our WMS is one of the key systems in our logistics and fulfillment process, which monitors the movement of the entire flow of inventory and personnel in and out of our warehouses. This system enables us to track shipment and inventory on a real-time basis and allows prompt follow-ups in the event of any discrepancies, which assists us in maintaining optimal inventory levels and enhancing our working capital efficiency. The core functions of our WMS include: (i) maintenance of master data in relation to warehouse, merchandise, supplier, as well as employee account management; (ii) quality management; (iii) warehouse operations; (iv) managing products returned; and (v) inventory counts, corrections, reports and related expenses. Our warehouse labor efficiency improved throughout the Track Record Period. In particular, we implemented the warehouse billing module in January 2023. In 2023, attributable to our digitalization efforts, our inventory variance was -0.007% which was industry leading.

Transportation Management System (TMS)

Our TMS is a logistics system which helps us to plan, execute and optimize our delivery services. Through cloud computing, distributed storage, advanced algorithm models and IoT integration technology-enabled TMS, we can provide precise delivery services and deliver at specified times. The core functions of our TMS include (i) the management of assigned drivers and vehicle information; (ii) route planning by considering factors in the order information and currently available transportation resources; (iii) driver assignment and management, which enables drivers to accept the assignments; (iv) the assessment of drivers' performance; and (v) the management of expenses occurred from transportation, which facilitates automatic billing, cost allocation, expense reports and expense approval. An optimized routing would allow us shorten transportation time and enhance operational efficiency. We assess the performance of our assigned drivers by monitoring delivery route, timeliness, temperature of the vehicles, abnormal parking, and door opening and closing. Our TMS minimizes human intervention, improves efficiency and achieves cost optimization. In addition, our TMS offers us real-time track-and-trace capabilities for goods and vehicles as they move through our logistics network, which enhances transportation process control and resource matching of goods, personnel and vehicles. In 2023, our on-time delivery rate was 99.0%, higher than industry average according to Frost & Sullivan.

Maixianda System

We operate the Maixianda system, which provides one-stop online procurement solutions to customers in our food service and distribution business with functions of product searching, ordering, payment and after-sale service. The product categories in the Maixianda system include rice and oil, vegetables and fruits, pork, egg and dairy products which are core assortments of products for our customers in the food service and distribution business. Product information is displayed in the Maixianda system, and our customers are able to browse and view information such as product pictures, prices and specifications. In addition, the Maixianda system supports personalized product categories and product price settings and interface displays according to customer customization needs. Our customers are also able to check real-time status of each order. To encourage and facilitate repeat orders, the Maixianda system allows the customers to place an order of the same merchandise in the historical orders page. After receiving the products, our customers can acknowledge receipt online or submit a product return request, and our fulfillment team will respond and provide after-sale service.

As the Maixianda system is connected with our real-time inventory data, such feature helps to ensure we have sufficient stock to fulfill the orders placed by our customers and ensure our order fulfillment. Our customer managers are also able to review and process the orders placed by the customers they manage. Customer managers may also customize negotiated prices for customers. The deployment of Maixianda system reduced manual intervention and flexible handling by our customer managers, which improved our operational efficiency.

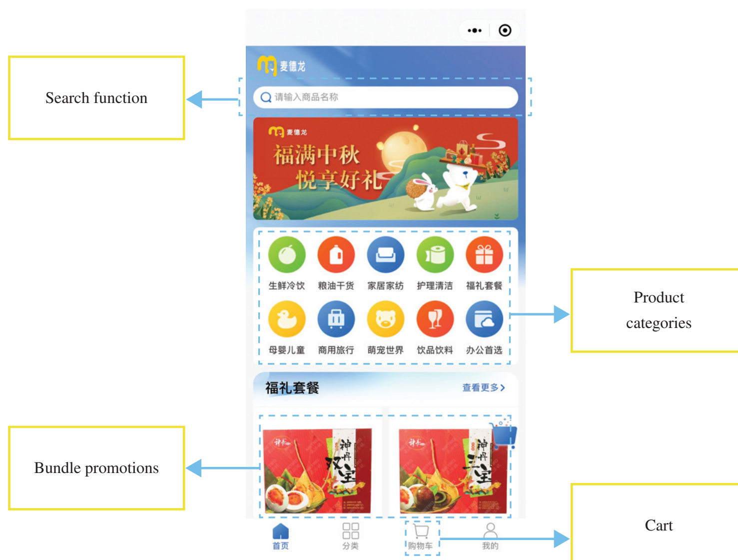
Screenshots of the interface of our Maixianda system are set forth below:

Maifuli System

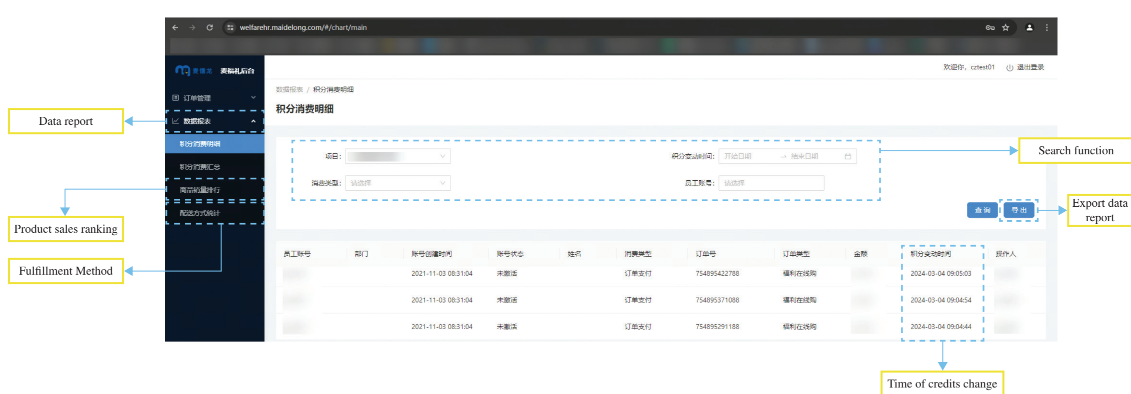
We operate the Maifuli system, which provides online-to-offline integrated customized solutions to our customers in the welfare and gifting business. Our Maifuli system includes a mini-program which provides a user-friendly interface for digital management throughout the procurement progress including product selection, price setting and fulfillment. See "— Our Business Model — Welfare and Gifting Solutions." Based on the annual budget allocated by the customers as welfare allowance and different occasions (such as festivals and daily operations), as well as our insights into customers pain points, we customize welfare and gifting solutions to improve their employees' satisfaction. We provide customers with a wide selection of merchandise and diversified fulfillment scenarios including self pick-up at the local fulfillment centers and express delivery, which flexibility and efficiency.

In addition, we provide customer with management support functions, which include monitoring their employees' purchases and product preferences. Authorized personnel of our customers can view, check and export their employees' orders in data reports, and our customers are able to review product sales rankings, their employees' preferences in merchandise selection and fulfillment method. Moreover, for key account customers, our technical team provides digital system compatibility service such as API docking, which connects our Maifuli system with our customers' existing systems such that data can be synchronized. Our customer managers are also able to download and review order information and issue invoices in relation to the aggregate orders placed by the employees of a customer.

The screenshot below sets forth the user interface of the mini-program that is connected to our Maifuli system:



The screenshot below sets forth the user interface of the management support functions in our Maifuli system for our customers:



Customer Relationship Management System

In April 2021, we launched the customer relationship management system, which is a digitalized tool for our customer managers is able to access the real-time inventory information. Our customer managers can check our inventories in real time and place orders instantly for the customers. As we have a wide range of merchandise selection where individual products have their own unique product codes, our digitalized inventories are able to track real-time inventories. The core functions of our customer relationship management system include (i) customer information management; (ii) management of new customer acquisitions; (iii) customer portfolio management; (iv) analysis of customer's purchasing potential; (v) record of merchandise information; (vi) product recommendations; (vii) business reminders; and (viii) record of sales data statistics.

We are able to obtain customer credit information, which enhances our ability to monitor customers' credit status. The customer visit plan management function helps our customer managers gain access to customer needs, resolve pain points experienced by customers and increase customer stickiness. The system generates customers' potential analysis reports by filling in certain information, which helps our customer mangers focus on the customer groups with potential and formulate targeted customer development strategies on merchandise mix. The system analyzes sales data to identify popular products among customers in the same industry, and sends prompts to our customer managers. Based on such prompts, our customer managers may approach customers and provide product recommendations that are likely appealing to them. The system also send automated reminders to our customer managers in relation to new customers, prompt the indication of any customer sales decline and business opportunities within the community. The record of sales data statistics allows our customer managers to check customer sales, merchandise sales, customer visit status, conversion of sale leads and tracking of customer purchasing potential.

DATA PRIVACY AND PROTECTION

We have access to and collect certain demographic and transactional information from our customers in connection with our business and operations.

We have designed stringent data protection policies to ensure that the collection, storage, use, transmission and deletion of personal data comply with applicable laws and regulations. We have also implemented procedures such as regular system checks, password policies, user authorization reviews and approval and data backup, as well as data recovery tests, to safeguard our information assets and ensure the proper management of our operational data. We also have data disaster recovery procedures in place. For example, our IT personnel conduct frequent reviews of our backup systems and system event log, so as to ensure that they are well-maintained and functional.

During the Track Record Period and up to the Latest Practicable Date, we had not received any notice that requires us to go through a cybersecurity review, we had not received any notice that our data processing activity affected or may affect national security, and had not been subject to any material cybersecurity-related penalties or sanctions imposed by the CAC or any other relevant PRC regulatory authorities. As such, our PRC Data Compliance Legal Adviser is of the view that we are in compliance with the applicable PRC data privacy and protection laws and regulations in all material aspects, on the basis of (i) the type and nature of personal information and other customer data we collect are mainly related to our principle business, and we do not engage in the processing of core data or important data as defined under the Data Security Law; (ii) as of the Latest Practicable Date, we had not been subject to any material fine or administrative penalty, mandatory rectifications, or other sanctions by any competent authorities in relation to any infringement of PRC data privacy and protection laws and regulations, and there had been no material leakage of data or personal information or violation of PRC data privacy and protection related laws and regulations by us which would have a material adverse impact on our business operations; (iii) we have implemented effective data privacy and protection policies, procedures, and measures to ensure secured storage, usage and transmission of data, and to prevent unauthorized access or use of data; and (iv) we continuously pay close attention to the legislative and regulatory development in data privacy and protection, maintain ongoing communications with relevant regulatory authorities and implement all necessary measures in a timely manner to ensure compliance with the relevant laws and regulations.

OUR CUSTOMERS

Our customer comprised of corporate and institutional customers and retailers. Our corporate and institutional customers is dominated by four core target groups, which include (i) educational institutions; (ii) government and public service agencies such as power grids, airlines and mass transit operators; (iii) manufacturing enterprises; and (iv) financial institutions such as commercial banks. Our provision of retailer distribution solutions was primarily provided to Wumart Group, to whom we divested the Retail Business in 2024. See "History, Reorganization and Corporate Structure — Business Restructuring." During the Track Record Period, we served over 971,000 customers across all business lines.

In 2021, 2022, and 2023, the revenue from our five largest customers in aggregate accounted for 63.7%, 64.7% and 64.0% of our total revenue for the same years, respectively. In 2021, 2022, and 2023, our largest customer contributed 61.5%, 62.3% and 62.0% of our total revenue for the same years, respectively. As of December 31, 2023, we had maintained business relationships with our five largest customers for one to 12 years.

The following tables set forth information about our five largest customers during the Track Record Period:

Customers	Background	Products/ services provided	Revenue	% of total revenue	Year of commencement of business relationship	Credit terms	Payment method
			(RMB in million)				
Year ended December 31, 2021							
Wumart Group	A customer engaging in wholesale and retail businesses	Food and non-food categories, property leasing	17,096.7	61.5%	2019	30 days	Bank transfer
Customer A	A customer engaging in sales of food and liquor products	Liquor products	223.5	0.8%	2020	Prepayment	Bank transfer
Customer B	A customer engaging in sales of food and liquor products	Liquor products	199.0	0.7%	2021	Prepayment	Bank transfer
Customer C	A customer engaging in sales of liquor products	Liquor products	119.4	0.4%	2012	Prepayment	Bank transfer
Customer D	A customer engaging in sales of electronics	Electronics	85.6	0.3%	2021	Prepayment	Bank transfer
Total			**17,724.2**	**63.7%**			

Customers	Background	Products/ services provided	Revenue	% of total revenue	Year of commencement of business relationship	Credit terms	Payment method
			(RMB in million)				
Year ended December 31, 2022							
Wumart Group.	A customer engaging in wholesale and retail business	Food and non-food products, property leasing	16,886.6	62.3%	2019	30 days	Bank transfer
Customer E . .	A customer engaging in wholesale and retail of liquor products	Liquor products	212.6	0.8%	2021	Prepayment	Bank transfer
Customer A . .	A customer engaging in sales of food and liquor products	Liquor products	209.7	0.8%	2020	Prepayment	Bank transfer
Customer C . .	A customer engaging in sales of liquor products	Liquor products	121.3	0.4%	2012	Prepayment	Bank transfer
Customer F . .	A government agency	Food and non-food products	99.6	0.4%	2012	30 days	Bank transfer
Total			**17,529.8**	**64.7%**			
Year ended December 31, 2023							
Wumart Group.	A customer engaging in wholesale and retail business	Food and non-food products, property leasing	15,405.3	62.0%	2019	30 days	Bank transfer
Customer E . .	A customer engaging in wholesale and retail of liquor products	Liquor products	160.9	0.6%	2021	Prepayment	Bank transfer
Customer G . .	A customer engaging in sales of food products	Liquor products	125.7	0.5%	2023	Prepayment	Bank transfer
Customer A . .	A customer engaging in sales of food and liquor products	Liquor products	108.4	0.4%	2020	Prepayment	Bank transfer
Customer C . .	A customer engaging in sales of liquor products	Liquor products	103.6	0.4%	2012	Prepayment	Bank transfer
Total			**15,903.9**	**64.0%**			

To the best of our knowledge, except for Wumart Group, none of our Directors, their respective close associates, or any Shareholder who owned more than 5% of our issued share capital as of the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date.

The salient terms of the agreements with our customers are set out as below:

Duration	The term of our agreement with customers is generally one year and will be automatically renewed for one year if both parties have no objections.
Principal rights and obligations of parties involved	We are liable for breaches of responsibilities including timely delivery and quality assurance of merchandise. We are responsible for customers for damages as a result of such breaches. Our customers are responsible for timely payments.
Merchandise return and exchange	We generally accept product returns within 30 days, except certain product categories such as fresh foods and household appliances. For fresh foods, customers are required to request for return or exchange on the day they receive the products. We typically agree to return or exchange products with quality issue. For household appliances, return, exchange and after-sales service are subject to manufacturer requirements.
Pricing	We generally take into account a number of factors to set the price of our merchandise and/or solutions, including our procurement cost, prevailing market prices, prices of our major competitors in the region. We strive to maximize value for our customers and maintain a healthy margin.
Payment and credit terms	Customers typically make prepayments, or are granted a payment credit term up to 60 days. Our customers generally have strong credit records and steady cash flow.
Anti-bribery	Both parties are prohibited from offering any improper benefits to the other party and their staff.
Termination	The agreements may be unilaterally terminated by either party with 30 days' prior written notice. We are generally entitled to terminate the agreements in the event of material breaches of a customer.

During the Track Record Period, there had been no product recall or product return incidents that had a material adverse effect on our business and results of operations. In addition, there had been no product liability claim that had a material adverse effect on our business and results of operations during the Track Record Period.

Third-party Payment Arrangements

During the Track Record Period, certain of our customers (the "**Relevant Customer(s)**") settled their payments with us through third-party payors (the "**Third-party Payment Arrangement(s)**"). In 2021, 2022 and 2023, the aggregate amount of third-party payments accounted for approximately 0.5%, 0.6% and 0.7% of the total revenue, respectively. During the Track Record Period and up to the Latest Practicable Date, there was not any past or present relationship or arrangement (business, family, employment, trust, financing or otherwise) between each of the Relevant Customers, the third party payors and our Group. No individual Relevant Customer made a material contribution to our revenue during the Track Record Period.

During the Track Record Period and up to the date of this document, we did not proactively initiate any Third-party Payment Arrangements, nor have we participated in other forms in any of such arrangements. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not provided any commission, rebate, or other benefits to any of the Relevant Customers or the third-party payors to facilitate or encourage the Third-party Payment Arrangements. The payment and pricing terms and transaction patterns of the customers involving in the Third-party Payment Arrangements did not differ from other customers with direct settlement with our Group in all material respects.

The third-party payors primarily consisted of legal representatives, business partners, individual shareholders, employees, and subsidiaries of the Relevant Customers. We were also engaged by labor unions to provide food and FMCG distribution solutions, and the relevant corporations and institutions settled the payables on behalf of their respective labor unions. Our Directors have confirmed that all third-party payors are independent of our Group and each of our respective Directors, senior management and shareholders.

Reasons for Utilizing Third-party Payment Arrangements

During the Track Record Period, the Relevant Customers primarily included customers in government, healthcare and education sectors. These customers settled payments with us through third-party payors because this arrangement provided cash flow flexibility. According to Frost & Sullivan, it is a relatively common practice in the food and FMCG distribution industry in China for these entities to settle payments through third-party payors to their vendors and service providers.

Mitigation Measures and Cessation of Third-party Payment Arrangements

To secure our interest against risks associated with Third-party Payment Arrangements, we have implemented a series of mitigation measures. We required the Relevant Customers to communicate with us the relevant information, including, among others, the reasons for the Third-party Payment Arrangements and the identity of the involved third-party payors. In addition, we required the Relevant Customers to sign a tripartite agreement for the delegation of payment with the third-party payor and us (the "**Agreement**"), or provide us with a letter for delegation of payment (the "**Delegation Letter**") to the extent practicable. In the Agreement and the Delegation Letter, it is specified that the Relevant Customer (i) delegates its payment obligation under the terms of the original purchase agreement with us to the respective third-party payor, and (ii) confirms that the other terms under the original purchase agreement remain unchanged and effective. The Relevant Customers and the third-party payors also undertake in the Agreement that we are released from any disputes which may arise from the Third-party Payment Arrangements.

We have also obtained the confirmation letters (the "**Confirmation Letters**") from substantially all of the Relevant Customers confirming that, among other things, (i) all settlements with our Group were backed by genuine transactions; (ii) settlement amounts were consistent with the relevant transaction amounts; (iii) there were no instances of commercial bribery, money laundering, tax evasion, or existing or potential disputes with our Group related to the Third-party Payment Arrangements; (iv) each of the Relevant Customers and their designated third-party payors has neither claimed nor will claim any interests regarding payments via the Third-party Payment Arrangements; and (v) our Group is not bound by any agreement of rights and obligations relating to the Third-party Payment Arrangements between the Relevant Customers and their designated third-party payors. We undertake to cease all Third-party Payment Arrangements before the [**REDACTED**]. We believe that the termination of the Third-party Payment Arrangements is not expected to have any material and adverse effect on our business, financial condition and results of operations.

As advised by our PRC Legal Advisor, (i) the Third-party Payment Arrangement is not in breach of prohibitive provisions of applicable laws or regulations in China; (ii) as to customers and their designated third parties who have provided duly signed confirmation letters mentioned above, the risks are remote for our Group to be found obligated to return funds to the customers or their designated third parties under the Third-party Payment Arrangement; (iii) taking into consideration the confirmation letters and the facts mentioned above, the risk of money laundering related to the Third-party Payment Arrangement is low; and (iv) the risk of our Group being subject to administrative penalties in violation of laws and regulations related to tax evasion under the Third-party Payment Arrangement is remote. Our PRC Legal Advisor's view is based on the following:

(i) Third-party Payment Arrangements were not to circumvent applicable tax laws and regulations or other applicable laws and regulations in China. All the customer payments previously received under the Third-party Payment Arrangements were duly booked according to the accounting procedures and policies. We have fully paid all taxes with respect to the payments received under the Third-party Payment Arrangements according to applicable PRC tax laws and regulations.

(ii) The relevant subsidiaries were not identified for violating any applicable tax laws as a result of the Third-party Payment Arrangements based on records during the Track Record Period, according to the tax compliance confirmations.

(iii) As confirmed by us, the relevant subsidiaries were not subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements as of the Latest Practicable Date.

Enhanced Internal Control Measures

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system. We have also established a designated team which is dedicated to ensuring the adequacy and effectiveness of regulatory compliance procedures and internal control system. To prevent the reoccurrence of and potential risks from the Third-party Payment Arrangements going forward, we have implemented enhanced internal control measures. For example, with respect to the payment from third-party payors' accounts after our cessation of Third-party Payment Arrangements, our customer managers will inform the Relevant Customers and third-party payors that such arrangements are no longer accepted and payments from third-party payors' accounts will be rejected. We deliver our products only after the payment from our customers' corporate accounts is verified by our finance team.

OUR SUPPLIERS

Our suppliers are primarily merchandise suppliers and OEM partners.

In 2021, 2022, and 2023, our five largest suppliers in aggregate accounted for 12.6%, 11.1% and 12.3% of our total purchase amount for the same years, respectively. In 2021, 2022, and 2023, our largest supplier contributed 3.1%, 3.3% and 3.5% of our total purchase amount for the same years, respectively. As of December 31, 2023, we had maintained business relationships with our five largest suppliers for three to 18 years.

The following table sets forth details of our five largest suppliers in each year during the Track Record Period:

Suppliers	Background	Products purchased	Purchase amount	% of total purchases	Year of commencement of business relationship	Credit terms	Payment method
			(RMB in million)				
Year ended December 31, 2021							
Supplier Group A[1]	A supplier engaging in sales of food products	Liquor products	815.6	3.1%	2011	Within 60 days	Bank transfer
Supplier B	A supplier engaging in sales of food products	Liquor products	756.9	2.9%	2019	Within seven days	Bank transfer
Supplier C	A supplier engaging in processing agricultural products	Food products	664.1	2.5%	2009	15 to 45 days	Bank transfer
Supplier D	An OEM partner	Dairy products	563.4	2.1%	2006	Within 35 days	Bank transfer
Supplier E	A supplier engaging in processing agricultural products	Meat products	513.8	2.0%	2008	Seven to 15 days	Bank transfer
Total			**3,313.8**	**12.6%**			

Suppliers	Background	Products purchased	Purchase amount	% of total purchases	Year of commencement of business relationship	Credit terms	Payment method
			(RMB in million)				
Year ended December 31, 2022							
Supplier F	A supplier engaging in wholesale and retail	Liquor products	874.9	3.3%	2021	Within 30 days	Bank transfer
Supplier D	An OEM partner	Dairy products	581.8	2.2%	2006	Within 35 days	Bank transfer
Supplier C	A supplier engaging in processing agricultural products	Food products	534.7	2.0%	2009	15 to 45 days	Bank transfer
Supplier B	A supplier engaging in sales of food products	Liquor products	485.8	1.8%	2019	Within seven days	Bank transfer
Supplier Group G[(2)]	A distributor of fresh food products	Fresh food	482.1	1.8%	2011	Seven to 15 days	Bank transfer
Total			**2,959.3**	**11.1%**			
Year ended December 31, 2023							
Supplier Group G[(2)]	A supplier engaging in processing and sales of agricultural products	Fresh food	819.6	3.5%	2011	Seven to 15 days	Bank transfer
Supplier F	A supplier engaging in wholesale and retail	Liquor products	797.2	3.4%	2021	Within 30 days	Bank transfer
Supplier D	An OEM partner	Dairy products	590.4	2.6%	2006	Within 35 days	Bank transfer
Supplier C	A supplier engaging in processing agricultural products	Food products	336.1	1.5%	2009	15 to 45 days	Bank transfer
Supplier H	A supplier engaging in wholesale and retail of fresh food products	Fresh food	312.6	1.4%	2016	Within 30 days	Bank transfer
Total			**2,855.9**	**12.4%**			

Notes:

(1) Supplier Group A refers to several entities under common control, which is an Independent Third Party.

(2) Supplier Group G refers to several entities under common control, which is an Independent Third Party.

To the best of our knowledge, none of our Directors, their associates or any shareholders of our Company, who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

The salient terms of the agreements with our suppliers are set out as below:

Duration . . . . The term of our agreement with our suppliers is generally one year and may be renewed for one year upon mutual agreement.

Principal rights and obligations of parties involved . . . . The suppliers are liable for breaches of responsibilities including timely delivery and quality assurance of merchandise. The suppliers are responsible for indemnifying us for damages as a result of such breaches.

We are responsible for timely payments.

Allocation of liability for product defects . . . . The suppliers are responsible for indemnifying us for damages as a result of any product defect.

Pricing policies. . . . . Our suppliers are required to provide a product list with price, which must be dated and stamped with the supplier's company seal. Any order placed by us will only be made based on our approved price list. Unless written agreed in writing by us, any price increase should be notified to us in written at least 30 days before taking effect.

Risk transfer . . . . Our suppliers are responsible for delivery, bear the risk of damage and obsolescence before we confirm acceptance of the merchandise.

Merchandise return and exchange . . . . We are generally allowed to return or exchange defective merchandise to the extent that is compliant with relevant laws and regulations.

Intellectual property rights . . . Our suppliers shall guarantee the sale of goods by the suppliers and the resale or use of goods by us or our customers do not result in any infringement of intellectual or industrial property right of third parties.

Payment and credit terms . . . . We are generally granted a credit term between 15 to 60 days by our suppliers. We may make prepayments for certain merchandise.

Termination	The agreements may be unilaterally terminated by either party with one to 30 days' prior written notice. We are generally entitled to terminate the agreements in the event of suppliers' material breaches.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, there were certain overlapping customer-suppliers; among them, two of our top five suppliers were also our customers purchasing merchandise from us.

Supplier Group A, one of our five largest suppliers in 2021, was also our customer. Supplier Group A contributed to nil, 0.0% and 0.0% of our revenue in 2021, 2022 and 2023 respectively, and 3.1%, 1.4%, and 1.1% of our total purchase amounts in the same periods, respectively. The merchandise that Supplier Group A purchased from us were mainly food and non-food products, the revenue arising from such sales amounted to nil, RMB0.2 million and RMB0.1 million in 2021, 2022 and 2023, respectively. The merchandise that we procured from Supplier Group A were mainly liquor products, the purchase amount arising from such procurement orders amounted to RMB815.6 million, RMB370.1 million and RMB257.5 million in the same periods, respectively. Supplier Group A is a group of liquor and food-related companies under common control in China, which mainly engages in the business of sales of food and liquor products. This arrangement with Supplier Group A was not a bundled or back-to-back trading arrangement, but aims to ensure the procurement of certain liquor products to diversify our merchandise portfolio.

Supplier B, one of our five largest suppliers in 2021 and 2022, was also our customer. Supplier B contributed to 0.0%, 0.0% and 0.0% of our revenue in 2021, 2022 and 2023 respectively, and 2.9%, 1.8%, and 0.9% of our total purchase amounts in the same periods, respectively. The merchandise that Supplier B purchased from us were mainly cleaning detergent and disposable supplies, the revenue arising from such sales amounted to RMB0.1 million, RMB88.3 thousands and RMB21.9 thousands in 2021, 2022 and 2023, respectively. The merchandise that we procured from Supplier B were mainly liquors, the purchase amount arising from such procurement orders amounted to RMB756.9 million, RMB485.8 million and RMB209.3 million in the same periods, respectively. Supplier B is a supplier, which mainly engages in the business of sales of food products. This arrangement with Supplier B was not a bundled or back-to-back trading arrangement, but aims to ensure the procurement of certain liquor products to diversify our merchandise portfolio.

Negotiations of the terms of our sales to and purchases from these overlapping customer-suppliers/supplier-customer were conducted on an individual basis, and the sales and purchases were not inter-conditional with each other. During the Track Record Period, there was no bundled or back-to-back trading arrangement where a batch of products was divided into smaller batches and re-sold to the same overlapping customer/supplier. For each of the overlapping customer-suppliers/supplier-customer, the key terms of our sales of products to such customers and our purchases of products from such suppliers are generally similar to those of our other customers/suppliers. Our Directors are of the view that these arrangements are within our ordinary course of business and under normal commercial terms.

SEASONALITY

Our revenue during the Track Record Period was subject to seasonal fluctuation, primarily due to the impact of major holidays. We typically experience sales peaks in holidays such as Chinese New Year, Mid-autumn Festival, Dragon Boat Festival and National Day. We believe that this pattern is likely to continue in the foreseeable future.

COMPETITIVE LANDSCAPE

We compete in the food and FMCG distribution industry in China that is highly fragmented, with the top five food and FMCG distribution solution providers occupying a market share of 0.8% in terms of revenue in 2023, according to Frost & Sullivan. The market size of the food and FMCG distribution industry in China, in terms of revenue, grew from RMB7,036.6 billion in 2018 to RMB9,900.7 billion in 2023, representing a CAGR of 7.1%. This growth is expected to continue at a CAGR of 7.4% from 2023 to 2028, and the market size is expected to reach RMB14,149.7 billion by 2028. Our industry positions in China in terms of revenue in 2023 according to Frost & Sullivan are as follows: (i) we were the second-largest food and FMCG distribution solution provider; (ii) we were the second-largest retail distribution solution provider; (iii) we were the fifth-largest catering distribution solution provider and the largest group meals distribution solution provider; and (iv) we were the second-largest commercial welfare and gifting solution provider.

INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are fundamental to our business and we devote significant time and resources to their development and protection. We currently hold a collection of intellectual property rights relating to certain aspects of our business operation. Such rights include trademarks, copyrights, patents and other proprietary rights in China. See "Appendix V — Statutory and General Information" for details of our material intellectual property rights.

We rely on a combination of patent, trademark, copyright and other intellectual property protection laws in China, fair trade practice, as well as confidentiality procedures and contractual provisions to protect our intellectual property. Despite our precautions, third parties may infringe our intellectual property rights. Unauthorized use of our intellectual property by third parties and the expenses that we may incur in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See "Risk Factors — We may not be able to protect our trademarks and other intellectual property rights, which our business depends on, and our ability to compete effectively may be harmed if our trademarks and other intellectual property rights are infringed by third parties."

We did not have any material disputes or any other pending material legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in our business operations such as information system, emergency management, financial reporting, cash management and human resources risk management. We have established a compliance committee to supervise guide our compliance management. Once a non-compliance incident is identified, the compliance committee coordinates and oversees the rectification of the non-compliance and improve the relevant internal control measures. In December 2023, we became the first China's food and FMCG distribution solution provider to obtain ISO 37301: 2021 Compliance Management System Certification according to Frost & Sullivan. For the enhancement of our internal control measures in relation to compliance issues, see "— Compliance."

Information System Risk Management

Sufficient maintenance, storage and protection of customer data and our business data are critical to our success. We have implemented relevant internal procedures and controls to ensure that such data are protected and that leakage and loss of such data is avoided. We have formulated internal policies in relation to personal information protection and data security in relation to customer information. We have adopted a multi-level security protection strategy and implemented firewalls and intrusion detection systems. All of our customer and business data are encrypted and stored using encryption standards. We implemented role-based access control, data regular backups and data disaster recovery procedures. In terms of personal information protection, we conduct compliance reviews to ensure compliance with relevant regulations. We also provide information security awareness training for all employees and conduct simulated phishing attack tests to enhance security awareness. Through real-time monitoring and emergency response measures, we ensure timely detection and response to abnormal activities.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of customer or business data. We did not experience any material disruptions of our information technology systems during the Track Record Period and up to the Latest Practicable Date.

Emergency Management

In the event of an emergency, which includes accident that can cause deaths or significant injuries to our employees, or disrupt operations, cause physical or reputational damage, or threaten the financial standing of our businesses, as well as the occurrence of a natural disaster, widespread health epidemic or other outbreaks, we have prepared and implemented effective corporate governance measures and emergency management policies. In cases of incidents that affect or threaten the health, safety or welfare of employees, property and infrastructure, we act with significant and coordinated responses such as identifying, and making, appropriate emergency management plans, reporting on actual situations according to certain procedures, and making improvements following the incident.

In cases of natural disasters, a public health epidemic or other outbreaks that could have a material adverse effect on our business, financial condition and results of operations, we will take measures countering such adverse impacts, and may set up a specific committee composed of management personnel of different teams. For example, in response to the public health incidents in early 2020, we adopted countermeasures including procurement of supplies for pandemic prevention and control for employees to mitigate the impact of the public health incidents on the Group's operation. We participated in the guaranteed food supply efforts in Shanghai in 2022. In late March 2022, we received an urgent order for 87,000 packages of essential supplies, and our staff delivered the packages to the local residents within two days. We coordinated and worked closely with the local government authorities, which provided passage of guaranteed vehicles, and stepped up transportation and distribution.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance team and human resources management policies. We also have various procedures in place to implement accounting policies and our finance team reviews our management accounts based on such procedures. We also have a dedicated financial internal control personnel that monitors and regularly reviews the effectiveness of the procedures. We also provide regular training to our finance team personnel to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

To ensure the accuracy and compliance of financial reporting, we engage an independent external audit firm to conduct a comprehensive audit of our financial statements, which improves the transparency of our financial statements. The external audit firm also provides independent professional opinions on our financial reporting process to ensure compliance with accounting standards and regulations. Through internal and external audits, we improve our financial reporting process, identify and rectify potential issues in a timely manner. These measures ensure that our financial reporting is transparent, accurate and in compliance with relevant regulatory requirements.

Human Resources Risk Management

We set out systematic internal rules and guidelines for our employees, including best commercial practice, work ethics and a prevention mechanism to avoid fraud, negligence and corruption. We provide employees with regular training and resources to keep them abreast of the guidelines contained in the employee handbook. We formulate the recruitment plan for the upcoming year taking into account current turnover and our future business plan, and we improve our recruitment process with the aid of information technology.

In addition, we provide regular and specialized training tailored to the needs of our employees in different teams. Through such training, we ensure that our employees' skill sets remain up to date.

We also have in place an Anti-Corruption Policy to safeguard against corruption within our Company. We published the Maidelong Gifting Policy and send regular reminders to our employees, which strictly prohibits offering or accepting any form of kickbacks from business counterparts. We have an internal reporting channel, is open and available for our employees and business partners to report any suspected corrupt acts. We have designated hotline, email and website for reporting bribery and corrupt incidents. Our employees and business partners can also make anonymous reports to our internal anti-corruption team. During festivals, we publish reminders to our employees that they are prohibited from providing or receiving any benefits to business partners. We have a team that is responsible for investigating the reported incidents and taking appropriate measures.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

We also maintain an internal audit team which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. The internal audit team reports to the audit committee to ensure that any major issues thus identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the Board of Directors if necessary.

ENVIRONMENT, SOCIAL AND CORPORATE GOVERNANCE

We have formulated and implemented detailed principles and measures with respect to environmental matters, social responsibility and governance ("**ESG**"). We integrate the sustainable development concept of "*healthier products, happier people, and greener environment*" into our corporate management and business operations. While committed to providing high-quality products and services, we strive to contribute to society, and promote the sustainable development.

ESG Governance

We have established robust and comprehensive ESG governance framework and policies. The Board of Directors is responsible for identifying, evaluating and supervising key ESG-related issues. We also established a sustainable development committee, which is responsible for overseeing our sustainable development. In addition, we have coordinated efforts across teams, including the human resource team, merchandise management team and operational management team, to implement our ESG efforts.

Environmental Protection

In order to comply with the applicable environmental protection laws, we have implemented environmental protection policies, reducing air and water pollution and electricity consumption. We also require our suppliers to comply with the laws and regulations of the jurisdictions that they operate in, which include the laws and regulations governing environmental, health and safety matters. We are committed to continuously improving our environmental protection policies in the following aspects:

Energy conservation. We advocate for energy conservation and emission reduction among employees. Furthermore, we integrate the concept of low-carbon environmental protection into our business operations and production activities. In 2021, 2022 and 2023, our electricity consumption amounted to approximately 183,300 MWh, 191,700 MWh and 184,500 MWh, respectively; and our water consumption amounted to approximately 372,700 tonnes, 371,100 tonnes and 373,800 tonnes, respectively. When delivering fresh foods, we use reusable containers instead of cartons to reduce the waste and pollution of packaging materials. In 2023, our fresh food reusable containers project reduced the use of approximately 90,000 cartons.

Green office. We actively promote green office practices in our ordinary course of business, such as electronic and paperless office operation. For example, we (i) use electronic contracts, electronic document transmission and electronic promotional materials with our counterparts, such as customers and suppliers; (ii) use double-sided, black and white printing; (iii) ensure lights and electric devices are switched off after office hours; and (iv) urge employees to set air-conditioning temperature not lower than 26 degrees in summer.

Low-carbon transportation. We are committed to improving logistics and transportation efficiency and reducing carbon emissions. We implemented procedures in our business operations, such as (i) ensuring our vehicles are fully loaded; (ii) optimizing warehousing layout and transportation routes to shorten transportation distances; and (iii) using new energy vehicles with lower carbon emissions.

Promoting sustainable consumption. We use sustainable raw materials and provide products that meet international sustainable standards, providing customers with diversified sustainable consumption product choices. For example, we advocate and practice the concept of organic life, providing organic products such as M Select organic tea camellia seed oil (麥臻選有機油茶籽油) and M Select organic Komachi rice (麥臻選有機小町香米). In addition, we pay attention to the protection of the aquatic ecological environment and provide aquatic products certified by the Marine Stewardship Council and the Best Aquaculture Practices (最佳水產養殖規範) published by the Global Seafood Alliance (全球水產品聯盟), such as M Select crispy snapper fillets (麥臻選脆鯛魚片) and M Select French cod fish (麥臻選法國銀鱈魚).

During the Track Record Period, we complied with the relevant environmental and occupational health and safety laws and regulations in the PRC in all material respects, and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations during the same period.

Social Responsibility

We have been committed to sustainable corporate responsibility projects with our resources and expertise. We care about the welfare of the end consumers of our products, our employees and the community.

Public Welfare Activities

We demonstrated our efforts during the public health incidents. Capitalizing on our direct sourcing capabilities, we maintained to supply over 1,900 tons of vegetable and soy products, as well as over 1,800 tons of meat in February 2021. We also facilitated donation of over RMB14.0 million to Wuhan and offered free vegetable to members of Beijing medical assistance team. We were also among the pioneers introducing a zero-contact shopping experience by setting up over 4,000 self pick-up stations in communities across Beijing and Tianjin amid the public health incidents.

We also participated in the Poverty Relief Mart (扶貧超市) project since 2020. We included in our merchandise offering products sourced from impoverished regions which met our quality standards and were in the process of expanding such offering. Our efforts in Poverty Relief Mart project help disadvantaged population in impoverished regions establish financial sustainability.

In addition, we are committed to contributing to charitable causes. In collaboration with the China Youth Development Foundation (中國青少年發展基金會), we provided funding to Hope Primary Schools and established the "Maidelong Mai Mai Xiang Chuan Scholarship Fund (麥德龍"麥麥相傳"助學基金)," so as to help improve education in underdeveloped rural areas across China. We believe the best approach to corporate social responsibility is through embedding elements of social responsibility in our daily business.

Employee Caring Initiatives

We attach paramount importance to the health and safety of our employees. In accordance with relevant laws, regulations and standards, we have formulated comprehensive occupational health and safety management procedures and guidelines to minimize the risks of occupational disease, improve labor conditions and protect our employees. We provide employees with necessary protective equipment such as masks and hand sanitizer to ensure their safety. We also provide safety system and safety awareness training to employees and conduct regular emergency exercise.

In addition, we pay attention to the dietary health of our employees, certain our staff canteens have obtained HACCP certification. During the Track Record Period and up to the Latest Practicable Date, we complied with the applicable laws and regulations on occupational health and safety in all material respects, and had obtained all the required permits and approvals for our production facilities in operation. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any safety-related accidents that may materially affect our operations.

Furthermore, we strive to create a fair and equal workplace to promote diversity and inclusivity within our workforce. We have implemented our internal policies and procedures in compliance with applicable laws and regulations with regard to the employees' labor rights and interests. We are committed to creating an equal, diverse and non-discriminatory workplace. We provide equal career opportunities for employees of different ethnicities, ages, genders and beliefs. As of December 31, 2023, we had 2,133 female employees which represented 61.1% of our total employees. Lastly, we implemented a series of internal guidelines regarding the remuneration and incentive mechanism, which help us carry out our employee remuneration.

EMPLOYEES

As of December 31, 2023, we had 3,490 full-time employees who were based in the PRC. The following table sets out a breakdown of the employees by business function as of the same date:

Business Function	Number of Employees	Percent
		(%)
Operational Management	1,844	52.8
Sales	1,093	31.3
Administration	300	8.6
Merchandise Management	253	7.2
Total	**3,490**	**100.0**

We have training programs for all our employees, from entry-level employees to management on subjects such as corporate culture, strategies, policy and internal control, internal systems and business skills.

We have labor unions that protect employees' rights, help fulfill economic objectives and encourage employee participation in management decisions. We did not experience any material labor disputes during the Track Record Period.

The remuneration package for our employees generally includes salary and bonuses. Employees typically receive welfare benefits, including medical care, occupational injury insurance and other miscellaneous benefits.

SUBCONTRACTING

We sometimes engage subcontractors to provide additional labor, transportation services cost and operational efficiency. During the Track Record Period, we primarily engaged subcontractors, which were independent third parties providing labor dispatch, IT and transportation services.

We select a subcontractor primarily based on its qualifications, service coverage, track record, financial strength and price. We carefully manage and monitor the performance of our subcontractors in terms of quality and delivery of their services.

We also require our subcontractors to comply with our internal guidelines and policies in relation to their services. In the event of any failure by our subcontractors to meet our internal guidelines and policies, we may cease to work with them or claim damages.

INSURANCE

We maintain insurance coverage over our daily operations. We carry various policies, such as property insurance, public liability insurance, business interruption insurance, cash insurance and directors, supervisors and senior management liability insurance. In line with general market practices, we do not maintain certain policies that are not available in the locations wherein we operate, or that are not generally required by laws.

We consider our current insurance coverage to be adequate. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustment to our insurance plans to align with our needs and with industry practices. During the Track Record Period, we did not make any material insurance claims in relation to our business.

See "Risk Factors — Our insurance coverage may not fully protect us from significant costs and business disruption."

PROPERTIES

Our headquarters office is located in Shanghai. See "Appendix V — Statutory and General Information." We own and lease properties in China. Pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) that forms part of property activities (as defined in Rule 5.01(2) of the Listing Rules) is or is above 1% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the document must include the full text of a valuation report for such property interest and the total carrying amount of property interests not valued must not exceed 10% of its total assets. As of December 31, 2023, we do not have any property interests with a carrying amount exceeding 1% of our total assets, and the total carrying amount of property interests not valued did not exceed 10% of our total assets. See the property valuation report issued by Cushman & Wakefield in Appendix IV to this Document.

Owned Properties

As of the Latest Practicable Date, we owned land use rights of 52 parcels of land in China with an aggregate site area of approximately 1.4 million sq.m.. In addition, we owned 60 buildings across China. These owned properties were primarily used for our business operations and leased to Wumart Group and certain third-party tenants. We obtained the land use right certificates for all 52 parcels of land and building ownership certificates for 56 buildings as of the Latest Practicable Date.

Land with Defective Land Use Rights Certificates

We have a parcel of land in Jiaxing, Zhejiang province with a total area of approximately 33,165 sq.m.. The acquisition of this parcel of land was subject to a re-registration of land use rights certificate upon the completion of phase I construction, which was not completed as of the Latest Practicable Date. The PRC legal advisors are of the view that based on the written confirmation from the relevant PRC government authority that no non-compliance incident was noted in relation to this parcel of land, the risk of penalty is remote.

We also have one parcel of land in Shenzhen, Guangdong province with a total area of approximately 21,000 sq.m.. The grant of the land use right certificate for this parcel of land is subject to the establishment of our Southern China headquarters or a procurement center, which was not established as of the Latest Practicable Date. As a result, the relevant PRC government authority may confiscate this parcel of land and the relevant property. We believe that such circumstance will not have a material adverse impact on our business operations and results of operations as a whole for the following reasons:

(i) such land accounts for a relatively small area of the total land used by the Group (accounting for 1.50% of the total land area owned by the Group of 1.4 million sq.m.);

(ii) such land is used to operate one of our local fulfillment centers and leased as rental spaces to Wumart Group to operate stores under the Maidelong brand, which is not the vital to the operation of our Group; and

(iii) one of our Controlling Shareholder has undertaken to indemnify the Group for losses caused by the aforementioned title defects.

Buildings Pending Ownership Certificates

We have four buildings owned by us and accounted for as our non-current assets under our statement of financial position that are pending for ownership certificates. These buildings are located in Jiaxing, Dongguan, Xi'an and Shenzhen with a total gross floor area of 56,758 sq.m., representing 9.3% of the total gross floor area of the buildings used by us, and are mainly used as our distribution centers or leased to Wumart Group for operations of stores under the Maidelong brand.

We had not obtained the ownership certificate in relation to the building in Jiaxing, Zhejiang province. As of the Latest Practicable Date, we were in the process of applying for the certificate. Our PRC legal advisors are of the view that we have legal ownership in relation to this building, having considered (i) all filings in relation to its construction were completed, and (ii) the completion-based acceptance was obtained.

We also had not obtained the construction work commencement permits and the completion-based acceptance in relation to the building in Dongguan, Guangdong province. This building is leased to an independent third-party tenant to operate hotel business. As of the Latest Practicable Date, we were in the process of applying for the ownership certificate. The PRC legal advisors are of the view that based on the written confirmation from the relevant PRC government authority that no material non-compliance incident was noted and no administrative penalty was issued by the government authority in relation to this building, the risk of penalty is remote.

We also had not obtained the construction planning permit, the construction work commencement permit and the completion-based acceptance in relation to the building in Xi'an, Shanxi province. We received an administrative decision in relation to penalties of approximately RMB0.9 million in relation to (i) the construction planning permit and (ii) the construction commencement permit, which were fully settled as of the Latest Practicable Date. As of the Latest Practicable Date, we were in the process of applying for the ownership certificate. The PRC legal advisors are of the view that we may be subject to a further penalty in relation to the completion-based acceptance, and be ordered to rectify. We estimate such penalty to amount to approximately RMB1.2 million.

We also had not obtained the construction work commencement permit and the completion-base acceptance in relation to the building in Shenzhen, Guangdong province. As of the Latest Practicable Date, we were in the process of resolving the defective land use right certificate of the parcel of land in Shenzhen where this building is located. The PRC legal advisors are of the view that we may be subject to a penalty, and be ordered to rectify. We estimate such penalty to amount to approximately RMB1.9 million.

The PRC legal advisors are of the view that circumstances set out above, in aggregate, will not have a material adverse impact on our business operations and results of operations based on our confirmation that (i) these buildings accounted for 9.3% of all buildings we own, (ii) these buildings are used for the operations of our local fulfillment centers or leased to tenants, (iii) there had been no dispute in relation to the property rights of these buildings as of the Latest Practicable Date, and (iv) we believe that we can easily find alternative properties at similar costs if we are unable to use such properties or have to relocate.

Leased Properties

As of the Latest Practicable Date, we leased 72 main properties in China with an aggregate gross floor area of approximately 0.8 million sq.m., which were primarily used for offices, food processing facilities and warehouses. The leases generally have a term ranging from one to 20 years.

Pending Consents or Approvals to Lease Specific Properties

As of the Latest Practicable Date, one of our leased properties (with a gross floor area of approximately 56,825.56 sq.m., representing approximately 7.2% of our total leased gross floor area) was located on allocated lands while the lessor failed to provide approvals by relevant land administration and property administration departments in China; lessors of three leased properties (with an aggregate gross floor area of approximately 23,209.28 sq.m., representing approximately 2.9% of our total leased gross floor area) were village collectives who failed to provide us with the approvals by village assemblies; and lessors of four leased properties (with an aggregate gross floor area of approximately 35,987 sq.m., representing approximately 4.5% of our total leased gross floor area) imposed mortgages on such leased properties before entering into lease agreements with us. With respect to these properties, our PRC Legal Advisors are of the view that we would not be subject to any fines or penalties but that we may not be able to lease, occupy and use such leased properties if the lease was challenged by a third-party rights holder.

Pending Property Ownership Certificates

As of the Latest Practicable Date, lessors of 22 leased properties (with an aggregate gross floor area of approximately 265,500 sq.m., representing approximately 33.4% of our total leased gross floor area) did not provide any valid title certificates or relevant authorization documents. With respect to these properties, our PRC Legal Advisors are of the view that we would not be subject to any fines or penalties, but that we may not be able to lease, occupy and use such leased properties if the lease was challenged by a third-party rights holder.

Inconsistency between Actual Usage and Title Certificates

As of the Latest Practicable Date, the actual usage of five leased properties (with an aggregate gross floor area of approximately 106,500 sq.m., representing approximately 13.4% of our total leased gross floor area) was inconsistent with the usage set out in such title certificates or relevant authorization documents. With respect to these properties, our PRC Legal Advisors are of the view that we would not be subject to any fines or penalties, but that we may not be able to lease, occupy and use such leased properties if the lessor was ordered to take correction measures within a specified timeframe by the competent government authority.

Non-registration of Lease Agreements or Use of Basements or Civil Air Defense Projects

As of the Latest Practicable Date, we had not completed rental registration for 51 leased agreements with relevant authorities. Our PRC Legal Advisors are of the view that the non-registration of lease agreements will not affect the validity of the lease agreements, but that the relevant local housing administrative authorities may require us to complete registrations within a specified time frame, and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of such leased agreements.

As of the Latest Practicable Date, 36 of our leased properties had been involved the use of basements or civil air defense projects and had not been registered with the relevant authorities, while the actual use of one of our leased properties was inconsistent with the registered usage of basements or civil air defense projects. Our PRC Legal Advisors are of the view that non-registration will not affect the validity of the lease agreements, but that we may be subject to a fine of between RMB10,000 and RMB30,000 for any delay in making registration for each of these leasing properties.

With respect to our leased properties with defective titles, our PRC Legal Advisors are of the view that the deficiencies will not materially and adversely impact our whole business operations, taking into consideration that (i) we had not received any penalties from the competent government authority as a lessee during the Track Record Period; (ii) we believe we would be able to relocate to a different site relatively easily at a relatively low reallocation cost should we be required to do so; (iii) as of the Latest Practicable Date, we did not have any disputes with the lessors over ownership of the leased properties and such deficiencies will not adversely and materially affect our business and results of operations, and we were not required by a third-party rights holder to relocate from these leased properties; and (iv) the leased properties are located in different provinces or cities, it is unlikely that we are unable to lease or use the properties at the same time.

With respect to non-registration of our lease agreements or use of basements or civil air defense projects, our PRC Legal Advisors are of the view that the relevant properties will not materially and adversely impact our business operations as a whole, taking into consideration that (i) the non-registration will not affect the validity of the lease agreements; (ii) we believe we can easily find alternative properties at similar costs if we are not able to use such properties or have to relocate our businesses; (iii) there exists uncertainty on whether lessors or lessees would be subject to fines for any delay in registering lease agreements pursuant to relevant laws and regulations; (iv) we will cooperate to complete registration of the use of basements or civil air defense projects should we be required to do so; and (v) during the Track Record Period, we were not subject to administrative penalties from the relevant authorities for non-registration, nor did we have any disputes with the lessors concerning non-registration and were not required to relocate from these leased properties.

LEGAL PROCEEDINGS

We are from time to time involved in certain legal proceedings arising in the ordinary course of our business, either as plaintiff, defendant or a third party in litigation or arbitration proceedings. As of the Latest Practicable Date, among the unsettled legal proceedings (we as a defendant), there was one case involving more than RMB10.0 million which was in relation to a contract dispute over the payment for merchandise supplied. The initial amount involved in this unsettled legal proceeding amounted to approximately RMB6.0 million, which was subsequently amended to RMB36.4 million. As of the Latest Practicable Date, we were in the process of responding to this law suit. We believe that this unsettled legal proceeding will not have material adverse impact on our business operations and results of operations, primary because the amount involved accounted for less than 1.0% of our total assets.

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

COMPLIANCE

Save as disclosed in this document, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in during the Track Record Period and up to the Latest Practicable Date.

Non-compliance Incidents

Fire Safety

As of the Latest Practicable Date, we had one property for which we had not obtained the requisite public assembly place fire inspection approvals (the "**fire safety inspection approvals**"). This property is located in Shenzhen, Guangdong, and is used to operate one of our local fulfillment centers and leased to Wumart Group, respectively. This was primarily due to the defective land use rights in relation to the parcel of land in Shenzhen. We are proactively communicating with the relevant competent regulatory authorities and were in the process of applying for fire safety inspections approvals as of the Latest Practicable Date. Under the relevant laws and regulations, we may be required to cease operations of this property which we have not obtained the fire safety inspection approvals. However, the likelihood that this property will be ordered to cease operation is remote. Therefore, we believe that the non-compliances in relation to failure to obtain fire safety inspection approvals would not have a material adverse effect on our business and results of operations as a whole.

We have implemented a series of internal control measures in relation to fire safety to strengthen the effectiveness of our internal control systems, including:

- Designating our compliance team to review fire safety compliance matters regularly and ensuring that we have obtained fire safety inspection approvals in relation to both our owned and leased properties;
- Conducting training session relating to general fire safety awareness and laws and regulations for our employees; and
- Conducting regular inspection of fire safety controls in all stores by relevant staff.

Water Drainage

As of the Latest Practicable Date, we had eight properties in China for which we were required but had not obtained the water drainage permits (the "**water drainage permits**"). These properties are leased to Wumart Group to operate stores under the Maidelong brand. This was primarily due to inadvertence in monitoring the compliance status relating to water drainage by our staff. As advised by our PRC Legal Advisors based on our consultations with the competent authorities in the PRC, the risk of penalty in relation to these properties is low, because as of the Latest Practicable Date, we were applying for these permits. In aggregate, the non-compliances in relation to the failure to obtain water drainage permits would not have a material adverse effect on our business and results of operations, primarily because (i) we had not been investigated, inquired, subject to administrative penalties, or received any notice to rectify, and (ii) we had not received any complaint in relation to these incidents.

We have implemented a series of internal control measures in relation to water drainage to strengthen the effectiveness of our internal control systems, including:

- Designating our compliance team to review water drainage compliance matters regularly and ensure that we will obtain water drainage approvals in relation to both our owned and leased properties; and
- Conducting training session relating to laws and regulations relating to water drainage compliance for our employees.

LICENSES, PERMITS AND APPROVALS

We are required to obtain various licenses, permits, approvals and certificates for our business. As advised by our PRC Legal Advisors, we obtained the requisite licenses, permits, approvals and certificates from applicable authorities which are material to our operations, and such licenses, permits, approvals and certificates are valid and subsisting as of the Latest Practicable Date.

The following table sets forth details of material licenses and permits held by us:

License/Permits	Holder	Granting authority	Expiry date
Food Distribution License (食品經營許可證)	Maidelong Commerce	Shanghai Putuo District Market Regulation Administration (上海市普陀區市場監督管理局)	September 23, 2025
Hygiene License (衛生許可證)	Maidelong Commerce	Shanghai Putuo District Health Commission (上海市普陀區衛生健康委員會)	September 10, 2024
Road Transport Business License (道路運輸經營許可證)	Maidelong Commerce	Shanghai Road Transport Administration (上海市道路運輸管理局)	January 19, 2025

AWARDS AND RECOGNITIONS

We have received awards and recognition in respect of our merchandise, brand and innovation. The following table sets out major awards and recognitions we received up to the Latest Practicable Date:

Year	Name of award or recognition	Awarding Authority
2024	Industry Leadership Award (行業領軍獎)	China Consumer Products Industry Health Initiative (中國消費品行業健康行動)
2024	Retail Billboard: Annual Influential Brand (零售風雲榜–年度影響力品牌)	Morning News (新聞晨報)
2023	Food Education Base (食育基地)	Food Education Index Research Report Group (食育指數研究報告組)
2023	China International Import Expo Shanghai Cooperation and Exchange Purchasing Group: Outstanding Enterprise (中國國際進口博覽會上海市合作交流採購團優秀企業獎)	China International Import Expo (中國國際進口博覽局)
2022	Annual Experience Innovation Excellence Pioneer (年度體驗創新卓越先鋒)	Volcano Engine (火山引擎)
2022	Leading Brand of Nutrition and Health in China (中國營養健康領軍品牌) granted to M Select	China Food Safety News (中國食品安全報社)
2022	Outstanding Brand in the Economy of Beauty (顏值經濟傑出自有品牌) granted to M Select	Forbes China (福布斯中國)
2022	China International Import Expo Shanghai Cooperation and Exchange Purchasing Group: Crucial Supplier (中國國際進口博覽會上海市合作交流採購團重要採購商獎)	China International Import Expo (中國國際進口博覽局)

Year	Name of award or recognition	Awarding Authority
2022	Pioneer Enterprise in Support of the Fight Against COVID-19 Pandemic (同心抗疫先鋒企業)	Malu Town People's Government, Jiading District, Shanghai (上海市嘉定區馬陸鎮人民政府)
2021	China International Import Expo Shanghai Cooperation and Exchange Purchasing Group: Crucial Supplier (中國國際進口博覽會上海市合作交流採購重要採購商)	China International Import Expo (中國國際進口博覽局)
2020	Outstanding Supply Guarantee Shared Enterprise in Wuhan COVID-19 Pandemic (武漢新冠疫情市場保供突出共享企業)	Wuhan Municipal COVID-19 Epidemic Prevention and Control Headquarters (武漢市新冠肺炎疫情防控指揮部)
2019	Top 100 Government Procurement Food Service Quality Trustworthy Supplier (政府採購食材餐飲行業服務信得過供應商100強), ranking first	Government Procurement Big Data Research Institute (政府採購大數據研究院)

OVERVIEW

We have, in our ordinary and usual course of business, entered into a number of transactions with certain entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [**REDACTED**]. Such transactions will continue after the [**REDACTED**] and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

We have entered into a number of transactions with the following entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [**REDACTED**]:

Connected Persons	Connected Relationship
Wumei Technology	One of our Controlling Shareholders
Dmall (Shenzhen) Digital Technology Co., Ltd. (多點(深圳)數字科技有限公司) ("**Dmall (Shenzhen) Digital**")	A subsidiary of Dmall Inc, which is controlled by Dr. Zhang as to over 30%

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

		Annual caps				
		For the years ending December 31,				
Nature of transactions	Counterparties	2024	2025	2026	Applicable Listing Rules	Waiver Sought
		(RMB million)				
1. Trademark License Framework Agreement . .	Wumei Technology and its associates	N/A	N/A	N/A	14A.76(1)(a)	N/A
2. Dmall Property Leasing Framework Agreement . .	Dmall (Shenzhen) Digital and its subsidiaries	N/A	N/A	N/A	14A.76(1)(a)	N/A
3. Wumei Property Leasing Framework Agreement . .	Wumei Technology and its associates	626	660	698	14A.34 to 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirements

		Annual caps				
		For the years ending December 31,				
Nature of transactions	**Counterparties**	**2024**	**2025**	**2026**	**Applicable Listing Rules**	**Waiver Sought**
		(RMB million)				
4. Payments to Wumei Technology and/or its associates regarding sales of Meitong Cards to our customers	Wumei Technology and its associates	184	476	524	14A.34 to 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirements
Payments from Wumei Technology and/or its associates regarding uses of Meitong Cards by our customers		166	445	516		
5. Retail Core Service Cloud Framework Agreement.	Dmall (Shenzhen) Digital and its subsidiaries	92	106	106	14A.34 to 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement requirements
6. Retailer Distribution Solutions Framework Agreement.	Wumei Technology and its associates	16,200	17,200	18,700	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Announcement and independent Shareholders' approval requirements

EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Trademark License Framework Agreement

Parties

Wumei Technology (for itself and on behalf of its associates); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a trademark license framework agreement with Wumei Technology on [●], 2024 (the "**Trademark License Framework Agreement**"), pursuant to which Wumei Technology and its associates agreed to license part of its trademarks for our use in connection with our ordinary course of business and operations (the "**Licensed Trademarks**") on a royalty-free basis for an initial term of three years, subject to renewal by mutual consent. For details of trademarks licensed by Wumei Technology and its associates, see the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights".

2. Dmall Property Leasing Framework Agreement

Parties

Dmall (Shenzhen) Digital (for itself and on behalf of its subsidiaries); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a property leasing framework agreement with Dmall (Shenzhen) Digital on [●], 2024 (the "**Dmall Property Leasing Framework Agreement**"), pursuant to which we will lease office space in the building located at No. 1425, Zhenbei Road, Putuo District, Shanghai, PRC to Dmall (Shenzhen) Digital and charge rent and property service fees, which are determined based on the parties' arm's length negotiations with reference to the actual rents, property service fees and other utilities that apply to other tenants in the same building, and the prevailing market rentals and property service fees of similar grade and sized properties in the same vicinity, charged by landlords that are independent third parties.

The initial term of the Dmall Property Leasing Framework Agreement shall commence on the [**REDACTED**] until December 31, 2026, subject to renewal by mutual consent.

As (i) the license of the trademarks by Wumei Technology to our Group is on a royalty-free basis under the Trademark License Framework Agreement, and (ii) each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules under the Dmall Property Leasing Framework Agreement will not exceed 0.1% on an annual basis. Accordingly, the transactions under the Trademark License Framework Agreement and the Dmall Property Leasing Agreement fall within the de minimis threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

In our ordinary and usual course of business, we have entered into the following transactions which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

3. Wumei Property Leasing Framework Agreement

Parties

Wumei Technology (for itself and on behalf of its associates); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a property leasing framework agreement with Wumei Technology on [●], 2024 (the "**Wumei Property Leasing Framework Agreement**"), pursuant to which our Group will lease certain of our owned or leased properties to Wumei Technology and/or its associates for their retail businesses, and will charge rental fees from Wumei Technology and/or its associates.

The initial term of the Wumei Property Leasing Framework Agreement shall commence on the [**REDACTED**] until December 31, 2026, subject to renewal by mutual consent.

Pricing terms

The rental fees shall be determined based on arm's length negotiation with reference to the independent valuation of the properties to be leased to Wumei Technology and/or its associates, and taken into consideration the actual rents and the prevailing market rental rates of similar grade and sized properties in the same vicinity charged by landlords that are independent third parties. The terms are to be no less favourable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

The supermarkets or convenience stores operated by Wumei Technology and/or its associates have been using such properties during the Track Record Period and up to the Latest Practicable Date. To avoid disruption to the continued operations of Wumei Technology and/or its associates, which are our retailer customers to whom we supply merchandise and provide supply chain services, we engaged in arm's length negotiations with Wumei Technology and/or its associates and leased to them certain properties.

Historical amounts:

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2021	2022	2023
		(RMB in million)	
Rental fees paid by Wumei Technology and/or its associates	540	569	596

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Wumei Property Leasing Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

	For the year ending December 31,		
	2024	2025	2026
		(RMB in million)	
Rental fees payable by Wumei Technology and/or its associates	626	660	698

The above proposed annual caps are determined with reference to:

(a) the existing lease agreements we have entered into with Wumei Technology and/or its associates and the total size of the properties we expect to lease to Wumei Technology and/or its associates considering their estimated business development; and

(b) the rental fees to be charged to Wumei Technology and/or its associates for the three years ending December 31, 2026 estimated with reference to market rental rates.

4. Meitong Card Cooperation Framework Agreement

Parties

Wumei Technology (for itself and on behalf of its associates); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a Meitong Card cooperation framework agreement with Wumei Technology on [●], 2024 (the "**Meitong Card Cooperation Framework Agreement**"), pursuant to which we agreed to sell Meitong Cards (美通卡) to our customers. Meitong Cards are pre-paid cards issued by Wumei Technology which can be used to purchase merchandise from us or in the stores operated by Wumei Technology and/or its associates. Our customers can purchase the pre-paid Meitong Cards with certain discounts depending on, among others, different par values of Meitong Cards and varieties of promotion campaigns in which the Meitong Cards are sold for. When our customers or employees of our customers, in particular our welfare customers, purchase merchandise from us, Meitong Cards can be used as a payment method.

The initial term of the Meitong Card Cooperation Framework Agreement shall commence on the [**REDACTED**] until December 31, 2026, subject to renewal by mutual consent.

Pricing terms

Our Group shall pay Wumei Technology and/or its associates the actual purchase prices of Meitong Cards when our customers purchase Meitong Cards from us. After our customers purchase merchandise from us using the Meitong Cards as the payment method, Wumei Technology and/or its associates will in turn settle with us the total values of such pre-paid cards used by our customers.

Reasons for the transactions

The issuance of Meitong Cards is considered as a general payment method within Wumei Technology and its subsidiaries (including our Group). Customers of Wumei Technology and its subsidiaries (including our Group) could purchase Meitong Cards and use Meitong Cards within Wumei Technology and its subsidiaries (including our Group) while enjoying the discounts and benefits of such pre-paid cards. We believe the use of Meitong Cards is an efficient and convenient payment methods recognized among our customers, which improves their procurement experience and increase our brand awareness leveraging Meitong Cards' existing market reach.

Historical amounts

We started to apply the use of Meitong Cards as a payment method by our customers since June 2024 following our Business Restructuring. Therefore, we did not incur transaction amounts for payments to Wumei Technology and/or its associates regarding sales of Meitong Cards to our customers or payments from Wumei Technology and/or its associates regarding use of Meitong Cards by our customers during the Track Record Period.

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Meitong Card Cooperation Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
		(RMB in million)	
Payments to Wumei Technology and/or its associates regarding sales of Meitong Cards to our customers	184	476	524
Payments from Wumei Technology and/or its associates regarding uses of Meitong Cards by our customers	166	445	516

The above proposed annual caps are determined with reference to:

(a) We started to apply the use of Meitong Cards as a payment method by our customers since June 2024 following our Business Restructuring;

(b) the historical sales amount and sales trend of other prepaid cards, and the utilization rates of such other prepaid cards; and

(c) an estimate of the promotional activities that Wumei Technology and/or its associates and us expect to conduct in relation to sales of Meitong Cards for the three years ending December 31, 2026.

5. Retail Core Service Cloud Solutions Framework Agreement

Parties

Dmall (Shenzhen) Digital (for itself and on behalf of its subsidiaries); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into the retail core service cloud solutions framework agreement with Dmall (Shenzhen) Digital on [●], 2024 (the "**Retail Core Service Cloud Solutions Framework Agreement**"), pursuant to which Dmall (Shenzhen) Digital and/or its subsidiaries shall provide to our Group retail core service cloud solutions ("**Retail Core Service Cloud Solutions**"), which shall include but are not limited to, installation of modules of our operating system based on customer preference and needs, such as modules for supply chain management, product management, store management and distributed e-commerce system; development of mobile applications on our operating system and other software development, customization and maintenance services; provision of ongoing system maintenance and technical support services; provision of AIoT solutions such as our proprietary Scan-and-Go solutions, intelligent loss prevention solutions, intelligent cleaning solutions, intelligent stock management solutions, intelligent package sorting solutions, intelligent delivery solutions and intelligent energy saving solutions, among others. In return, we shall pay solution fees to Dmall (Shenzhen) Digital and/or its subsidiaries.

The initial term of the Retail Core Service Cloud Solutions Framework Agreement shall commence on the [**REDACTED**] until December 31, 2026, subject to renewal by mutual consent.

Pricing terms

The solution fees shall be charged in accordance with the standard pricing terms adopted by Dmall (Shenzhen) Digital and/or its subsidiaries from time to time, either through a take rate fee structure whereby Dmall (Shenzhen) Digital and/or its subsidiaries charge a percentage of our sales value facilitated by the Retail Core Service Cloud Solutions, or a fixed fee. The solution fee shall be determined based on arm's length negotiation on a case-by-case basis with reference to various factors including number of modules subscribed by us, our sales value transacted and facilitated by the Retail Core Service Cloud Solutions, and the scope of operation using such solutions.

Reasons for the transactions

Our business has been supported by Dmall (Shenzhen) Digital and/or its subsidiaries' customized technology services and digitalized transformation solutions covering our operating systems. We consider the use of the Retail Core Service Cloud Solutions provided by Dmall (Shenzhen) Digital and/or its subsidiaries could facilitate the smooth and effective operation of our systems.

Historical amounts:

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2021	**2022**	**2023**
		(RMB in million)	
Solution fees paid to Dmall (Shenzhen) Digital and/or its subsidiaries	35	66	67

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Retail Core Service Cloud Solutions Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
		(RMB in million)	
Solution fees payable to Dmall and/or its subsidiaries	92	106	106

The above proposed annual caps are determined with reference to:

(a) the historical transaction amounts for the abovementioned transactions during the Track Record Period;

(b) the existing agreements with Dmall (Shenzhen) Digital and/or its subsidiaries in relation to the Retail Core Service Cloud Solutions; and

(c) the estimated increase in demand for the scope of the Retail Core Service Cloud Solutions provided by Dmall and/or its subsidiaries along with our business growth, such as to enable other third party suppliers to access to our Maifuli system, establish a retailer order reconciliation system, processing new center and upgraded distribution center, adopting AI and IoT technologies to improve our services to our customers.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

In our ordinary and usual course of business, we have entered into the following transactions which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. Retailer Distribution Solutions Framework Agreement

Parties

Wumei Technology (for itself and on behalf of its associates); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a retailer distribution solutions framework agreement with Wumei Technology on [●], 2024 (the "**Retailer Distribution Solutions Framework Agreement**"), pursuant to which (i) our Group may from time to time supply to Wumei Technology and its associates a great number of categories of merchandise to be sold at their retail outlets; and (ii) our Group may provide the supply chain services to Wumei Technology and/or its associates to optimize their operational efficiencies and save costs. For details, see "Business — Our Business Model — Retailer Distribution Solutions".

The initial term of the Retailer Distribution Solutions Framework Agreement shall commence on the [**REDACTED**] until December 31, 2026, subject to renewal by mutual consent.

Wumei Technology and/or its associates will separately enter into specific agreements which will set out the specific terms and conditions, including type of products/services, procurement volume, sales price or service fees and payment methods.

Pricing terms

Wumei Technology and/or its associates will pay to our Group the procurement and service fees, being the procurement amount with a reasonable range of mark-up rate and a deduction of necessary costs incurred by Wumei Technology and/or its associates for display of merchandise. Such mark-up rate is determined by both parties on an arm's length basis, with reference to (i) the historical fee rates charged by our Group; and (ii) the cost and expense for our Group to conduct procurement and supply chain services under the Retailer Distribution Solutions Framework Agreement. The terms are to be no less favourable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons for the transactions

We are a food and FMCG distribution solution provider, dedicated to providing retailer distribution solution services to retailer customers.

We have built a high-quality product portfolio featuring private label and imported merchandise, which meet the diversified needs of our retailer customers. Our considerable procurement volume, differentiated merchandise sourcing strategies and strong relationships with suppliers enable us to continuously offer a comprehensive selection of high-quality merchandise at competitive prices. Wumei Technology and/or its associates are primarily engaged in the operation of convenience stores and supermarket chains, which requires the procurement of a wide range of high-quality products to be sold in their retail outlets. During the Track Record Period and up to the Latest Practicable Date, Wumei Technology and/or its associates had been procuring merchandise from our Group and we have built thorough understanding of their procurement needs. In addition, such arrangement enables both our Group and Wumei Technology and/or its associates to benefit from the centralized procurement and inventory management capabilities of our Group and discounts offered in relation to the merchandise purchased by Wumei Technology and its associates.

In addition, our supply chain services provided to Wumei Technology and/or its associates supported and supplemented our supply of merchandise to them. During the Track Record Period and up to the Latest Practicable Date, we provided supply chain services to Wumei Technology and/or its associates, which improved their operation efficiency.

Historical amounts:

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2021	**2022**	**2023**
		(RMB in million)	
Supply of merchandise and provision of supply chain services by our Group to Wumei Technology and/or its associates	16,634	16,414	14,932

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Retailer Distribution Solutions Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

	For the year ending December 31,		
	2024	**2025**	**2026**
		(RMB in million)	
Supply of merchandise and provision of supply chain services by our Group to Wumei Technology and/or its associates	16,200	17,200	18,700

The above proposed annual caps are determined with reference to:

(a) the historical transaction amounts for the abovementioned transactions during the Track Record Period; and

(b) the expected increasing demand of merchandise from Wumei Technology and/or its associates to meet its expected business development needs for the three years ending December 31, 2026.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed "— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements" and "— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders' approval requirements" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules.

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements" in this section; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be carried out in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Having taken into account the view of the Directors and the Joint Sponsors' participation in due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions as set out above have been and will be carried out in the ordinary and usual course of business of our Company and on normal commercial terms, and are fair and reasonable in the interests of our Company and the Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

(a) Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules; and

(b) Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

OVERVIEW

The Board currently consists of eight Directors, including one executive Directors, four non-executive Directors and three independent non-executive Directors. All Directors were appointed for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group and formulating profit distribution plans and loss recovery plans of the Group.

The following tables set forth information regarding our Directors and senior management.

Directors and Senior Management

The table below sets forth certain information of our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Executive Director						
Mr. XU Shaochuan (許少川)	53	Chairman of the Board, executive Director and President of the Company	Supervising the overall strategic planning and business direction for the Company	March 1999	October 2020	None
Non-executive Directors						
Mr. ZHANG Bin (張斌)	59	Non-executive Director	Providing professional opinion and judgement to the Board	March 2021	March 2021	None
Mr. ZHANG Lumin (張潞閩)	52	Non-executive Director	Providing professional opinion and judgement to the Board	October 2020	October 2020	None
Mr. MENG Liang (孟亮)	52	Non-executive Director	Providing professional opinion and judgement to the Board	June 2020	June 2020	None
Ms. WANG Yi (王怡)	42	Non-executive Director	Providing professional opinion and judgement to the Board	July 2006	June 2024	None

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Independent Non-executive Directors						
Mr. WANG Hang (王航)	53	Independent non-executive Director	Providing independent opinion and judgment to the Board	October 2020	October 2020	None
Mr. WANG Xiaochuan (王小川)	45	Independent non-executive Director	Providing independent opinion and judgment to the Board	October 2020	October 2020	None
Dr. YE Bangyin (葉邦銀)	54	Independent non-executive Director	Providing independent opinion and judgment to the Board	June 2024	June 2024	None

Our senior management is responsible for the day-to-day management of our business. The following table below sets forth certain information of the senior management of the Group:

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as senior management	Relationship with other Directors and senior management
Mr. XU Shaochuan (許少川)	53	Execute Director and President of the Company	Supervising the overall strategic planning and business direction for the Company	March 1999	October 2020	None
Mr. ZHOU Yang (周揚)	51	Deputy general manager and operation director	Overseeing the overall operation of the Company	May 1997	June 2024	None
Ms. ZHAO Zheng (趙崢)	44	Secretary to the Board	Overseeing Board related matters, information disclosure and investor relations management	October 2001	June 2024	None

DIRECTORS

Executive Director

Mr. XU Shaochuan (許少川), aged 53, has been appointed as an executive Director and the President since October 2020 and the chairman of the Board since June 2024. Currently, he has served as the executive director and chairman of the board of Maidelong Commerce since July 2023. Mr. Xu has over 25 years of experience in corporate management. He joined Wumei Technology in March 1999 and successively held positions including financial manager, deputy director, financial director, vice president, and then concurrently the senior vice president and general manager of Wumart Stores, Inc. (a company listed on the Stock Exchange in November 2003 and delisted in January 2016) from March 1999 to March 2014, and the executive director and the chief operating officer of Wumart Stores, Inc. from June 2014 to June 2024.

Mr. Xu has served as the vice chairman of the China General Chamber of Commerce (中國商業聯合會) since June 2018 and vice chairman of the China Cooperative Trade Enterprises Association (中國合作貿易企業協會) since September 2019.

Mr. Xu obtained his bachelor's degree in economics from Shenyang University of Finance and Economics (瀋陽財經學院) in Liaoning, the PRC in July 1994.

Non-executive Directors

Mr. ZHANG Bin (張斌), aged 59, has been appointed as a non-executive Director since March 2021. Mr. Zhang was involved in the founding of Wumei Technology in 1994 and currently serves as its Chief Executive Officer. He has held several positions in Wumei Technology since 1994, including head of department, head of branch office and a vice president. Mr. Zhang has served as a director of China Finance Online Co. Limited since November 2021, a director of Rifa Securities Limited since December 2022, a director of Rifa Futures Limited and Rifa Asset Management Limited since January 2023, respectively.

Mr. Zhang obtained his bachelor's degree in engineering from Huazhong University of Science and Technology (華中科技大學) (formerly known as Huazhong Institute of Technology) in Hubei, the PRC in 1986, and his master's degree in engineering from the Graduate School of the University of Chinese Academy of Sciences (中國科學院大學) in Beijing, the PRC majored in control theory and application in 1991.

Mr. ZHANG Lumin (張潞閩), aged 52, has been appointed as a non-executive Director since October 2020. He has served as the chief investment officer of Wumei Technology since October 2016, a director of Chongqing Commercial (Group) Co., Ltd. (重慶商社(集團)有限公司) since March 2020, a director of Chongqing Department Store (a company listed on the Shanghai Stock Exchange with stock code 600729) from October 2020 to May 2024, and a supervisor of Chongqing Department Store since May 2024. Mr. Zhang has over 20 years of experience in investment industry. He held several positions with Deutsche Bank from April 2005 to July 2016, including the head of China in the strategic investment department.

Mr. Zhang obtained his bachelor's degree in economics from Nankai University (南開大學) in Tianjin, the PRC in June 1995, and his master's degree in business administration from Kellogg School of Management at Northwestern University in the United States in June 2002.

Mr. MENG Liang (孟亮), aged 52, has been appointed as a non-executive Director since June 2020. He has been the founding managing partner and the CEO of Ascendent Capital Partners (Asia) Limited (上達資本(亞洲)有限公司) since March 2011. Mr. Meng served as a managing director of D. E. Shaw & Co. from May 2007 to March 2011, where he started and managed the firm's Asia Investment office based in Hong Kong. He was the founder and CEO of its China private equity business. Before that, Mr. Meng served as a managing director and co-head of China investment banking at J.P. Morgan, a company listed on the New York Stock Exchange (stock code: JPM), from October 2002 to April 2007.

Mr. Meng obtained his bachelor's degree in science, summa cum laude from Chapman University in the United States in January 1995, and his master's degree in public and private management from Yale School of Management in the United States in May 1997, where he currently is a member of the Global Advisory Board and a Donaldson Fellow. Mr. Meng is the vice chairman of the Hong Kong Venture Capital and Private Equity Association. He is also a member of the board of Pacific Pension Institute.

Ms. WANG Yi (王怡), aged 42, has been appointed as a non-executive Director since June 2024. Prior to that, Ms. Wang has served as the board secretary, deputy chief financial officer and company secretary of our Company from September 2020 to June 2024. She has served as the vice president, the board secretary and company secretary of Dmall Inc. since August 2022. Ms. Wang has over 18 years of experience in corporate governance and investor relations. She served consecutively as the secretary of the executive committee, the investor relations manager and the senior investor relations manager of Wumart Stores, Inc. (a company listed on the Stock Exchange in November 2003 and delisted in January 2016) from July 2006 to March 2013. After that, she acted as the company secretary, the secretary to the board of directors and a deputy director of the Finance Department of Wumart Stores, Inc. from June 2013 to January 2016. From January 2016 to September 2020, she held positions as the investment director and the secretary to the board of directors concurrently in Wumei Technology.

Ms. Wang obtained her bachelor's degree and master's degree in economics from Nankai University (南開大學) in Tianjin, the PRC in June 2004 and June 2006, respectively.

Independent Non-Executive Directors

Mr. WANG Hang (王航), aged 53, has been appointed as an independent non-executive Director since October 2020. Mr. Wang is the founding partner of Hosen Capital (厚生投資), a Chinese private equity firm focusing on food and consumer sectors since he co-founded it in March 2010. He has acted as a director of New Hope Liuhe Co., Ltd. (新希望六和股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000876), since November 2011, a vice chairman of the board of New Hope Group Co., Ltd. (新希望集團有限公司) since 2012, a vice chairman of the board of CMBC International Holdings Limited (民生商銀國際控股有限公司) since March 2015, an independent non-executive director of Kingsoft Cloud Holdings Ltd, a company listed on the Stock Exchange (stock code: 3896) since May 2020.

Mr. Wang has over 24 years of experience in corporate management. Mr. Wang held several positions with New Hope Group Co., Ltd. (新希望集團有限公司), including a chief operating officer of the Finance Department and a vice president successively from 2001 to 2012. From July 2006 to October 2020, he first served as a non-executive director and then a supervisor of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a company listed on the Stock Exchange (stock code: 1988) and the Shanghai Stock Exchange (stock code: 600016).

Mr. Wang obtained his bachelor's degree and master's degree in economics from Peking University (北京大學) in Beijing, the PRC, July 1992 and July 1996, respectively.

Mr. WANG Xiaochuan (王小川), aged 45, has been appointed as an independent non-executive Director since October 2020, and has served as the founder and executive director of Beijing Baichuan Intelligent Technology Co., Ltd. (北京百川智能科技有限公司) since March 2023. Mr. Wang has more than 20 years of experience in management. He joined Sohu.com Limited, a company listed on Nasdaq Stock Market (stock code: SOHU) in 2013, and held several positions, including a senior vice president from 2008 to 2009 and the chief technology officer from 2009 to 2013. He served as the chief executive officer of Beijing Sogou Technology Development Co., Ltd. (北京搜狗科技發展有限公司), a company whose shares were previously listed on the New York Stock Exchange (delisted in September 2021, previous symbol: SOGO), from October 2010 to October 2021. Mr. Wang has been an independent director of Navinfo Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002405) since October 2021. Mr. Wang Xiaochuan served as an independent director of the Sunlands Technology Group, a company whose shares are listed on the New York Stock Exchange (symbol: STG), from March 2018 to March 2021, a supervisor of Beijing Airdoc Technology Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 2251) from December 2020 to May 2021, and an independent director of Jiangsu Yitong High-tech Co., Ltd., a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300211) from February 2021 to April 2023.

He was qualified as a senior engineer by Beijing Senior Professional and Technical Qualifications Audit Committee (北京市高級專業技術資格審計委員會) in May 2019.

Mr. Wang obtained his bachelor's degree, master's degree and doctoral degree in computer science and technology from Tsinghua University (清華大學) in Beijing, the PRC in July 2000, July 2003 and June 2021, respectively.

Dr. YE Bangyin (葉邦銀), aged 54, has been appointed as an independent non-executive Director since June 2024. He has over 33 years of experience in finance, accounting and auditing. Dr. Ye has successively served as the deputy director of accounting department, deputy dean of the school of Crowe Chinese auditing and executive dean of school of Chinese auditing from Nanjing Audit University (南京審計大學) since September 2011.

Dr. Ye has also served as an independent director of Duolun Technology Corporation Ltd. (多倫科技股份有限公司), a company listed on the Shanghai Stock Exchange with stock code 603528, since December 2020; an independent director of Nanjing Hanrui Cobalt Co., Ltd. (南京寒鋭鈷業股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code 300618, since February 2021; an independent director of Nanjing Public Utilities Development Co., Ltd. (南京公用發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000421), since May 2021; and an independent director of Suzhou Junchuang Auto Technologies Co., Ltd. (蘇州駿創汽車科技股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 833533), from August 2022 to November 2023.

Dr. Ye obtained his bachelor's degree in accounting from Nanjing Grain Economics Institute (南京糧食經濟學院, currently known as Nanjing University of Finance and Economics (南京財經大學)) in June 1991, master's degree in accounting from China University of Geosciences (Beijing) (中國地質大學(北京)) in Beijing, the PRC in July 2008 and doctoral degree in resources industrial economics from China University of Geosciences (Beijing) (中國地質大學(北京)) in Beijing, the PRC in January 2014, respectively. He obtained the title of qualified accountant in May 1997. Dr. Ye was appointed as an accounting consulting expert of Jiangsu Province Financial Office (江蘇省財政廳會計諮詢專家) in December 2020 and was admitted in Jiangsu Province Certified Public Accountant Profession Tutor Resources Library (江蘇省註冊會計師行業師資庫) in March 2024.

SENIOR MANAGEMENT

Mr. XU Shaochuan (許少川) is the Chairman, an executive Director and the President of the Company. See "— Directors — Executive Director" in this section for his biographical details.

Mr. ZHOU Yang (周揚), aged 51, has been appointed as the deputy general manager and operation director since June 2024. Mr. Zhou has over 20 years of experience in operation management. He has successively served as several positions in Maidelong Commerce since May 1997, with his current position as the director, chief operating officer and vice president of Maidelong Commerce.

Mr. Zhou obtained his master's degree in business administration in National University in the United States in April 2005 through correspondence learning.

Ms. ZHAO Zheng (趙崢), aged 44, has been appointed as the secretary to the Board since June 2024. Ms. Zhao has over 20 years of experience in corporate governance and capital operation. She successively served as the manager, senior manager of securities department and deputy director of the board office in Wumart Stores, Inc. (a company listed on the Stock Exchange in November 2003 and delisted in January 2016) from October 2001 to February 2016. She has successively been serving as the deputy director and director of capital operation of Wumei Technology since February 2016.

Ms. Zhao obtained her junior college degree in accounting from Guilin University of Aerospace Technology (桂林航天工業學院) in Guangxi, the PRC in June 2001.

JOINT COMPANY SECRETARIES

Ms. ZHAO Zheng (趙崢) is one of the joint company secretaries of the Company. For the biographical details of Ms. Zhao, please see "— Senior Management."

Ms. XIE Dong (謝東) is one of the joint company secretaries of the Company. Ms. Xie has over 20 years of experience in corporate secretarial field. She served as the secretary to the chairman of the board of Wumei Technology from December 1999 to November 2002. Ms. Xie consecutively served as the board secretary, a joint company secretary and the sole company secretary of Wumart Stores, Inc. (a company listed on the Stock Exchange in November 2003 and delisted in January 2016) from November 2002 to June 2013. She has been successively serving as several positions including the vice president and the board secretary of Dmall Inc. from April 2015 to July 2023.

Ms. Xie obtained the lawyer's qualification certificate from the Ministry of Justice of the PRC in 1998.

The Company considers that Ms. Xie is capable of discharging her duties as our company secretary and providing assistance to Ms. Zhao for acquiring relevant experience by virtue of her past experience and thorough understanding of the Group, in particular:

(1) Ms. Xie served as a company secretary of a company whose shares were listed on the GEM Board and Main Board, and has extensive experience with the international capital market, corporate governance, communication with regulatory authorities and investor relations. She served as a joint company secretary of Wumart Stores, Inc. (a company listed on the GEM Board of the Stock Exchange in November 2003, transferred to the Main Board in June 2011 and delisted in January 2016) from November 2003 to February 2008;

(2) in July 2007, Ms. Xie received a confirmation from the GEM [**REDACTED**] of the Stock Exchange, confirming that she has satisfied the requirements to be the company secretary of a listed issuer under Rule 5.14(2) of the GEM Listing Rules, and has been accepted as the sole company secretary. She has became the sole company secretary of Wumart Stores, Inc. since February 2008;

(3) in June 2011, Wumart Stores, Inc. was transferred from GEM Board to the Main Board and Ms. Xie continued to serve as the sole company secretary until June 2013;

(4) Ms. Xie joined our Group in 1999 and has gained a thorough understanding of the internal administration and business operation of the Group. She is also familiar with the Group's finance and compliance matters, as well as its overall operation; and

(5) Ms. Xie will also be assisted by the Compliance Adviser of the Company on matters concerning the Company's ongoing compliance with the Listing Rules and the applicable laws and regulations after the [**REDACTED**].

Based on the above, we believe that Ms. Xie has the relevant experience required under Rule 3.28 of the Listing Rules and is a suitable person to act as the joint company secretary of the Company.

BOARD COMMITTEES

The Company has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three members, including two independent non-executive Directors, namely Dr. YE Bangyin and Mr. WANG Hang and one non-executive Director, Mr. ZHANG Lumin. Dr. YE Bangyin currently serves as the chairman of the Audit Committee and is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee (the "**Remuneration Committee**") in compliance with Rule 3.25 of the Listing Rules and with written terms of references in compliance with the Code on Corporate Governance set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration

Committee consists of three members, including two independent non-executive Directors, namely Mr. WANG Hang and Dr. YE Bangyin and one non-executive director, Mr. MENG Liang. Mr. WANG Hang currently serves as the chairman of the Remuneration Committee.

Nomination Committee

We have established a nomination committee (the "**Nomination Committee**") in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)' ability to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive director(s)' ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, including two independent non-executive Directors, namely Mr. WANG Hang and Dr. YE Bangyin and one executive director, Mr. XU Shaochuan. Mr. XU Shaochuan currently serves as the chairman of the Nomination Committee.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which could require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on June 19, 2024, and (ii) understands his or her obligations as a director of a [**REDACTED**] issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his/her appointments.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board is of the view that our current Board composition satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board. After the [**REDACTED**], the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness.

Our Board currently consists of one female Director and seven male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management. The Board will invest more resources in training female staff who have long and relevant experience in our business, with the aim of promoting them to senior management or directorship positions within our Group. The Board will also take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for its appointments. While we recognize that the gender diversity at our Board level can be improved given the majority of our Directors are male, we will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole. Our Board would also ensure that appropriate balance of gender diversity is achieved with reference to investors' expectation, and international and local recommended best practices. The Company is of the view that the Board satisfies our Board Diversity Policy.

Furthermore, the Nomination Committee will review the Board composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making a recommendation to the Board on the appointment of new Directors. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

For details of the service contracts and appointment letters that we have entered into with our Directors, see "Statutory and General Information — C. Further Information about our Directors — 1. Particulars of Directors' service contracts and appointment letters" in Appendix V to this document.

The aggregate amount of fees, salaries, allowances, performance related bonuses, retirement benefits scheme contributions and benefits in kind we paid to our Directors in respect of the financial years ended December 31, 2021, 2022 and 2023 were approximately RMB1.18 million, RMB1.02 million and RMB1.00 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountants' Report in Appendix I to this document.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2024 is expected to be approximately RMB1.64 million.

For the financial years ended December 31, 2021, 2022 and 2023, the aggregate amount of fees, salaries, allowances, performance related bonuses, retirement benefits scheme contributions and other benefits paid to the five highest paid individuals were RMB17.92 million, RMB17.57 million and RMB19.70 million, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in the Accountants' Report in Appendix I to this document.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with all corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Hong Kong Listing Rules after the [**REDACTED**].

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances and/or matters including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or [**REDACTED**] volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules after the [**REDACTED**].

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules after the [**REDACTED**] except for Code Provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and president should be separate and should not be performed by the same individual.

The roles of chairman of the Board and the president of the Company are currently performed by Mr. XU Shaochuan. In view of Mr. Xu's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. Xu acting as both our chairman and president will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it is appropriate and beneficial to our business development and prospects that Mr. Xu continues to act as both our chairman and president after the [**REDACTED**], and therefore currently do not propose to separate the functions of chairman and president.

While this would constitute a deviation from Code Provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this arrangement will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Hong Kong Listing Rules; (ii) Mr. Xu and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and president is necessary.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Zhang, through various intermediary entities controlled by him, namely Beijing Jingxi Guigu Technology Company Limited, Beijing Zhongsheng Huate Technology Co., Ltd., Wumei Technology, Wumei Southern Technology Company Limited (物美南方科技有限責任公司) ("**Wumei Southern Technology**"), Retail Enterprise Corporation Limited ("**Retail Enterprise**"), Wumei Holdings Limited, Wumart Stores Limited, Wumart HK and WM Innovation Limited, is interested in approximately 61.58% of our issued share capital. In addition, our Company was held as to 11.38% by Digit Lab Limited, which is ultimately controlled by Dr. Zhang through AZ Global Limited, and 0.35% by Foremost Way Limited, which is wholly owned by Dr. Zhang.

Therefore, Dr. Zhang, through the above intermediary entities, owns a total of approximately 73.31% of the issued share capital of our Company as of the Latest Practicable Date and approximately [**REDACTED**]% of our enlarged share capital immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). As such, Dr. Zhang, Beijing Jingxi Guigu Technology Company Limited, Beijing Zhongsheng Huate Technology Co., Ltd., Wumei Technology, Wumei Southern Technology, Retail Enterprise, Wumei Holdings Limited, Wumart Stores Limited, Wumart HK, WM Innovation Limited, Digit Lab Limited, AZ Global Limited and Foremost Way Limited constitute a group of Controlling Shareholders of our Company upon completion of the [**REDACTED**].

RELATIONSHIP WITH WUMEI TECHNOLOGY

No Competition and Clear Delineation of Business

Our principal business

We are a food and FMCG distribution solution provider, dedicated to providing safe, high-quality merchandise and efficient and convenient solutions to customers. Our comprehensive range of food and FMCG distribution solutions mainly include (i) welfare and gifting solutions, and food service and distribution solutions for corporate and institutional customers; and (ii) retailer distribution solutions (which comprise product sales to retailers and supply chain service) for retailer. See "Business" for further details.

Principal business of our Controlling Shareholders

Our Controlling Shareholders and their respective associates hold more than 10% interests in certain businesses such as companies engaging in operation of department stores, supermarkets, convenience stores, household electrical appliances, household appliances, household decoration materials and provision of digitalization solutions in the PRC. Therefore, there is a clear delineation between those businesses and our Group.

Each of the Controlling Shareholders confirms that he/it was not interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

CONFIRMATION OF DIRECTORS

Save as disclosed in this document, our Directors have confirmed that they are not interested in any business, apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with our Group's business under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

Wumei Technology, one of our Controlling Shareholders, has signed a non-competition undertaking on [●] in favor of our Group (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, Wumei Technology has irrevocably undertaken that it would not and will procure that its close associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm or company, among others, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is or may be in competition with the business of any member of our Group from time to time (the "**Restricted Business**").

The undertaking in the Non-competition Undertaking does not apply where:

(i) Wumei Technology and/or its close associates hold any interests in the shares of any member of our Group or conduct business on behalf of any member of our Group;

(ii) Wumei Technology and/or its close associates hold, directly or indirectly, any equity interests in any companies listed on any stock exchange other than our Group;

(iii) Wumei Technology and/or its close associates hold any equity interests in any company other than our Group, provided that:

  (a) according to the latest audited accounts of the company, the Restricted Business in which the company is engaged (and its related assets) accounts for less than 10% of the consolidated sales or consolidated assets of the company; and

  (b) the total number of shares held by Wumei Technology and/or its close associates account for no more than 5% of the shares of the same class issued by the relevant company, and Wumei Technology and/or its close associates have no right to appoint most of the directors of the company;

(iv) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by Wumei Technology and/or its respective close associates to us, and after decision by the Company, has been declined in writing or failed to respond within thirty (30) working days (the notification period could be extended to sixty (60) working days if requested by us) after being notified of such opportunity to invest, participate, be engaged in or operate the Restricted Business.

Pursuant to the Non-competition Undertaking, the above restrictions would only cease to have effect on Wumei Technology upon the earlier of: (i) the Shares of our Company cease to be listed on the Stock Exchange; and (ii) Wumei Technology ceases to be a Controlling Shareholder.

Option for New Business Opportunities

Wumei Technology has undertaken in the Non-competition Undertaking that if it and its close associates (excluding our Group's member companies) becomes aware of, has received notice about, is recommended or provided with new business opportunities which will or may directly or indirectly compete with the Restricted Business, including but not limited to the opportunities which are the same as or similar to the Restricted Business (the "**New Business Opportunities**"), it shall refer or recommend, and shall procure its close associates (excluding the Group's member companies) to refer or recommend the New Business Opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties in accordance with the following:

(1) Wumei Technology shall provide our Group with a written notification which includes all reasonable and necessary information known to Wumei Technology and/or its close associates (excluding the Group's member companies) (including but not limited to the nature of the New Business Opportunities and necessary information relating to the cost of the relevant investment or acquisition) for our Group to consider (a) whether the New Business Opportunities constitute competition or potential competition to the Restricted Business; and (b) whether engaging in such New Business Opportunities would be in the best interests of our Group (the "**Offer Notice**"); and

(2) The Group shall respond to Wumei Technology and/or its close associates (excluding the Group's member companies) within thirty (30) working days upon receipt of the Offer Notice (the notification period could be extended to sixty (60) working days if requested by us). If our Group fails to reply to Wumei Technology and/or its close associates (excluding the Group's member companies) within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Group determines to take up the New Business Opportunities, Wumei Technology and/or its close associates (excluding the Group's member companies) would be obligated to offer such New Business Opportunities to our Group.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to take up a new business opportunity referred to us by the Controlling Shareholders and/or his close associates. When Wumei Technology and/or its close associates deliver to us the Offer Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before returning to Wumei Technology and/or its close associates within the 30-day period from the date of receiving such Offer Notice. When considering whether or not to exercise the option for an acquisition, our independent non-executive Directors will form their views based on a range of factors, including, but not limited to, the development stage of the business, estimate profitability and investment as well as whether it is in line with our strategy.

Pre-emptive Right

Wumei Technology has undertaken that if it and/or its close associates (excluding the Group's member companies) intend to transfer, sell, lease or license concession to a third party any businesses engaged in by it and/or its close associates which competes or may competes with the Restricted Business or any other businesses which would cause direct or indirect competition with the Restricted Business, they shall offer our Group such opportunity with a pre-emptive right on equal terms subject to the relevant laws, regulations and contractual arrangements with third parties in accordance with the following:

Wumei Technology and/or its close associates (excluding the Group's member companies) shall provide the Company with written notice no later than the time of any such disposal (the "**Disposal Notice**"). For the avoidance of doubt, Wumei Technology and/or its close associates (excluding the Group's member companies) are entitled to provide information and/or a Disposal Notice relating to such disposal to any third parties at the same time as or after providing the Disposal Notice to the Company;

(1) The Company shall reply to Wumei Technology and/or its close associates (excluding the Group's member companies) in writing by whichever is the later of the thirtieth (30th) working day after receipt of the Disposal Notice (the notification period could be extended to sixty (60) working days if requested by us) or the expiration of the period offered to third parties for them to reply in writing, before exercising the pre-emptive right;

(2) If the Company intends to take up such pre-emptive right, the terms shall be determined with reference to fair market terms; and

(3) Wumei Technology and/or its close associates (excluding the Group's member companies) shall not dispose of such businesses and interests to any third parties unless (a) the Company declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive right has not been received by Wumei Technology and/or its close associates (excluding the Group's member companies) from the Company by whichever is the later of the thirtieth (30th) working day after receipt of the Disposal Notice (the notification period could be

extended to sixty (60) working days if requested by us) and the expiration of the period offered to third parties for them to reply; or (c) the Company fails to offer Wumei Technology and/or its close associates (excluding the Group's member companies) the same or more favorable terms of acquisition than those offered by any third parties to Wumei Technology and/or its close associates.

For the avoidance of doubt, the terms of disposal offered by Wumei Technology and/or its close associates (excluding the Group's member companies) to any third parties shall not be more favorable than those to be offered to the Company.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise our pre-emptive right. When Wumei Technology and/or its close associates deliver to us the Disposal Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration before reverting to Wumei Technology and/or its close associates within the 30-day period from the date of receiving such Disposal Notice. When considering whether or not to exercise our pre-emptive right, our independent non-executive Directors will form their views based on a range of factors, including, but not limited to, the development stage of the business, estimate profitability and investment as well as whether it is in line with our strategy.

Option for Purchase

To the extent that no relevant laws and regulations are breached and agreements with third parties are complied with, the Company is entitled to acquire any businesses operated by the Controlling Shareholders and/or their close associates (excluding the Group's member companies) which compete or may compete with the Restricted Business or have the option to acquire any businesses or any interests engaged in by Wumei Technology and/or its close associates (excluding the Group's member companies) through the abovementioned New Business Opportunities (the "**Option for Purchase**"). The Company is entitled to exercise the Option for Purchase, whether singly or separately, at any time, and Wumei Technology and/or its close associates (excluding the Group's member companies) shall offer the Option for Purchase to the Company on the condition that the commercial terms of a proposed acquisition shall be arrived at solely by a committee consisting of our independent non-executive Directors after consulting the views of independent experts (if necessary). Furthermore, such commercial terms shall be based on negotiation between the parties involved in line with the normal commercial practice of the Company, and shall be fair, reasonable and in the interests of the Company as a whole through the negotiation with Wumei Technology and/or its close associates (other than the Group's member companies).

However, if a third party has the pre-emptive right in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders' agreements), the Company's Option for Purchase shall be subject to such third-party rights. In such case, Wumei Technology and/or its close associates (excluding the Group's member companies) will use their best efforts to persuade the third party to waive his/her/its pre-emptive rights.

Further Undertakings

Wumei Technology has further undertaken that, subject to relevant laws, regulations or contractual arrangements with third parties:

- at the request of the Group, it shall provide, and shall procure that its close associates (excluding the Group's member companies) will provide, any necessary information for the implementation of the Non-competition Undertaking;

- it shall allow the Authorized Representatives or auditors of the Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgment of the Group in respect of whether it and/or its close associates have complied with the Non-competition Undertaking; and

- it shall ensure that, within ten (10) working days of receipt of the written request from the Group, necessary confirmation shall be made in writing to the Group as to the performance of the Non-competition Undertaking by it and/or its close associates (other than the Group's member companies), and the consent of it and its close associates to allow such confirmation to be included in the our annual reports.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our business will function independently from our Controlling Shareholders and their respective close associates upon [**REDACTED**].

Management Independence

Our business is managed and operated by our Board and senior management, and our Directors are of the view that our Board and senior management team are able to manage our business independently from the Controlling Shareholders and their associates for the following reasons:

(i) our executive Director and senior management members do not hold or have resigned from certain roles in our Controlling Shareholders and/or their close associates but are in the process of completing filing procedures, and the procedures, if applicable, are expected to be completed before the [**REDACTED**];

(ii) our non-executive Directors, namely Mr. ZHANG Bin, Mr. ZHANG Lumin and Ms. WANG Yi, hold certain positions in our Controlling Shareholders and their close associates. However, each of them is a non-executive Director and will not be involved in the day-to-day operations of our business;

(iii) according to the Articles of Association, in the event that there is potential conflict of interest arising out of any transaction our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall not be counted towards the quorum for the voting;

(iv) we have appointed three independent non-executive Directors to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates;

(v) each of our Directors is aware of his/her fiduciary duties and responsibilities under the Listing Rules as a director, which require that he/she acts in the best interests of our Company and our Shareholders as a whole;

(vi) where a Shareholders' meeting is held to consider a proposed transaction in which any of the Controlling Shareholders have a material interest, the relevant Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and

(vii) our Company has appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Operational Independence

Our Group holds all the relevant material licenses, qualifications and permits required for conducting our business. Our Group has sufficient capital, facilities and employees to operate our business independently from the Controlling Shareholders and its close associates. Our Group also has independent access to our clients. We have our own accounting and financial department, human resources and administration department, internal control department and technology department. In addition, we have established our internal organizational and management structure which includes shareholders' meetings, our Board and its committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

Our Directors are of the view that our Group will be able to operate independently from the Controlling Shareholders and their respective close associates after the [**REDACTED**].

During the Track Record Period, our Group conducted certain transactions with our Controlling Shareholders and their associates on a recurring basis which are expected to continue after the [**REDACTED**] and will constitute continuing connected transactions of our Company under the Listing Rules. Details of each of the continuing connected transactions are set out in the section headed "Connected Transactions" in this Document. Such transactions are entered into in the ordinary and usual course of business of our Group and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favorable to our Group than terms offered by Independent Third Parties. Our Directors believe that the continuing connected transactions between our Group and our Controlling Shareholders do not indicate any undue reliance by our Group on our Controlling Shareholders and are beneficial to our Group and our Shareholders as a whole for the reasons set out below:

Retailer Distribution Solutions

Pursuant to the Retailer Distribution Solutions Framework Agreement, our Group may from time to time supply to Wumei Technology and its associates all categories of merchandise to be sold at their retail outlets, and our Group may provide supply chain services to Wumei Technology and/or its associates to optimize their operational efficiencies and save costs. The details are set out in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Retailer Distribution Solutions Framework Agreement". We believe that such arrangement does not constitute undue reliance on Wumei Technology on the following grounds:

(1) Long-standing and mutually beneficial relationship

Wumei Technology and/or its associates are primarily engaged in the Retail Business and need a wide range of high-quality products to be sold in their retail outlets. We have been supplying merchandise and providing supply chain services to Wumei Technology and/or its associates during the Track Record Period and up to the Latest Practicable Date through which we have built thorough understanding of their procurement needs and there has been continued long-term, stable and mutually beneficial business relationship between our Group and Wumei Technology and/or its associates. We have built a high-quality product portfolio featuring private label and imported merchandise, which meet the diversified needs of Wumei Technology and/or its associates. Our considerable procurement volume and strong relationships with suppliers enable us to continuously offer a comprehensive selection of high-quality merchandise at competitive prices, while our long-term and stable business relationships enable us to grow alongside Wumei Technology and/or its associates' development and expansion. To maintain a mutually beneficial relationship in the best interest of the shareholders of both our Group and Wumei Technology, we believe the likelihood that our relationships with Wumei Technology will materially adversely change or terminate is remote.

(2) Merchandise supply and supply chain services to other customers

Wumei Technology and/or its associates was our largest customer during the Track Record Period. Nevertheless, we also supply merchandise and provide supply chain services to other independent customers. The merchandise we supplied to Wumei Technology and/or its associates are not customized products which could also be supplied to other customers. We have entered into cooperation agreements with those independent customers and we also expect to further expand our customer base leveraging our abundant experience in offering comprehensive range of merchandise to top retailers and our strong global supply chain capabilities.

(3) Fair and reasonable pricing terms

Wumei Technology and/or its associates will pay to our Group the procurement fees, being the procurement amount with a reasonable range of mark-up rate. Such mark-up rate is determined by both parties on an arm's length basis, with reference to (i) the historical fee rates charged by our Group from Wumei Technology and/or its associates; (ii) the scope of supply chain services as requested by Wumei Technology and/or its associates; and (iii) the cost and expense for our Group to conduct procurement services under the Retailer Distribution Solutions Framework Agreement. The terms are to be no less favourable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

(4) High level of transparency and corporate governance measures

Our transactions with Wumei Technology will be subject to relevant requirements under the Listing Rules, including but not limited to, independent shareholders' approval and the review by our independent non-executive Directors and auditors on an annual basis. As such, upon [**REDACTED**], the Shareholders of the Company will be well protected as the fairness and reasonableness of the transactions under the Retailer Distribution Solutions Framework Agreement, will be closely and regularly monitored by our independent shareholders, independent non-executive Directors and auditors.

Retail Core Service Cloud Solutions

Pursuant to the Retail Core Service Cloud Framework Agreement, Dmall (Shenzhen) Digital and/or its subsidiaries shall provide our Group with core service cloud solutions, e-commerce service cloud solutions, technical support services, marketing and advertising service cloud solutions and other intelligent services. In return, we shall pay service fees to Dmall (Shenzhen) Digital and/or its subsidiaries. The details are set out in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Retail Core Service Cloud Framework Agreement". We believe that such arrangement does not constitute undue reliance on Dmall (Shenzhen) Digital and/or its subsidiaries on the following grounds:

(1) Long-standing and mutually beneficial relationship

Our business has been supported by Dmall (Shenzhen) Digital and/or its subsidiaries' customized technology services and digitalized transformation solutions covering our operating systems during the Track Record Period and up to the Latest Practicable Date. The technologies provided by Dmall (Shenzhen) Digital and/or its subsidiaries are well-recognized for its functionality and format coverage, which deploys stable data centers and standardized data collection, storage, and utilization functions and integrates an array of functionalities that could facilitate the smooth and effective operation of our systems.

Meanwhile, we are the second-largest food and FMCG distribution solution provider and the second-largest retail distribution solution provider in China in terms of revenue in 2023 according to Frost & Sullivan, providing comprehensive range of food and FMCG distribution solutions to our corporate and institutional customers as well as retailer customers. Given our leading position and the contribution of our Group to the revenue of Dmall (Shenzhen) Digital and/or its subsidiaries, we consider that Dmall (Shenzhen) Digital and/or its subsidiaries has every interest to deliver under the Retail Core Service Cloud Business, and it is highly unlikely that Dmall (Shenzhen) Digital and/or its subsidiaries will intentionally cease or reduce its services to our Group.

(2) Sourcing from other digitalized service providers

We believe that it is common for peer companies in the industry to source their digitalized service from third parties. While we engaged Dmall as our core service cloud solutions provider, providing relevant e-commerce service cloud solutions, technical support services, marketing and advertising service cloud solutions and other intelligent services, we currently also engage other Independent Third Party digitalized service provider to formulate our baseline IT design and software and application solutions such as electronic invoice services, financial systems operation and maintenance services, price comparison system and Star Farm system. Although in the unlikely event that Dmall (Shenzhen) Digital and/or its subsidiaries would cease or is unable to supply merchandise to us, we believe that we would be able to source from alternative suppliers with similar services and terms as Dmall (Shenzhen) Digital and/or its subsidiaries.

(3) Fair and reasonable pricing terms

The service fees shall be charged in accordance with the standard pricing terms adopted by Dmall (Shenzhen) Digital and/or its subsidiaries from time to time, either through a take rate fee structure whereby Dmall (Shenzhen) Digital and/or its subsidiaries charge a percentage of our sales value facilitated by the Retail Core Service Cloud Solutions, or a fixed fee. The service fee shall be determined based on arm's length negotiation on a case-by-case basis with reference to various factors including number of modules subscribed by us, our sales value transacted and facilitated by the Retail Core Service Cloud Solutions, and the scope of operation using such solutions.

(4) High level of transparency and corporate governance measures

Our transactions with Dmall (Shenzhen) Digital will be subject to relevant requirements under the Listing Rules, including but not limited to, independent shareholders' approval and the review by our independent non-executive Directors and auditors on an annual basis. As such, upon [**REDACTED**], the Shareholders of the Company will be well protected as the fairness and reasonableness of the transactions under the Merchandise Supply and Supply Chain Service Framework Agreement, will be closely and regularly monitored by our independent shareholders, independent non-executive Directors and auditors.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently from our Controlling Shareholders and their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

As of the Latest Practicable Date, we had certain non-trade amounts due to our Controlling Shareholders and/or their respective close associates. Such non-trade related balances will be fully settled before the [**REDACTED**]. See "Financial Information — Amounts Due to Related Parties".

Based on the above, our Company considers that our business is financially independent of our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance.

Each of our Controlling Shareholders has confirmed that he/it fully comprehends her/his/its obligations to act as our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) where a board meeting or Shareholders' meeting is to be held for considering proposed transactions in which any of our Director or Controlling Shareholder or any of their respective close associates has a material interest, the relevant Director or Controlling Shareholder will not vote on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholder (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholder will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held immediately before the [REDACTED][7]		Shares held immediately following the completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised)	
		Number	Percentage	Number	Percentage
Dr. Zhang[1][2][3]	Interest in controlled corporations	1,836,827,640	61.93%	[**REDACTED**]	[**REDACTED**]%
	Founder/ Beneficiary of a trust	337,562,540	11.38%	[**REDACTED**]	[**REDACTED**]%
Wumart HK	Beneficial interest	1,823,220,760	61.47%	[**REDACTED**]	[**REDACTED**]%
WM Innovation Limited[1]	Beneficial interest	3,220,600	0.11%	[**REDACTED**]	[**REDACTED**]%
Wumart Stores Limited[1]	Interest in controlled corporations	1,826,441,360	61.58%	[**REDACTED**]	[**REDACTED**]%
Wumei Holdings Limited[1]	Interest in controlled corporations	1,826,441,360	61.58%	[**REDACTED**]	[**REDACTED**]%
Retail Enterprise[1]	Interest in controlled corporations	1,826,441,360	61.58%	[**REDACTED**]	[**REDACTED**]%
Wumei Southern Technology[1]	Interest in controlled corporations	1,826,441,360	61.58%	[**REDACTED**]	[**REDACTED**]%
Wumei Technology[1]	Interest in controlled corporations	1,826,441,360	61.58%	[**REDACTED**]	[**REDACTED**]%
Beijing Jingxi Guigu Technology Company Limited[1]	Interest in controlled corporations	1,826,441,360	61.58%	[**REDACTED**]	[**REDACTED**]%
Digit Lab Limited[2]	Beneficial interest	337,562,540	11.38%	[**REDACTED**]	[**REDACTED**]%
Trident Trust Company (Singapore) Pte. Limited[2]	Trustee	337,562,540	11.38%	[**REDACTED**]	[**REDACTED**]%
AZ Global Limited[2]	Interest in controlled corporations	337,562,540	11.38%	[**REDACTED**]	[**REDACTED**]%

Name of Shareholder	Nature of interest	Shares held immediately before the [REDACTED][(7)]		Shares held immediately following the completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised)	
		Number	Percentage	Number	Percentage
AZ Trust[(2)]	Interest in controlled corporations	337,562,540	11.38%	[**REDACTED**]	[**REDACTED**]%
Foremost Way Limited[(3)]	Beneficial interest	10,386,280	0.35%	[**REDACTED**]	[**REDACTED**]%
New Trading Commercial Limited[(4)]	Beneficial interest	32,417,100	1.10%	[**REDACTED**]	[**REDACTED**]%
Sunrise Business Limited[(5)]	Beneficial interest	38,029,460	1.28%	[**REDACTED**]	[**REDACTED**]%
Ultron Age Inc.[(4)(5)].	Interest in controlled corporations	70,446,560	2.38%	[**REDACTED**]	[**REDACTED**]%
Mr. ZHANG Bin[(4)(5)]	Interest in controlled corporations	70,446,560	2.38%	[**REDACTED**]	[**REDACTED**]%
Rising Vista Holding (Cayman) Limited[(6)]	Beneficial interest	322,061,200	10.86%	[**REDACTED**]	[**REDACTED**]%
Ascendent Capital Partners II GP Limited[(6)]	Interest in controlled corporations	322,061,200	10.86%	[**REDACTED**]	[**REDACTED**]%
Ascendent Capital Partners III GP Limited[(6)]	Interest in controlled corporations	322,061,200	10.86%	[**REDACTED**]	[**REDACTED**]%
Mr. MENG Liang[(6)].	Interest in controlled corporations	322,061,200	10.86%	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Immediately before the [**REDACTED**], Wumart HK directly held 1,823,220,760 Shares in our Company and WM Innovation Limited directly held 3,220,600 Shares in our Company. Wumei Technology was interested in 95.02% and 100% shareholding in each of Wumart HK and WM Innovation Limited, respectively, through various intermediary entities, namely Wumei Southern Technology, Retail Enterprise, Wumei Holdings Limited and Wumart Stores Limited. Wumei Technology was held by Beijing Jingxi Guigu Technology Company Limited as to 77.61%. Beijing Jingxi Guigu Technology Company Limited was wholly owned by Dr. Zhang. As such, each of Wumart Stores Limited, Wumei Holdings Limited, Retail Enterprise, Wumei Southern Technology, Wumei Technology, Beijing Jingxi Guigu Technology Company Limited and Dr. Zhang was deemed to be interested in the 1,826,441,360 Shares held by Wumart HK and WM Innovation Limited under the SFO.

(2) Digit Lab Limited is wholly owned by AZ Global Limited, which is wholly owned by AZ Trust, a trust established for the benefit of Dr. Zhang with Trident Trust Company (Singapore) Pte. Limited acting as the trustee. Accordingly, each of AZ Global Limited, AZ Trust, Trident Trust Company (Singapore) Pte. Limited and Dr. Zhang is deemed to be interested in the 337,562,540 Shares held by Digit Lab Limited under the SFO.

(3) Foremost Way Limited is wholly owned by Dr. Zhang. Accordingly, Dr. Zhang is deemed to be interested in the 10,386,280 Shares held by Foremost Way Limited under the SFO.

(4) New Trading Commercial Limited was wholly owned by Ultron Age Inc., which was in turn wholly owned by Mr. ZHANG Bin, our non-executive Director. As such, each of Ultron Age Inc. and Mr. ZHANG Bin is deemed to be interested in the 32,417,100 Shares held by New Trading Commercial Limited under the SFO.

(5) Sunrise Business Limited was wholly owned by Ultron Age Inc., which was in turn wholly owned by Mr. ZHANG Bin, our non-executive Director. As such, each of Ultron Age Inc. and Mr. ZHANG Bin is deemed to be interested in the 38,029,460 Shares held by Sunrise Business Limited under the SFO.

(6) Immediately before the [**REDACTED**], Rising Vista Holding (Cayman) Limited held 322,061,200 Shares in our Company. Rising Vista Holding (Cayman) Limited was controlled by several funds that are ultimately managed by Ascendent Capital Partners II GP Limited and Ascendent Capital Partners III GP Limited, each of which is ultimately beneficially owned by Mr. MENG Liang, our non-executive Director. As such, each of Ascendent Capital Partners II GP Limited, Ascendent Capital Partners III GP Limited and Mr. MENG Liang is deemed to be interested in the 322,061,200 Shares held by Rising Vista Holding (Cayman) Limited under the SFO.

(7) Calculated based on the Share Subdivision that one share will be divided into 20 shares.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Share Subdivision and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

The Subsequent Acquittal of the Wrongful Charges against Dr. Zhang

In October 2008, Dr. Zhang, the then chairman of Wumei Holdings Group Co., Ltd (物美控股集團有限公司, currently known as our Controlling Shareholder Wumei Technology), was alleged liable for fraud, organizational bribery (單位行賄罪) and embezzlement of funds by the Intermediate People's Court of Hengshui City, Hebei Province, and was sentenced to an 18-year term of imprisonment and a fine of RMB500,000 with property involved confiscated. Upon Dr. Zhang's first acquittal appeal, in March 2009, the High People's Court of Hebei Province upheld the judgement made by the first instance court with respect to the confiscation of property involved, the conviction and sentence of organizational bribery and embezzlement of funds, and the conviction of fraud, while overturned the sentence of fraud offense and its penalty to be imposed. It is ruled that all three convictions shall be fined together and Dr. Zhang was sentenced to a 12-year term of imprisonment and a fine of RMB500,000. Wumei Holdings Group Co., Ltd was also convicted of the offense of organizational bribery and was fined RMB5.3 million.

Subsequently, Dr. Zhang brought an appeal for acquittal to the High People's Court of Hebei Province and the case was dismissed in December 2015. In October 2016, Dr. Zhang appealed for acquittal again to the Supreme People's Court. On December 27, 2017, the Supreme People's Court decided to have an additional trial to hear the case in open court on February 12, 2018. On May 31, 2018, the Supreme Court made the final judgement and overturned the previous judgements of the High People's Court of Hebei Province and the Intermediate People's Court of Hengshui City, Hebei Province. All convictions previously made against Dr. Zhang and Wumei Holdings Group Co., Ltd were released, and the fines and property confiscated according to the original judgments shall be returned pursuant to the applicable laws.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the [**REDACTED**], assuming that (i) the [**REDACTED**] becomes unconditional and the [**REDACTED**] are issued pursuant to the [**REDACTED**]; and (ii) the [**REDACTED**] is not exercised.

As of the Date of this Document

(a) Authorized share capital

Number	Description	Aggregate nominal value of Shares
		(US$)
4,951,690,821	Ordinary Shares of US$0.00001 each	49,516.91
48,309,179	Preferred Shares of US$0.00001 each	483.09
5,000,000,000	**Total**	50,000

(b) Issued share capital

100,000,000	Ordinary Shares of US$0.00001 each	1,000.00
48,309,179	Preferred Shares of US$0.00001 each	483.10
148,309,179	**Total**	1,483.09

Immediately following the completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised)

(a) Authorized share capital

Number	Description	Aggregate nominal value of Shares
100,000,000,000	Ordinary Shares of US$0.0000005 each	50,000
100,000,000,000	**Total**	50,000

(b) Issued share capital

Number	Description	Aggregate nominal value of Shares
2,966,183,580	Ordinary Shares of US$0.0000005 each in issue immediately following the completion of the Share Subdivision and before the [**REDACTED**]	1,483.09
[**REDACTED**]	Ordinary Shares of US$0.0000005 to be issued pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is not exercised)	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

ASSUMPTIONS

The above tables assume that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the [**REDACTED**]. The above tables also do not take into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The [**REDACTED**] will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this Document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document. Upon [**REDACTED**], our Company will have one class of issued Shares and each issued Share shall entitle its holder to one vote at a general meeting of our Company.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed "Summary of the Constitution of our Company and Cayman Companies Act — Articles of Association — Alteration of Capital" in Appendix III for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate, to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**] (excluding any Shares to be issued pursuant to the exercise of the [**REDACTED**]); and
- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed "— Resolutions of the Shareholders of Our Company dated [●], 2024" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed "Statutory and General Information — Further Information about our Company and our Subsidiaries — Resolutions of the Shareholders of our Company dated [●], 2024" in Appendix V for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares to be issued pursuant to the exercise of the [**REDACTED**]).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — Further Information about our Company and our Subsidiaries — Repurchase of our Own Securities" in Appendix V.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information — Further Information about our Company and our Subsidiaries — Repurchase of our Own Securities" in Appendix V for further details of the repurchase mandate.

You should read the following discussion and analysis with our historical financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Document. Our historical financial information has been prepared to present the financial position, results of operations and cash flows of our Food and FMCG Distribution Business in accordance with the basis of preparation and presentation set out in Note 1 of Appendix I to this Document.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to our financial years ended December 31 of such years.

OVERVIEW

We are a leading food and FMCG distribution solution provider in China, providing a broad range of corporate and institutional customers as well as retailers with safe, high-quality merchandise and efficient and convenient solutions. These solutions mainly include (i) food service and distribution solutions, (ii) welfare and gifting solutions, and (iii) retailer distribution solutions (which comprise product sales to retailers and supply chain service). During the Track Record Period, we provided food service and distribution solutions and welfare and gifting solutions to over 52,000 and over 88,000 customers, respectively. We provided retailer distribution solutions to Wumart Group for its 100 Maidelong stores, as well as 366 Wumart supermarkets and 304 Wumart convenience stores in China as of December 31, 2023. We combined Metro AG's quality assurance standards with China's best practices, and have established the Maidelong assessment standards. We also built a product traceability system, a high-quality product portfolio featuring private label and imported merchandise, and a nationwide logistics network based on the distributed warehousing and processing model. We also applied our digital capabilities to all aspects of our business.

We generate revenue mainly from providing food and FMCG distribution solutions to corporate and institutional customers as well as retailers. Our past performance demonstrates that we have an effective business model that enables us to weather through a challenging external environment and continue to explore future growth potential. In 2021, 2022, and 2023, our revenue amounted to RMB27,820.2 million, RMB27,102.3 million and RMB24,858.3

million, respectively. In 2021, 2022 and 2023, adding back the change of the carrying amount of the redemption liabilities arising from preferred shares, our adjusted net profit (*non-IFRS measure*) amounted to RMB108.2 million, RMB411.9 million and RMB429.9 million, respectively.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 24, 2019. Since the establishment of our Company, our Company and its subsidiaries' businesses primarily consist of primarily consisted of Food and FMCG Distribution Business and the Retail Business. Following our Company's assessment of the overall market positions of the Food and FMCG Distribution Business and the Retail Business and to avoid potential competing interests between our Group and our Controlling Shareholders, our Company decided to conduct the Business Restructuring with the Retail Business disposed to a company which is controlled by the Company's Controlling Shareholders, see "History, Reorganization and Corporate Structure — Business Restructuring."

The historical financial information has been prepared to present the financial position, results of operations and cash flows of the Food and FMCG Distribution Business, and the assets and liabilities of the Retail Business to be disposed net of the cash consideration acquired is presented as the net parent investment in the statements of changes in equity of the Food and FMCG Distribution Business. The impact of transactions between the Food and FMCG Distribution Business and Retail Business that were not historically settled in cash is also included in the net parent investment. Other intra-group balances, transactions and unrealized gains/losses on intra-group transactions were eliminated when preparing the historical financial information.

During the Track Record Period and before the completion of the Business Restructuring, the Food and FMCG Distribution Business and Retail Business under the brands of Maidelong were carried out by the subsidiaries now comprising our Group. As part of the Business Restructuring, our Group disposed the related Retail Business to a company which is controlled by our Controlling Shareholder. Since the Food and FMCG Distribution Business and Retail Business under the brands of Maidelong were conducted as two divisions in the subsidiaries now comprising our Group before the Business Restructuring, for the purpose of this historical financial information, a process has been completed to specifically identify assets, liabilities, revenue, expenses and cash flows of Food and FMCG Distribution Business and Retail Business during the Track Record Period.

The historical financial information only includes transactions and balances that are attributable to the Food and FMCG Distribution Business. Transactions and balances were attributed to the Food and FMCG Distribution Business based on specific identification except for those set out below, for which they were accounted for using the most relevant bases in the views of our Directors:

- Revenue for food and FMCG distribution solutions under the brands of Maidelong have been allocated based on the mark-up on comparable transactions with unrelated parties;

- Staff costs have been principally allocated based on headcount to the extent a separate group of personnel could be specifically identified and attributed to the Food and FMCG Distribution Business;

- Other administrative and operating expenses have been principally allocated either based on headcount to the extent a separate group of personnel could be specifically identified and attributed to the Food and FMCG Distribution Business, or otherwise allocated based on revenue and/or sales volume as appropriate;

- Income taxes were determined based on the assumption that the Food and FMCG Distribution Business carried out by the division of the subsidiaries were separately taxable entities. The tax payment is paid at the legal entity level and the payments recognized in the historical financial information represented a combined tax payment for both businesses during the Track Record Period, amounting to RMB2,148,000, RMB6,095,000 and RMB457,000 for the years ended December 31, 2021, 2022 and 2023, respectively; and

- Cash generated from or used by the Food and FMCG Distribution Business which were managed and controlled by the parent, with the net amount of cash of RMB881,378,000, RMB1,331,466,000 and RMB1,721,595,000 used by the Retail Business during 2021, 2022 and 2023, respectively, are presented as deemed distribution in the statements of changes in equity and statements of cash flows of the Food and FMCG Distribution Business.

We believe that the basis of preparation described above results in the historical financial information reflecting the assets and liabilities associated with the Food and FMCG Distribution Business and reflects costs and expenses associated with the functions that would be necessary to operate independently. However, as the Food and FMCG Distribution Business under the brands of Maidelong did not operate as a stand-alone entity during the Track Record Period, the historical financial information may not be indicative of the Food and FMCG Distribution Business future performance and do not necessarily reflect what its results of operations, financial position and cash flows would have been had Food and FMCG Distribution Business operated as a separate entity during the Track Record Period.

The historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information are set out in Note 2 of Appendix I to this Document. The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, all applicable new and revised IFRS Accounting Standards have been adopted for the Track Record Period, except for those that are not yet effective for the accounting period beginning on or before January 1, 2023. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 34 of Appendix I to this Document.

For more details, see Note 1 of Appendix I to this Document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

General Factors

Our business and operating results are affected by general factors affecting the food and FMCG distribution industry in China, which include:

- growth and competition environment of China's food and FMCG distribution industry;
- relevant laws and regulations, governmental policies and initiatives affecting the food and FMCG distribution industry;
- China's overall economic growth and level of per capita disposable income;
- seasonal fluctuations, primarily due to the impact of major holidays such as the Chinese New Year, Dragon Boat Festival and Mid-autumn Festival; and
- occurrence of force majeure events, outbreak of pandemics or epidemics, acts of war, social and economic chaos and natural disasters.

Unfavorable changes in any of these general industry conditions could materially and adversely affect demand for our services and/or the manner in which we provide our services, and therefore materially and adversely affect our results of operations.

Specific Factors

While our business is influenced by general factors affecting the food and FMCG distribution industry, our results of operations are also affected by company specific factors, including the following:

Our Product Portfolio

Our comprehensive product offerings with high-quality are critical to our results of operations. We have built a trusted and evolving portfolio of merchandise that covers a broad range of market-leading private label merchandise and distinctive imported merchandise. As of the Latest Practicable Date, our merchandise selection includes approximately 34,000 SKUs, with over 2,300 SKUs under our private labels and over 32,100 SKUs under non-private labels. According to Frost & Sullivan, we are one of the first food and FMCG distribution companies in China to launch private label merchandise, and we are among the few players in the food and FMCG distribution industry whose private labels can compete with that of brand owners. In terms of imported merchandise, we have a strong global supply chain network and extensive global sourcing insight and bargaining power. Our merchandise selection is supported by our scalable technology infrastructure and big data analytics capabilities, ensuring a selection of popular and competitively priced merchandise portfolio.

In addition, our high standards of food safety and quality assurance solidify the market reception of our products. We have established an integral food safety and quality assurance system and hold the ISO 9001 in relation to quality management. Our food safety and quality assurance system safeguards every step of our business operations, including supplier selection, procurement, food processing, warehousing, logistics, order fulfillment and after-sale service. Our unwavering commitment to high product quality underpins strong recognition from customers.

As a result, we believe that our sustainable growth depends on our capability of continuously optimizing and enriching our product portfolio with high-quality that caters to evolving customer needs.

Our Customer Base

Our high-quality and stable customer base is key to our performance. We strategically focus on serving corporate and institutional customers as well as retailers with a high degree of health and hygiene awareness and stringent food quality requirements. Our corporate and institutional customer base is dominated by our four core target groups, which include (i) educational institutions; (ii) government and public service agencies such as power grid, airlines and mass transit operators; (iii) manufacturing enterprises; and (iv) financial institutions such as commercial banks. These customers generally adopt a strict supplier selection process, and exhibit high stickiness in their purchasing behavior. Simultaneously, these customers are more risk adverse and their orders are more stable. In 2023, we had over 22,000 food service and distribution customers and over 33,000 welfare and gifting customers in the core target groups, and our core target group customers accounted for 81.2% and 83.2% of our food service and distribution customer and welfare and gifting customer sales, respectively. As of December 31, 2023, approximately 178 out of the top 500 Chinese companies and their affiliates were our customers. During the Track Record Period, we provided food service and distribution solutions to over 52,000 customers. Among these customers, over 6,000 customers required daily deliveries.

We maintain customer stickiness and increase penetration by providing customers with high-quality, high-value and differentiated products, professional services and value-added services. Our capability of effectively attracting new customers and maintaining a high-quality customer base is the foundation for our continuous growth and risk resistance.

Our Supply Chain Management and Nationwide Logistics Network

A majority of our cost of sales is cost of products that we pay to suppliers. Our cost of products was RMB24,236.9 million, RMB23,419.7 million and RMB21,297.6 million in 2021, 2022 and 2023, respectively, representing 95.8%, 95.7% and 95.9% of our total cost of sales in the same respective years. Our ability to maintain a stable and efficient supply chain and our ability to purchase merchandise at commercially reasonable prices are essential for our cost control, inventory level, profitability and cash flow. Based on our distributed warehousing and processing model, we have built an efficient and competitive supply chain infrastructure with nationwide coverage, and a strategic logistics network. We have the potential to attract more customers and provide them with more efficient and accessible food and FMCG distribution solutions. We have established a global supply chain network to procure merchandise. We acquire merchandise primarily through centralized procurement, supplemented by other procurement methods to ensure supply chain efficiency and sustainability. We generally procure one type of merchandise from designated OEM partners or suppliers, so as to ensure procurement volume achieves economies of scale. In addition, we are one of the few food and FMCG distribution companies with nationwide coverage, which includes our distribution centers and local fulfillment centers in over 60 cities of China. As of the Latest Practicable Date, our logistics network included two central distribution centers, 16 regional distribution centers, four fresh food processing centers and 100 local distribution centers, which allows us to expedite the shipment of merchandise from our distribution centers to our customers across cities and provinces. We believe that our streamlined procurement and logistics can not only improve our customer satisfaction, but also enhance our operational efficiency.

Moreover, we effectively monitor and manage our inventories, as our inventory level and turnover are critical to our working capital efficiency. During the Track Record Period, our inventories were all merchandise. Our inventories decreased from RMB2,412.3 million as of December 31, 2021 to RMB2,292.9 million as of December 31, 2022, and further decreased to RMB1,762.1 million as of December 31, 2023. Our WMS is implemented for inventory monitoring and management, that enables us to track shipment and inventory on a real-time basis and allows prompt follow-ups in the event of any discrepancies, which assists us in maintaining optimal inventory levels and enhancing our working capital efficiency.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our historical financial information. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our historical financial information. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Appendix I to this Document.

Revenue and Other Income

Income is classified as revenue when it arises from the sale of goods, the provision of services or the use by others of our assets under leases in the ordinary course of our business.

Revenue from Contracts with Customers

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes, and is after deduction of any trade discounts.

Further details of our revenue and other income recognition policies are as follows:

(a) Sale of goods

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfillment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(b) Service income

Service income is recognized in profit or loss when services are rendered.

Revenue from Other Sources and Other Income

(a) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable.

(b) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

(c) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

See Note 2(w) of Appendix I to this Document.

Credit Losses and Impairment of Assets

We recognize a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

- lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to us in accordance with the contract and the cash flows that we expect to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after December 31, 2021, 2022 and 2023; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions on December 31, 2021, 2022 and 2023.

For all other financial instruments (including loan commitments issued), we recognize a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. See Note 2(k) of Appendix I to this Document

For the credit risk and ECLs for trade receivables during the Track Record Period, see Note 30(a) of Appendix I to this Document.

Contract Liabilities

A contract liability is recognized when the customer pays non-refundable consideration before we recognize the related revenue, see Note 2(w) of Appendix I to this Document. A contract liability would also be recognized if we have an unconditional right to receive non-refundable consideration before we recognize the related revenue. In such cases, a corresponding receivable would also be recognized, see Note 2(n) of Appendix I to this Document.

Fair value measurement

Financial Assets and Liabilities Measured at Fair Value

Fair value hierarchy

Some of our financial instruments are measured at fair value at the end of each year of the Track Record Period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, which is unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs, which is observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

- Level 3 valuations: Fair value measured using significant unobservable inputs.

During 2021,2022 and 2023, there was no transfer of financial instruments between Level 1 and Level 2, or transfers into or out of Level 3. Our policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 1 and Level 2 fair value measurements

Level 1 financial asset at FVTOCI comprise equity investment traded on the Stock Exchange of Hong Kong Limited. Their fair value is based on closing price of the instrument.

Level 2 financial assets at FVTOCI and FVTPL comprise unlisted equity securities. Their fair values are determined using comparable transactions adjusted approach adjusted for changing trend of medium market multiples of comparable companies or medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies.

Information about Level 3 fair value measurements

Our structured deposit is classified as a level 3 financial assets measured at FVTPL, and estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires our Directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products structured deposit. Our Directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they where are the most appropriate values at the end of the Track Record Period.

In relation to the valuation of the financial instruments categorized with level 3 fair value measurement, the Joint Sponsors have conducted relevant due diligence work, including (i) conducting due diligence with our Company in relation to the valuation of the level 3 financial instruments, to understand (a) the nature and details of the financial instruments, and the procedures performed for such valuation, and (b) the valuation methodologies, and key basis and assumptions taken into account by our Company for the valuation; and (ii) discussing with the Reporting Accountants to understand the work they have performed in relation to the valuation of level 3 financial instruments for the purpose of reporting on the historical financial information as a whole as set forth in Appendix I to this Document; and (iii) reviewing relevant notes in the Accountants' Report, which include details of the fair value measures for level 3 financial instruments. Having considered the above, the Joint Sponsors consider that appropriate steps have been taken by our Company in carrying out the fair value valuation of the financial assets.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB in millions	*RMB in millions*	*RMB in millions*
At January 1	–	–	200.5
Purchases	11,700.0	7,760.2	1,100.0
Disposal	(11,716.1)	(7,596.2)	(1,303.6)
Gains recognized in the statements of profit or loss	16.1	36.5	3.1
At December 31	–	200.5	–

Except for the preferred shares issued by us as disclosed in Note 27 of Appendix I to this Document, the carrying amounts of our other financial instruments carried at cost or amortized cost were not materially different from their fair values as of December 31, 2021, 2022 and 2023.

For details, see Note 30 (e) of Appendix I to this Document.

Investment properties

As set out in Note 2(g) of Appendix I to this Document, we have applied the cost model for our investment properties, where by investment property is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write-off the cost of investment property less its estimated residual value using the straight-line method over its estimated useful life. Cushman & Wakefield Limited, an independent professional valuer, has been engaged to measure the fair value of the investment properties owned by us and associated land use rights. As of December 31, 2021, 2022 and 2023, the total fair value of the investment properties were RMB3,170.2 million, RMB3,066.1 million and RMB2,962.7 million, respectively. The fair value measurement for investment properties has been categorized as Level 3 fair value based on the inputs to the valuation technique used. There have been no changes in valuation technique compared to that used in the prior year.

For details of the valuation technique and significant unobservable inputs of the valuation, see Note 11(a)(iv) of Appendix I to this Document.

Leased Assets

At inception of a contract, we assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. See Note 2(i) of Appendix I to this Document.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), we have elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for us are primarily laptops and office furniture. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

As a lessor

When we act as a lessor, we determine at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, we allocate the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in statement of profit and loss.

Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment. See Note 2(k)(ii) of Appendix I to this Document.

On December 31, 2021, 2022 and 2023, the carrying amounts of our non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) have been reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted on December 31, 2021, 2022 and 2023. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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

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

- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that we are able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

- taxable temporary differences arising on the initial recognition of goodwill; and

- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

We recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for our individual subsidiaries. Deferred tax assets are reviewed on December 31, 2021, 2022 and 2023 and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which we expect, on December 31, 2021, 2022 and 2023, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

We are a tax exempted company incorporated in the Cayman Islands. We are not subject to any income tax under the jurisdiction of the British Virgin Islands during the Track Record Period. Pursuant to the income tax rules and regulations of Hong Kong, the subsidiaries in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended December 31, 2021, 2022 and 2023. All the subsidiaries in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the Track Record Period. Our PRC subsidiaries are subject to PRC Corporate Income Tax ("CIT") at a statutory rate of 25%, except for the specified subsidiaries: According to the Notice of the Ministry of Finance of the PRC ("MOF") and the State Taxation Administration of the PRC ("STA") on Implementing the Inclusive Tax Deduction and Exemption Policies for Small Low-profit Enterprises ("Notice of Small Low-profit Enterprises") which took effect on January 1, 2019, from January 1, 2019 to December 31, 2021, the annual taxable income of small low-profit enterprises that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%, and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%. According to the Announcement on Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses, which was promulgated by the MOF and the STA on April 2, 2021, during the period from January 1, 2021 to December 31, 2022, for the portion of annual taxable income amount of small low-profit enterprises which does not exceed RMB1 million, corporate income tax shall be reduced by 50%, in addition to the incentives stipulated in Notice of Small Low-profit Enterprises. According to the Notice of the MOF and the STA on the Income Tax Incentives to Small and Micro Enterprises and Privately-owned Businesses and the Notice of the MOF and the STA on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households, which shall be in force from January 1, 2023 to December 31, 2027, for the annual taxable income of a small and low-profit enterprise, the portion not exceeding RMB1 million shall be treated as 25% for the purpose of taxable income calculation and subject to the enterprise income tax rate of 20%. Certain subsidiaries in our Group which met the conditions as small-scaled minimal profit enterprise were qualified for the entitlement of such preferential tax treatment during the years ended December 31, 2021, 2022 and 2023. See Note 2(s) and 7(a) of Appendix I to this Document.

During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities in the PRC, and we were not aware of any outstanding or potential disputes with such tax authorities.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Revenue	27,820.2	27,102.3	24,858.3
Cost of sales	(25,301.4)	(24,469.4)	(22,202.3)
Gross profit	2,518.8	2,632.9	2,656.0
Other income	72.4	102.0	59.5
Other net (losses)/gains	(21.4)	96.4	168.4
Selling and distribution costs	(1,402.0)	(1,459.9)	(1,420.0)
Administrative expenses	(576.2)	(358.5)	(341.0)
(Provision of)/reversal of impairment loss on trade and other receivables	(8.7)	(23.8)	14.7
Finance costs	(295.8)	(312.3)	(454.3)
Profit from operations	287.1	676.8	683.3
Change of the carrying amount of redemption liabilities arising from preferred shares	223.8	(883.3)	(177.2)
Profit/(loss) before taxation	510.9	(206.5)	506.1
Income tax	(178.9)	(264.9)	(253.4)
Profit/(loss) for the year	332.0	(471.4)	252.7
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income ("FVTOCI") – net movement in fair value reserves (non-recycling) (net of tax 2021: -RMB14,000; 2022: RMB6,166,000; 2023: RMB:15,804,000)	(0.0)	18.5	47.4
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of subsidiaries with functional currency other than Renminbi	766.0	(204.7)	(436.9)
Other comprehensive income for the year, net of income tax	**766.0**	**(186.2)**	**(389.5)**
Total comprehensive income for the year	**1,098.0**	**(657.6)**	**(136.8)**

Non-IFRS Measure

We use adjusted net profit (*non-IFRS measure*) in evaluating our operating results during the Track Record Period, which is not required by or presented in accordance with IFRSs as an additional financial measure to supplement our historical financial information as set forth in the Accountants' Report in Appendix I to this Document. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (*non-IFRS measure*) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net profit (*non-IFRS measure*) as net profit or loss for the year adjusted by adding back change of the carrying amount of redemption liabilities arising from preferred shares. The following table reconciles our adjusted net profit (*non-IFRS measure*) for the year presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which is net profit or loss for the year:

	Year ended December 31,		
	2021	2022	2023
	RMB in millions	*RMB in millions*	*RMB in millions*
Reconciliation of net profit/(loss) to adjusted net profit *(non-IFRS measure)*			
Net profit/(loss) for the year	332.0	(471.4)	252.7
Add:			
– Change of the carrying amounts of redemption liabilities arising from preferred shares[(1)]	(223.8)	883.3	177.2
Adjusted net profit *(non-IFRS measure)*	108.2	411.9	429.9

Note:

(1) Change of the carrying amount of redemption liabilities were related to the USD-denominated preferred shares issued under certain share purchase agreements with several independent investors during the Track Record Period. The redemption options of the preferred shares would be terminated and the preferred shares issued to investors would be converted into equity upon the qualified [**REDACTED**] of our Company's shares. See Note 1 and 27 of Appendix I to this Document.

Revenue

We had revenue of RMB27,820.2 million, RMB27,102.3 million and RMB24,858.3 million in 2021, 2022 and 2023, respectively.

During the Track Record Period, our revenue was generated mainly from (i) food service and distribution solutions, see "Business — Our Business Model — Food Service and Distribution Solutions;" (ii) welfare and gifting solutions, see "Business — Our Business Model — Welfare and Gifting Solutions;" (iii) retailer distribution solutions, see "Business — Our Business Model — Retailer Distribution Solutions;" and (iv) merchandise wholesale, see "Business — Our Business Model — Merchandise Wholesale." A majority of our revenue was derived from retailer distribution solutions, which amounted to RMB16,634.0 million, RMB16,414.4 million and RMB14,932.2 million in 2021, 2022 and 2023, respectively, accounting for 59.8%, 60.6% and 60.1% of our total revenue in the same respective periods.

The following table sets forth a breakdown of our revenue by business segment in absolute amount and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Food service and distribution solutions	4,159.5	15.0	3,592.3	13.3	3,520.3	14.2
Welfare and gifting solutions	3,477.3	12.5	3,935.8	14.5	3,497.9	14.1
Retailer distribution solutions	16,634.0	59.8	16,414.4	60.6	14,932.2	60.1
Merchandise wholesale	2,620.7	9.4	2,224.5	8.2	1,937.0	7.8
Others[1]	928.7	3.3	935.3	3.4	970.9	3.8
Total	27,820.2	100.0	27,102.3	100.0	24,858.3	100.0

Note:

(1) Mainly related to our logistics, consulting and other services and the lease of our owned properties.

Cost of Sales

We had cost of sales of RMB25,301.4 million, RMB24,469.4 million and RMB22,202.3 million in 2021, 2022 and 2023, respectively.

During the Track Record Period, our cost of sales were mainly cost of products. Our cost of products was RMB24,236.9 million, RMB23,419.7 million and RMB21,297.6 million in 2021, 2022 and 2023, respectively, representing 95.8%, 95.7% and 95.9% of our total cost of sales in the same respective years. The following table sets forth a breakdown of our cost of sales by nature in absolute amount and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Cost of products	24,236.9	95.8	23,419.7	95.7	21,297.6	95.9
Transportation costs	865.5	3.4	841.8	3.4	707.3	3.2
Others	199.0	0.8	207.9	0.9	197.4	0.9
Total	25,301.4	100.0	24,469.4	100.0	22,202.3	100.0

The following table sets forth a breakdown of our cost of sales by business segments in absolute amount and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Food service and distribution solutions	3,436.3	13.6	2,897.5	11.8	2,793.5	12.6
Welfare and gifting solutions	2,956.5	11.7	3,243.3	13.3	2,880.2	13.0
Retailer distribution solutions	16,065.3	63.5	15,866.1	64.8	14,372.6	64.7
Merchandise wholesale	2,400.0	9.5	2,052.1	8.4	1,751.5	7.9
Others(1)	443.3	1.7	410.4	1.7	404.5	1.8
Total	25,301.4	100.0	24,469.4	100.0	22,202.3	100.0

Note:

(1) Mainly related to our logistics, consulting and other services and the lease of our owned properties.

Gross Profit and Gross Profit Margin

Our gross profit was RMB2,518.8 million, RMB2,632.9 million and RMB2,656.0 million in 2021, 2022 and 2023, respectively. Our gross profit margin was 9.1%, 9.7% and 10.7% in 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Food service and distribution solutions	723.2	17.4	694.8	19.3	726.8	20.6
Welfare and gifting solutions	520.8	15.0	692.5	17.6	617.7	17.7
Retailer distribution solutions	568.7	3.4	548.3	3.3	559.6	3.7
Merchandise wholesale	220.7	8.4	172.4	7.8	185.5	9.6
Others[1]	485.4	52.3	524.9	56.1	566.4	58.3
Total	2,518.8	9.1	2,632.9	9.7	2,656.0	10.7

Note:

(1) Mainly related to our logistics, consulting and other services and the lease of our owned properties.

Other Income

We had other income of RMB72.4 million, RMB102.0 million and RMB59.5 million in 2021, 2022 and 2023, respectively. During the Track Record Period, our other income included (i) interest income, mainly generated from our bank balances and cash; (ii) gain on financial assets measured at FVTPL, mainly generated from our structured deposit; (iii) sales of scrapped materials and others, mainly representing sales of scrapped materials such as used cartons; and (iv) government subsidies, which were mainly subsidies from local government in recognition of our contribution to countryside development and consumer industry development.

The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Interest income	41.7	45.5	39.9
Gain on financial assets measured at FVTPL	16.1	36.5	3.1
Sales of scrapped materials	12.2	11.5	12.5
Government subsidies	2.4	8.5	4.0
Total	72.4	102.0	59.5

Other Net (Losses)/Gains

We had other net losses of RMB21.4 million in 2021, compared to other net gains of RMB96.4 million in 2022 and RMB168.4 million in 2023, respectively. During the Track Record Period, our other net losses or gains were primarily attributable to (i) net foreign exchange losses or gains, see "— Financial Risk — Currency Risk;" (ii) gain on early termination of lease contracts, as two landlords terminated lease contracts with us in 2022 and we received compensation for early termination; (iii) write-off of prepaid card, representing expected breakage amount of prepaid cards that have not been used for a long term; (iv) impairment loss of property, plant and equipment, relating to the anticipated closure of a local fulfillment center; (v) loss on disposal of property, plant and equipment, representing loss in relation to upgrade of local fulfillment centers; and (vi) remeasurement gain on loans measured at amortized cost in relation to the early repayment of our borrowings, see "— Indebtedness — Borrowings."

The following table sets forth a breakdown of our other net losses or gains for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Net foreign exchange (losses)/gains	(35.3)	21.2	135.0
Gain on early termination of lease contracts	–	62.7	–
Write-off of prepaid card	18.2	22.1	36.7
Impairment loss of property, plant and equipment	–	(7.7)	(24.2)
Loss on disposal of property, plant and equipment	(21.5)	(3.4)	(4.6)
Remeasurement gain on loans measured at amortized cost	–	–	26.5
Contingent consideration adjustment	22.5	–	–
Other (losses)/gains	(5.3)	1.5	(1.0)
Total	(21.4)	96.4	168.4

Selling and Distribution Costs

Our selling and distribution costs amounted to RMB1,402.0 million, RMB1,459.9 million and RMB1,420.0 million in 2021, 2022 and 2023, respectively. During the Track Record Period, our selling and distribution costs primarily consisted of (i) depreciation and amortization, mainly relating to local fulfillment centers; and (ii) staff costs, mainly representing salaries, bonuses and other benefits relating to our sales staff.

The following table sets forth a breakdown of our selling and distribution costs in absolute amount and as a percentage of our total selling and distribution costs for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Depreciation and amortization	615.8	43.9	636.4	43.6	616.7	43.4
Staff costs	501.6	35.8	518.6	35.5	476.0	33.5
Basic facilities and maintenance costs	141.9	10.1	142.7	9.8	141.2	9.9
Tax expenses	91.4	6.5	92.0	6.3	91.6	6.5
Service fees for cloud solutions	26.7	1.9	55.4	3.8	51.8	3.6
Others[1]	24.6	1.8	14.8	1.0	42.7	3.0
Total	1,402.0	100.0	1,459.9	100.0	1,420.0	100.0

Note:

(1) Mainly comprises office expenditures, telecommunication expenses and promotion expenses.

Administrative Expenses

Our administrative expenses amounted to RMB576.2 million, RMB358.5 million and RMB341.0 million in 2021, 2022 and 2023, respectively. During the Track Record Period, our administrative expenses primarily consisted of (i) staff costs, mainly representing salaries, bonuses and other benefits relating to our administrative staff; and (ii) onboarding and access fees, which was for our access to Metro AG's global procurement centers; (iii) office maintenance costs, in relation to the daily maintenance of our offices; (iv) professional fees, mainly relating to the professional services engaged for the upgrade of our local fulfillment centers, as well as lawyer and tax professionals; and (v) transitional service expenses, in relation to the support from Metro AG during the first two year period after our acquisition of Maidelong entities.

The following table sets forth a breakdown of our administrative expenses in absolute amount and as a percentage of our total administrative expenses for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(%)*
Staff cost	170.9	29.7	185.3	51.7	197.8	58.0
Onboarding and access fees	69.0	12.0	39.7	11.1	41.0	12.0
Office maintenance costs	65.1	11.3	36.2	10.1	35.1	10.3
Depreciation and amortization	15.2	2.6	16.4	4.6	21.1	6.2
Professional fees	67.6	11.7	24.3	6.8	18.2	5.3
Transitional service expenses	145.2	25.2	35.7	10.0	–	–
Others[1]	43.2	7.5	20.9	5.7	27.8	8.2
Total	576.2	100.0	358.5	100.0	341.0	100.0

Note:

(1) Mainly comprises office expenditures and administrative charges.

(Provision of)/reversal of Impairment Loss on Trade and other Receivables

We recorded provision of impairment loss on trade and other receivables of RMB8.7 million and RMB23.8 million in 2021 and 2022, respectively. We recorded reversal of impairment loss on trade and other receivables of RMB14.7 million in 2023. Such impairment loss was primarily related to our expected credit loss allowance on trade receivables.

Finance Costs

Our finance costs amounted to RMB295.8 million, RMB312.3 million and RMB454.3 million in 2021, 2022 and 2023. During the Track Record Period, our finance costs primarily consisted of (i) interest arose from bank loans and other borrowings, see "— Indebtedness — Borrowings;" (ii) interest arose from lease liabilities, see "— Indebtedness — Lease Liabilities;" and (iii) interest arose from other borrowings in relation to related parties, see "— Indebtedness — Non-trade related amounts due to related parties."

The following table sets forth a breakdown of finance costs in absolute amount for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Interest arose from bank loans and other borrowings	(147.8)	(154.8)	(301.5)
Interest arose from lease liabilities	(145.3)	(153.1)	(150.5)
Interest arose from other borrowings	(2.7)	(4.4)	(2.3)
Total	(295.8)	(312.3)	(454.3)

Change of the Carrying Amount of Redemption Liabilities Arising from Preferred Shares

We recorded decrease in the carrying amount of redemption liabilities arising from preferred shares of RMB223.8 million in 2021, and increase in the carrying amount of redemption liabilities arising from preferred shares of RMB883.3 million and RMB177.2 million in 2022 and 2023, respectively. The change of the carrying amount of redemption liabilities arising from preferred shares were related to the USD-denominated preferred shares issued under certain share purchase agreements with several independent investors during the Track Record Period. The instrument holders have the right to acquire us to redeem some or all of the preferred shares held by the holders upon certain redemption events, which are not all within the control of us. At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome. Subsequently, they are measured at amortized cost. Any changes in the carrying amount of the financial liabilities are recognized in profit or loss. The redemption options of the preferred shares would be terminated and the preferred shares issued to investors would be converted into equity upon the qualified [**REDACTED**] of our Company's shares. See Note 27 of Appendix I to this Document and "— Indebtedness — Preferred Shares."

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our revenue decreased by 8.3% from RMB27,102.3 million in 2022 to RMB24,858.3 million in 2023, primarily due to the decrease in revenue from retailer distribution solutions as well as welfare and gifting solutions.

Revenue from our retailer distribution solutions decreased by 9.0% from RMB16,414.4 million in 2022 to RMB14,932.2 million in 2023, mainly as a result of our decreasing product sales to Wumart Group, primarily caused by (i) the decreasing number of their stores by approximately 15.0% reflecting their network optimization efforts; (ii) their strategic adoption of membership mechanism which temporarily affected the purchase of consumers without membership yet; and (iii) the decreasing trend in consumer demand that was generally along with the phasing out of the public health incidents.

Revenue from welfare and gifting solutions decreased by 11.1% from RMB3,935.8 million in 2022 to RMB3,497.9 million in 2023, mainly because customers, in particular local government authorities, had relatively high needs for our supplies in 2022 to safeguard the wellbeing of local residents in light of the public health incidents.

Cost of Sales

Our cost of sales decreased by 9.3% from RMB24,469.4 million in 2022 to RMB22,202.3 million in 2023. Such decrease was mainly due to the decrease in cost of products by 9.1% from RMB23,419.7 million in 2022 to RMB21,297.6 million in 2023, and such decrease was generally in line with the decrease in our revenue driven by decreasing sales of products.

In addition, from business segment perspective, the decrease in our cost of sales was mainly due to the cost of sales in relation to retailer distribution solutions and welfare and gifting solutions. The cost of sales in relation to retailer distribution solutions decreased by 9.4% from RMB15,866.1 million in 2022 to RMB14,372.6 million in 2023, and the cost of sales in relation to welfare and gifting solutions decreased by 11.2% from RMB3,243.3 million in 2022 to RMB2,880.2 million in 2023. Such decreases were generally in line with the decrease in revenue from retailer distribution solutions and welfare and gifting solutions.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit remained relatively stable at RMB2,632.9 million in 2022 and RMB2,656.0 million in 2023. Our gross profit margin increased from 9.7% in 2022 to 10.7% in 2023, primarily due to (i) the increase in the gross profit margin of our retailer distribution solutions from 3.3% to 3.7%, primarily driven by our strengthened cost control and efficiency improvement, in particular in terms of warehouse utilization, staffing and transportation; (ii) the increase in the gross profit margin of food service and distribution solutions from 19.3% in 2022 to 20.6% in 2023, mainly driven by our enhanced focus on core target group customers; and (iii) the increase in the gross profit margin of our other business, mainly logistics, consulting and other services, from 56.1% in 2022 to 58.3% 2023, mainly due to the strengthened utilization of our logistics network as we provided increasing logistics support service to suppliers with our existing logistics resources.

Other Income

Our other income decreased by 41.7% from RMB102.0 million in 2022 to RMB59.5 million in 2023, primarily due to (i) a decrease in our gain on financial assets measured at FVTPL from RMB36.5 million in 2022 to RMB3.1 million in 2023, which was in line with the decrease in our financial assets measured at FVTPL, as our structured deposits decreased from RMB220.5 million as of December 31, 2022 to nil as of December 31, 2023 because we withdrew our structured deposits to repay bank loans; and (ii) a decrease in our interest income from RMB45.5 million in 2022 to RMB39.9 million in 2023, which was in line with the decrease in our bank balances and cash from RMB1,864.0 million as of December 31, 2022 to RMB526.5 million as of December 31, 2023 because we used our bank balances and cash to repay bank loans.

Other Net Gains

Our other net gains increased by 74.7% from RMB96.4 million in 2022 to RMB168.4 million in 2023, primarily due to an increase in net foreign exchange gains from RMB21.2 million in 2022 to RMB135.0 million in 2023, mainly as a result of the fluctuations in exchange rates of EUR against USD as well as RMB against USD, see "— Financial Risk — Currency Risk." Such increase was partially offset by a decrease in gain on early termination of lease contracts from RMB62.7 million in 2022 to nil in 2023, as two landlords terminated lease contracts with us in 2022 and we received compensation for early termination.

Selling and Distribution Costs

Our selling and distribution costs remained relatively stable at RMB1,459.9 million in 2022 and RMB1,420.0 million in 2023.

Administrative Expenses

Our administrative expenses decreased slightly from RMB358.5 million in 2022 to RMB341.0 million, mainly due to the decrease in our transitional service expenses from RMB35.7 million to nil, primarily because the transitional service period ended in 2022.

(Provision of)/Reversal of Impairment Loss on Trade and Other Receivables

We recorded provision of impairment loss on trade and other receivables of RMB23.8 million in 2022, compared to reversal of impairment loss on trade and other receivables of RMB14.7 million in 2023, primarily due to the increasing expected credit loss in 2022 as our sales to welfare and gifting customers, in particular local government authorities, was relatively high in 2022 in light of the public health incidents, and such customers generally have relatively long settlement period. Such credit risk was eased off along with the phasing out of the public health incidents.

Finance Costs

Our finance costs increased by 45.5% from RMB312.3 million in 2022 to RMB454.3 million in 2023, primarily due to an increase in interest arose from bank loans and other borrowings from RMB154.8 million to RMB301.5 million, mainly as a result of the increase in interest arose from EUR-dominated bank loans due the fluctuation in the exchange rate of RMB against EUR as we had EUR-denominated bank loans. See "— Indebtedness — Borrowings."

Change of the Carrying Amount of Redemption Liabilities Arising from Preferred Shares

We recorded increase in the carrying amount of redemption liabilities arising from preferred shares of RMB177.2 million in 2023, compared to RMB883.3 million in 2022. Such change was due to the fluctuation in the exchange rate of RMB against USD as our preferred shares are USD-denominated.

Income Tax

We had loss before tax of RMB206.5 million in 2022 compared to profit before tax of RMB506.1 million 2023, while our income tax expense decreased from RMB264.9 million in 2022 to RMB253.4 million in 2023. Thereby our effective tax rate was 50.1% in 2023 compared to negative effective tax rate of 128.2% in 2022. Such difference was primarily due to (i) the tax effect of different statutory tax rate for different jurisdictions; and (ii) tax effect of changes of the carrying amount of redemption liabilities arising from preferred shares, and the change of carrying amount of the redemption liabilities arising from preferred shares increase in 2023. See Note 7(b) of Appendix I to this Document.

Profit/(Loss) for the Year

As a result of the foregoing, we had net profit of RMB252.7 million in 2023 compared to net loss RMB471.4 million in 2022.

Year ended December 31, 2022 Compared with Year Ended December 31, 2021

Revenue

Our revenue decreased slightly from RMB27,820.2 million in 2021 to RMB27,102.3 million in 2022. Such decrease was primarily due to the decrease in revenue from food service and distribution solutions and merchandise wholesale, partially offset by an increase in revenue from welfare and gifting solutions. Our revenue from food service and distribution solutions decreased by 13.6% from RMB4,159.5 million in 2021 to RMB3,592.3 million in 2022, and our revenue from merchandise wholesale decreased by 15.1% from RMB2,620.7 million in 2021 to RMB2,224.5 million in 2022, both mainly due to the decreasing customer demand impacted by the public health incidents. Our revenue from welfare and gifting solutions increased by 13.2% from RMB3,477.3 million in 2021 to RMB3,935.8 million in 2022, mainly because customers, in particular local government authorities had relatively high needs for our supplies in 2022 to safeguard the wellbeing of local residents in light of the public health incidents.

Cost of Sales

Our cost of sales decreased slightly from RMB25,301.4 million in 2021 to RMB24,469.4 million in 2022, as our cost of products remained relatively stable, being RMB24,236.9 million in 2021 and RMB23,419.7 million in 2022.

In addition, from business segment perspective, the slight decrease in our cost of sales was mainly due to the decrease in cost of sales in relation to food service and distribution solutions and merchandise wholesale, partially offset by an increase in cost of sales in relation to welfare and gifting solutions. The cost of sales in relation to food service and distribution solutions decreased by 15.7% from RMB3,436.3 million in 2021 to RMB2,897.5 million in 2022, and the cost of sales in relation to merchandise wholesale decreased by 14.5% from RMB2,400.0 million in 2021 to RMB2,052.1 million in 2022. These decreases were generally in relation to the decrease in sales of food service and distribution solutions and merchandise wholesale. The cost of sales in relation to welfare and gifting solutions increased by 9.7% from RMB2,956.5 million in 2021 to RMB3,243.3 million in 2022. Such increase was generally in relation to the increase in sales of welfare and gifting solutions.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased slightly from RMB2,518.8 million in 2021 to RMB2,632.9 million in 2022. Our gross profit margin increased from 9.1% in 2021 to 9.7% in 2022, primarily due (i) the increase in the gross profit margin of welfare and gifting solutions from 15.0% in 2021 to 17.6% in 2022, mainly driven by our increasing sales through the Maifuli system with relatively high gross profit margin as well as our continuous efforts in optimizing product mix; (ii) the increase in the gross profit margin of food service and distribution solutions from 17.4% in 2021 to 19.3% in 2022, mainly driven by our enhanced focus on core target group customers; and (iii) the increase in the gross profit margin of our other business, mainly logistics, consulting and other services, from 52.3% in 2021 to 56.1% in 2022, mainly due to the strengthened utilization of our logistics network as we provided increasing logistics support service to suppliers with our existing logistics resources.

Other Income

Our other income increased by 40.9% from RMB72.4 million in 2021 to RMB102.0 million in 2022, primarily due to an increase in our gain on financial assets measured at FVTPL from RMB16.1 million in 2021 to RMB36.5 million in 2022, because we invested in structured deposits in 2022.

Other Net (Losses)/Gains

We had other net gains of RMB96.4 million in 2022 compared to other net losses of RMB21.4 million in 2021, primarily because (i) we had gain on early termination of lease contracts of RMB62.7 million in 2022 compared to nil in 2021, as two landlords terminated lease contracts with us in 2022 and we received compensation for early termination; and (ii) we recorded net foreign exchange gains of RMB21.2 million in 2022 compared to net foreign exchange losses of RMB35.3 million in 2021, primarily due to the fluctuation in the exchange rate of EUR against USD, see "— Financial Risk — Currency Risk."

Selling and Distribution Costs

Our selling and distribution costs remained relatively stable at RMB1,402.0 million in 2021 and RMB1,459.9 million in 2022.

Administrative Expenses

Our administrative expenses decreased by 37.8% from RMB576.2 million in 2021 to RMB358.5 million in 2022, primarily due to the decrease in transitional service expenses from RMB145.2 million in 2021 to RMB35.7 million in 2022, mainly because the transitional service period ended in April 2022 and the related expenses in 2022 were for approximately four-month service while such expenses in 2021 were for the full year.

Provision of Impairment Loss on Trade and Other Receivables

Our provision of impairment loss on trade and other receivables increased significantly from RMB8.7 million in 2021 to RMB23.8 million in 2022, primarily due to the increasing expected credit loss in 2022 as our sales to welfare and gifting customers, in particular local government authorities, was relatively high in 2022 in light of the public health incidents, and such customers generally have relatively long settlement period.

Finance Costs

Our finance costs increased by 5.6% from RMB295.8 million in 2021 to RMB312.3 million in 2022, primarily due to (i) an increase in interest on lease liabilities, in line with the increasing number of leased properties to satisfy our business expansion needs, see "— Indebtedness — Lease Liabilities;" and (ii) an increase in interest arose from EUR-denominated bank loans as a result of the fluctuation in the exchange rate of RMB against EUR, see "— Indebtedness — Borrowings."

Change of the Carrying Amount of Redemption Liabilities Arising from Preferred Shares

We recorded increase in the carrying amount of redemption liabilities arising from preferred shares of RMB883.3 million in 2022, compared to a decrease in the carrying amount of redemption liabilities arising from preferred shares of RMB223.8 million in 2021. Such change was due to the fluctuation in the exchange rate of RMB against USD as our preferred shares are USD-denominated.

Income Tax

We had profit before tax of RMB510.9 million compared to loss before tax of RMB206.5 million in 2022, while our income tax increased from RMB178.9 million in 2021 to RMB264.9 million in 2022. Thereby our effective tax rate was 35.0% in 2021 compared to negative effective tax rate of 128.2% in 2022. Such difference was primarily due to (i) the tax effect of different statutory tax rates for different jurisdictions; (ii) tax effect of changes of the carrying amount of redemption liabilities arising from preferred shares, and we had increase in carrying amount of the redemption liabilities arising from preferred shares in 2022 compared to decrease in 2021; and (iii) tax effect of non-deductible expenses, mainly because we had net foreign exchange gain in 2022 compared to net foreign exchange loss in 2021. See Note 7(b) of Appendix I to this Document.

Profit/(Loss) for the Year

As a result of the foregoing, we had net loss of RMB471.4 million in 2022 compared to net profit of RMB332.0 million in 2021.

DISCUSSION OF SELECTED ITEMS FROM OUR STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our statements of financial position as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Non-current assets			
Property, plant and equipment	2,424.8	2,270.1	1,992.4
Investment property	2,544.8	2,404.7	2,266.9
	4,969.6	4,674.8	4,259.3
Right-of-use assets	5,507.4	5,160.2	4,725.9
Goodwill	4,848.9	4,848.9	4,848.9
Intangible assets	1,955.4	1,927.8	1,900.1
Finance lease receivables	1,355.4	1,640.0	1,440.9
Rental deposits	32.6	38.4	38.2
Deferred tax assets	156.0	214.7	178.8
Prepayments	–	62.4	106.3
Financial assets measured at FVTOCI	129.0	153.7	216.9
Total non-current assets	18,954.3	18,720.9	17,715.3
Current assets			
Inventories	2,412.3	2,292.9	1,762.1
Financial assets measured at FVTPL	220.2	200.5	–
Finance lease receivable	149.5	159.0	164.2
Trade and other receivables	1,543.7	1,587.3	1,142.9
Amount due from related parties	1,871.2	2,739.5	4,527.8
Restricted bank balances	46.8	254.2	304.1
Bank balances and cash	2,581.7	1,864.0	526.5
Total current assets	8,825.4	9,097.4	8,427.6
Current liabilities			
Trade and other payables	4,924.8	5,172.7	4,647.2
Amount due to related parties	814.9	1,363.2	5,342.0
Contract liabilities	935.5	989.8	1,022.2
Income tax payables	172.9	535.1	788.6
Borrowings	393.3	654.1	737.8
Lease liabilities	259.5	276.3	264.4
Put option financial liability	2,003.0	2,003.0	–
Total current liabilities	9,503.9	10,994.2	12,802.2
Net current liabilities	(678.5)	(1,896.8)	(4,374.6)

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Non-current liabilities			
Borrowings	5,902.0	5,433.4	4,038.7
Lease liabilities	2,701.6	2,862.7	2,476.2
Deferred tax liabilities	930.2	891.8	870.8
Redemption liabilities arising from preferred shares	9,563.6	10,446.9	10,624.1
Other non-current liabilities	0.2	0.2	0.2
Total non-current liabilities	19,097.6	19,635.0	18,010.0
Net liabilities	(821.8)	(2,810.9)	(4,669.3)
Capital and Reserves			
Share capital	0.0	0.0	0.0
Reserves	(821.8)	(2,810.9)	(4,669.3)
Total equity attributable to equity shareholders of the company	(821.8)	(2,810.9)	(4,669.3)
Non-controlling interests	–	–	–
Total deficit	(821.8)	(2,810.9)	(4,669.3)

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of (i) buildings and leasehold improvements, mainly representing buildings used for local fulfillment centers and relevant decorations; and (ii) operating facilities, mainly representing equipment used in local fulfillment centers. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Buildings and leasehold improvements	1,714.9	1,639.2	1,463.1
Operating facilities	489.7	448.2	391.0
Electronic equipment, office and other equipment	209.6	174.1	135.4
Motor vehicles	10.2	8.4	2.9
Construction in progress	0.4	0.2	–
Total	2,424.8	2,270.1	1,992.4

Our property, plant and equipment decreased by 6.4% from RMB2,424.8 million as of December 31, 2021 to RMB2,270.1 million as of December 31, 2022, and further decreased by 12.2% from RMB2,270.1 million as of December 31, 2022 to RMB1,992.4 million as of December 31, 2023. These decreases were primarily due to the decrease in buildings and leasehold improvements as well as operating facilities, both were mainly due to depreciation.

Right-of-use Assets

Our right-of-use assets primarily consisted of leasehold lands and leased properties, which were mainly used for local fulfillment centers. The following table sets forth a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Leasehold lands	4,554.5	4,275.5	3,937.7
Leased properties	938.2	869.8	777.5
Others	14.7	14.9	10.7
Total	5,507.4	5,160.2	4,725.9

Our right-of-use assets decreased by 6.3% from RMB5,507.4 million as of December 31, 2021 to RMB5,160.2 million as of December 31, 2022, and further decreased by 8.4% from RMB5,160.2 million as of December 31, 2022 to RMB4,725.9 million as of December 31, 2023. These decreases were primarily due to the decrease in leasehold lands and leased properties, both were mainly due to depreciation.

Finance Lease Receivables

The following table sets out a breakdown of our finance lease receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Non-current	1,355.4	1,640.0	1,440.9
Current	149.5	159.0	164.2
Total	1,504.9	1,799.0	1,605.1

Our finance lease receivables during the Track Record Period were related to our certain leased properties that were subleased under finance leases with the average terms mainly ranging from five to 20 years. We were not exposed to foreign currency risk relating to the lease arrangements, as all leases were denominated in the respective functional currencies of group entities. As of December 31, 2021, 2022 and 2023, none of the carrying amounts of the finance lease receivables have been pledged as security for the borrowings. See Note 15 of Appendix I to this Document.

Our finance lease receivables increased by 19.5% from RMB1,504.9 million as of December 31, 2021 to RMB1,799.0 million as of December 31, 2022, primarily due to increasing number of subleases, and decreased by 10.8% to RMB1,605.1 million as of December 31, 2023, primarily because we received rent for the subleases.

Inventories

During the Track Record Period, our inventories were all merchandise. We typically experience sales peaks in holiday season such as Chinese New Year, which are generally at the beginning of a year. In preparation of such holiday season, we generally have relatively high volume of inventories by the end of each year.

Our inventories decreased by 4.9% from RMB2,412.3 million as of December 31, 2021 to RMB2,292.9 million as of December 31, 2022, and further decreased by 23.1% from RMB2,292.9 million as of December 31, 2022 to RMB1,762.1 million as of December 31, 2023. Such decreases were primarily because (i) we reduced the purchase from merchandise suppliers, in line with our decreasing product sales; and (ii) we have been continuously enhancing our inventory management and improving inventory turnover leveraging our digitalized inventory management. In particular, the decrease in our inventories as of December 31, 2023 compared to December 31, 2022 was also a result of the seasonality issue, as we had fewer inventories by the end of 2023 compared to 2022 given the date of the Chinese New Year in 2024 was later than that in 2023.

The following table sets forth the turnover days of our inventories (net of impairment loss) for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	(days)	*(days)*	*(days)*
Inventory turnover days[(1)]	31.1	34.6	32.9

Note:

(1) Inventory turnover days for a year equal the average of the opening and closing balance of inventories divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year.

Our inventory turnover days increased from 31.1 days in 2021 to 34.6 days in 2022, mainly because we had relatively low inventories in early 2021 before the Chinese New Year in 2021 dated relatively late. Our inventory turnover days decreased from 34.6 days in 2022 to 32.9 days in 2023, primarily because (i) we had fewer inventories by the end of 2023 compared to 2022 given the date of the Chinese New Year in 2024 was later than that in 2023, and (ii) the lower inventory level by the end of 2023 compared to 2022 was also in line with our decreasing product sales.

As of April 30, 2024, approximately RMB1,307.9 million, or 74.3% of our inventories as of December 31, 2023 had been utilized or sold.

Financial Assets Measured at FVTOCI and FVTPL

We had financial assets measured at FVTOCI of RMB129.0 million, RMB153.7 million and RMB216.9 million as of December 31, 2021, 2022 and 2023, respectively, representing our investment in Guoquan Food (Shanghai) Co., Ltd., a listed entity. We designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment in 2021, 2022 and 2023. See Note 17(a) of Appendix I to this Document.

We had financial assets measured at FVTPL of RMB220.2 million, RMB200.5 million and nil as of December 31, 2021, 2022 and 2023, respectively. The following table sets out a breakdown of our financial assets measured at FVTPL as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Trading securities			
– Unlisted equity securities	220.2	–	–
Structured deposits	–	200.5	–
Total	220.2	200.5	–

We had trading securities of RMB220.2 million as of December 31, 2021, compared to nil as of December 31, 2022, due to our sales of the unlisted equity securities of Chengxin Technology Inc. in 2022.

We invested in structured deposit in 2022 and we had structured deposit of RMB200.5 million as of December 31, 2022, compared to nil as of December 31, 2023, because we withdrew our structured deposits to repay bank loans.

Trade and Other Receivables

The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Trade receivables	600.7	650.7	541.5
Less: allowance for credit losses	(10.9)	(22.3)	(15.5)
	589.8	628.4	526.0
Other receivables, prepayments and deposits			
Prepayments to suppliers	294.8	206.6	68.3
Amounts due from suppliers	173.9	301.3	169.7
Deposits	33.6	20.8	26.0
Value-added tax recoverable	418.7	447.6	363.3
Other receivables	56.0	16.0	10.0
Less: allowance for credit losses	(23.1)	(33.4)	(20.4)
	953.9	958.9	616.9
Total	1,543.7	1,587.3	1,142.9

Trade Receivables

Our trade receivables represented receivables from third-party customers, primarily including our food service and distribution, welfare and gifting and merchandise wholesale customers.

Our trade receivables, net of allowance for credit losses, increased by 6.5% from RMB589.8 million as of December 31, 2021 to RMB628.4 million as of December 31, 2022, and decreased by 16.3% from RMB628.4 million as of December 31, 2022 to RMB526.0 million as of December 31, 2023. The trade receivables as of December 31, 2022 was relatively high primarily because our customers' payment was generally impacted by the public health incidents.

The credit terms granted to our customers generally range from 0 to 60 days. The following table sets forth an aging analysis of our trade receivables, net of allowance for credit losses, based on the invoice dates as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
0 – 60 days	517.5	488.9	507.9
61 – 120 days	66.8	101.5	16.6
121 days – one year	5.4	37.6	1.4
Over one year	0.1	0.4	0.0
Total	589.8	628.4	526.0

The following table sets forth the turnover days of our trade receivables (before allowance for credit losses) for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
		(days)	
Trade receivables turnover days(1)	20.1	23.1	24.0

Note:

(1) Trade receivables turnover days for a year equal the average of opening and closing balance of gross trade receivables for the relevant year divided by revenue from food service and distribution solutions, welfare and gifting solutions and merchandise wholesale for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year.

Our trade receivables turnover days increased from 20.1 days in 2021 to 23.1 days in 2022, primarily because our customers' payment was generally impacted by the public health incidents in 2022. Our trade receivables turnover days increased slightly from 23.1 days in 2022 to 24.0 days in 2023, primarily because we strategically granted more favorable credit terms to certain core target group customers.

As of April 30, 2024, approximately RMB537.3 million, or 99.2% of our trade receivables as of December 31, 2023, had been settled.

Other receivables, prepayments and deposits

Our other receivables, prepayments and deposits primarily consisted of (i) value-added tax recoverable, representing the input value-added tax in excess of the output value-added tax, which can be deductible or recoverable in the future; (ii) amounts due from suppliers, which mainly represented rebates due from merchandise suppliers; and (iii) prepayments to suppliers, which were primarily prepayments for purchasing merchandise.

Our other receivables, prepayments and deposits, net of allowance for credit losses remained relatively stable at RMB953.9 million as of December 31, 2021 and RMB958.9 million as of December 31, 2022. Our amounts due from suppliers increased by 73.3% from RMB173.9 million as of December 31, 2021 to RMB301.3 million as of December 31, 2022, mainly because suppliers' settlement with us for rebates was temporarily delayed due to our settlement system upgrade. Such increase was partially offset by a decrease in prepayments to suppliers by 29.9% from RMB294.8 million as of December 31, 2021 to RMB206.6 million as of December 31, 2022, mainly due to our strengthened management of prepayments.

Our other receivables, prepayments and deposits, net of allowance for credit losses, decreased by 35.7% from RMB958.9 million as of December 31, 2022 to RMB616.9 million as of December 31, 2023, primarily due to (i) a decrease in prepayments to suppliers from RMB206.6 million as of December 31, 2022 to RMB68.3 million as of December 31, 2023, mainly due to our strengthened management of prepayments to enhance our cash flow; and (ii) a decrease in amounts due from suppliers from RMB301.3 million as of December 31, 2022 to RMB169.7 million as of December 31, 2023, mainly because we enhanced our receivables management capabilities and we have completed the upgrade of our settlement system.

Amounts Due from Related Parties

The following table sets out a breakdown of our amounts due from related parties as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Trade related	1,383.3	1,633.2	1,378.1
Non-trade related	487.9	1,106.3	3,149.7
Total	1,871.2	2,739.5	4,527.8

Our trade related amounts due from related parties were primarily amounts due from fellow subsidiaries, and were mainly in relation to the historical amounts of the transactions for our retailer distribution solutions provided to Wumart Group, see "Connected Transactions — Non-Exempt Continuing Connected Transactions Subject to Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 6. Retailer Distribution Solutions Framework Agreement." The trade related amounts due from related parties were interest-free and unsecured. Our non-trade related amounts due from related parties mainly included loans due from fellow subsidiaries and receivables for rental expenses on behalf of related parties.. All non-trade related amounts due from related parties will be fully settled before the [**REDACTED**]. See Note 19 of Appendix I to this Document.

Our amounts due from related parties increased by 46.4% from RMB1,871.2 million as of December 31, 2021 to RMB2,739.5 million as of December 31, 2022, primarily due to (i) the increase in trade related amounts due from fellow subsidiaries, in particular Shanghai M Commercial and Trading Company Limited, mainly due to our increasing sales to it by the end of 2022 for its stock preparation for the Chinese New Year in 2023 which dated earlier than that in 2022; and (ii) the increase in non-trade related amounts due from M Group Commerce (Shanghai) Co., Ltd. in relation to the transactions mainly for purpose of loan payment, see "— Discussion of Selected Items from Our Statements of Financial Position — Amounts Due to Related Parties." Our amounts due from related parties further increased by 65.3% from RMB2,739.5 million as of December 31, 2022 to RMB4,527.8 million as of December 31, 2023, primarily due to the increase in non-trade related amounts due from M Group Commerce (Shanghai) Co., Ltd. and Wumei Technology Group Co., Ltd. in relation to the transactions mainly for purpose of loan payment.

The credit terms granted to our related parties for trade related amount generally range from 0 to 30 days. The following table sets out an aging analysis of our trade related amount due from related parties based on the invoice dates as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
0 to 60 days	1,383.3	1,623.2	1,378.1
61 to 120 days	–	10.0	–
Total	1,383.3	1,633.2	1,378.1

Given the expected credit loss rates in respect of the amounts due from related parties were insignificant in 2021, 2022 and 2023, no loss allowance was recognized for these years.

The following table sets forth the turnover days of our trade related amount due from related parties for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	(days)	*(days)*	*(days)*
Trade related amount due from related parties turnover days(1)	35.4	33.1	36.3

Note:

(1) Trade related amount due from related parties turnover days for a year equal the average of the opening and closing balance of trade related amount due from related parties divided by revenue from retailer distribution solutions to Wumart Group for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year.

Our turnover days of trade related amount due from related parties remained relatively stable at 35.4 days, 33.1 days and 36.3 days in 2021, 2022 and 2023, respectively, which was generally in line with our credit terms with such related parties.

As of April 30, 2024, approximately RMB1,377.8 million, or 100.0% of our trade related amount due from related parties as of December 31, 2023, had been settled.

Trade and Other Payables

During the Track Record Period, our trade and other payables were mainly trade payables, which primarily represented payables to merchandise suppliers. The following table sets out a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Trade payables	3,888.4	4,227.5	3,788.8
Deposits received	45.8	57.2	163.7
Construction payable	240.5	179.9	92.2
Staff cost payable	133.7	168.1	122.0
Accruals	230.7	266.4	207.1
Tax payables	155.5	192.2	202.3
Service fee payables	111.6	22.6	24.3
Other payables	118.6	58.8	46.8
Total	4,924.8	5,172.7	4,647.2

Our trade and other payables increased by 5.0% from RMB4,924.8 million as of December 31, 2021 to RMB5,172.7 million as of December 31, 2022, primarily due to the increase in trade payables. Our trade payables increased by 8.7% from RMB3,888.4 million as of December 31, 2021 to RMB4,227.5 million as of December 31, 2022, primarily due to the upgrade of our settlement system.

Our trade and other payables decreased by 10.2% from RMB5,170.7 million as of December 31, 2022 to RMB4,647.2 million as of December 31, 2023, primarily due to the decrease in trade payables. Our trade payables decreased by 10.4% from RMB4,227.5 million as of December 31, 2022 to RMB3,788.8 million as of December 31, 2023, primarily because the upgrade of our settlement system was completed.

Our trade and other payables were all included in current liabilities and were expected to be settled within one year. The following table sets forth an aging analysis of the trade payables based on the invoice dates as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
0 to 60 days	3,511.4	3,871.5	3,251.7
61 to 120 days	207.6	241.8	371.3
121 days to one year	97.1	11.1	55.2
Over one year	72.3	103.1	110.6
Total	3,888.4	4,227.5	3,788.8

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
		(days)	
Trade payables turnover days[(1)]	53.3	59.7	65.0

Note:

(1) Trade payables turnover days for a year equal the average of the opening and closing balance of trade payables for the relevant year divided by the cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 360 days for each year.

Our trade payables turnover days increased from 53.3 days in 2021 to 59.7 days in 2022, primarily due to the upgrade of our settlement system. Our trade payables turnover days increased from 59.7 days in 2022 to 65.0 days in 2023, primarily because we obtained more favorable credit terms from our suppliers based on our enhanced collaboration.

As of April 30, 2024, approximately RMB3,692.9 million, or 97.5% of our trade payables as of December 31, 2023 had been settled.

Amounts Due to Related Parties

The following table sets forth a breakdown of our amounts due to related parties as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Trade related	302.2	538.9	430.4
Non-trade related	512.7	824.3	4,911.6
Total	814.9	1,363.2	5,342.0

Our trade related amounts due to related parties were primarily trade related amounts due to fellow subsidiaries and were mainly in relation to advance payment from customers for our Retailer Distribution Solutions. The trade related amounts due to related parties were unsecured and non-interest bearing. Our non-trade related amounts due to related parties were in relation to the transactions for purpose of loan payment. All non-trade related amounts due to related parties will be fully settled before the [**REDACTED**]. See Note 22 of Appendix I to this Document.

Our amounts due to related parties increased by 67.3% from RMB814.9 million as of December 31, 2021 to RMB1,363.2 million as of December 31, 2022, primarily due to (i) an increase in non-trade related amounts due to related parties, in particular M Group Commerce (Shanghai) Co., Ltd. and Retail Enterprise Corporation Ltd. in relation to the transactions mainly for purpose of loan payment. Our amounts due to related parties increased significantly from RMB1,363.2 million as of December 31, 2022 to RMB5,342.0 million as of December 31, 2023, primarily due to the increase in non-trade related amounts due to related parties, in particular to M Group Commerce (Shanghai) Co., Ltd. in relation to the transactions for purpose of loan payment, as well as Retail Enterprise Corporation Ltd. for (i) settlement of put option financial liabilities, see "— Discussion of Selected Items from Our Statements of Financial Position — Put Option Financial Liability;" (ii) early repayment of our borrowings.

The following table sets out an aging analysis of our trade related amount due to related parties based on the invoice dates as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
0 to 60 days	302.2	538.9	430.4
Total	302.2	538.9	430.4

As of April 30, 2024, approximately RMB430.4 million, or 100.0% of our trade related amount due to related parties as of December 31, 2023, had been settled.

Contract Liabilities

Our contract liabilities primarily consisted of (i) prepaid cards, mainly representing customer's prepayments for purchasing merchandise, and the balance of prepaid cards represented the unused prepaid cards which are expected to be redeemed in the future, and revenue from prepaid cards is recognized when the prepaid cards are redeemed by customers upon their acceptance of the products or in proportion to the pattern of rights exercised by the customers; and (ii) advances receipts from customers, mainly relating to wholesale customers.

The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Prepaid cards	811.9	804.4	797.3
Advances receipts from customers	123.6	185.4	224.9
Total	935.5	989.8	1,022.2

Our contract liabilities remained relatively stable, being RMB935.5 million, RMB989.8 million and RMB1,022.2 million as of December 31, 2021, 2022 and 2023, respectively.

As of April 30, 2024, approximately RMB402.4 million, or 32.0% of our contract liabilities as of December 31, 2023, had been settled.

Put Option Financial Liability

We had put option financial liability of RMB2,003.0 million, RMB2,003.0 million and nil as of December 31, 2021, 2022 and 2023, respectively. This financial liability was related to an agreement signed in 2020 with METRO Cash & Carry International GmbH, which was granted an option to sell and transfer 20.04% of the shares of WM Holding Limited to us at any time for the option price specified in the agreement. This put option was exercised during the Track Record Period and the consideration was paid in November 2023. See "History, Reorganization and Corporate Structure — Major Shareholding Changes of Our Company — 1. Incorporation of our Company" and Note 26 of Appendix I to this Document.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of/For the Year ended December 31,		
	2021	2022	2023
Gross profit margin (%)[(1)]	9.1	9.7	10.7
Net profit/(loss) margin (%)[(2)]	1.2	(1.7)	1.0
Current ratio[(3)]	0.9	0.8	0.7
Quick ratio[(4)]	0.7	0.6	0.5
Adjusted net profit margin (%) *(non-IFRS measure)*[(5)]	0.4	1.5	1.7

Notes:

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net profit/(loss) margin equals net profit/(loss) for the year divided by revenue for the year and multiplied by 100%.

(3) Current ratio equals current assets divided by current liabilities as of the same date.

(4) Quick ratio equals current assets less inventories divided by current liabilities as of the same date.

(5) Adjusted net profit margin *(non-IFRS measure)* equals adjusted net profit for the year/period as a non-IFRS measure divided by revenue for the year/period and multiplied by 100%.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operations and debt financing. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2021, 2022 and 2023, we had cash and cash equivalents of RMB2,581.7 million, RMB1,864.0 million and RMB526.5 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash and cash equivalents on hand, the expected cash generated from operating activities and the estimated net [**REDACTED**] from the [**REDACTED**].

Cash Flow

The following table sets forth our cash flow for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*
Net cash flows generated from operating activities	1,326.0	2,104.8	2,616.4
Net cash flows used in investing activities	(937.4)	(821.2)	(3,874.9)
Net cash flows used in financing activities	(1,117.7)	(2,002.7)	(76.7)
Net decrease in cash and cash equivalents	(729.1)	(719.1)	(1,335.2)
Cash and cash equivalents at the beginning of the year	3,306.0	2,581.7	1,864.0
Effect of foreign exchange rate changes	4.8	1.4	(2.3)
Cash and cash equivalents at end of year	2,581.7	1,864.0	526.5

Net Cash Flows Generated from Operating Activities

Our net cash flows generated from operating activities primarily represented our profit before tax for the period adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital.

In 2023, our net cash flows generated from operating activities was RMB2,616.4 million, which was primarily attributed to our profit before tax of RMB506.1 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) finance costs of RMB454.3 million, and (b) depreciation of right-of-use assets of RMB427.6 million; and (ii) changes in working capital, which primarily comprised (a) decrease in inventories of RMB530.2 million, (b) decrease in trade and other receivables of RMB459.0 million, and (c) decrease in trade and other payables of RMB437.8 million.

In 2022, our net cash flows generated from operating activities was RMB2,104.8 million, which was primarily attributed to our loss before tax of RMB206.5 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) change of redemption liabilities arising from preferred shares of RMB883.3 million, and (b) depreciation of right-of-use assets of RMB436.0 million; and (ii) changes in working capital, which primarily comprised (a) increase in trade and other payables of RMB308.5 million, (b) increase in amounts due from related parties of RMB292.9 million, and (c) increase in amounts due to related parties of RMB248.8 million.

In 2021, our net cash flows generated from operating activities was RMB1,326.0 million, which was primarily attributed to our profit before tax of RMB510.9 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) depreciation of right-of-use assets of RMB439.2 million, and (b) finance costs of RMB295.8 million; and (ii) changes in working capital, which primarily comprised (a) decrease in amounts due from related parties of RMB505.6 million, (b) increase in inventories of RMB453.6 million, and (c) decrease in amounts due to related parties of RMB406.6 million.

Net Cash Flows Used in Investing Activities

In 2023, our net cash flows used in investing activities was RMB3,874.9 million, which was primarily attributable to (i) our loans to related parties of RMB1,987.6 million; (ii) our purchase of financial assets measured at FVTPL of RMB1,100.0 million; (iii) our purchases of property, plant and equipment of RMB125.7 million; and (iv) our increase of restricted deposits of RMB49.9 million, partially offset by our disposal of financial assets measured at FVTPL of RMB1,303.6 million.

In 2022, our net cash flows used in investing activities was RMB821.2 million, which was primarily attributable to (i) our purchase of financial assets measured at FVTPL of RMB7,760.2 million; (ii) our loans to related parties of RMB546.6 million, (iii) our purchases of property, plant and equipment of RMB260.1 million; and (iv) our increase of restricted deposits of RMB207.5 million, partially offset by our disposal of financial assets measured at FVTPL of RMB7,596.2 million.

In 2021, our net cash flows used in investing activities was RMB937.4 million, which was primarily attributable to (i) our purchase of financial assets measured at FVTPL of RMB11,700.0 million; (ii) our loans to related parties of RMB485.8 million; (iii) our purchases of property, plant and equipment of RMB240.7 million; and (iv) our disposal of financial assets of RMB220.2 million, partially offset by our disposal of financial assets measured at FVTPL of RMB11,716.1 million.

Net Cash Flows Used in Financing Activities

In 2023, our net cash flows used in financing activities was RMB76.7 million, which was primarily attributable to (i) our deemed cash distribution of RMB1,721.6 million; (ii) our repayment of borrowings of RMB1,633.7 million; (iii) our capital element of lease rentals paid of RMB306.0 million, and (iv) our interest paid of RMB303.9 million, offset by our proceeds from loans from related parties of RMB4,038.9 million.

In 2022, our net cash flows used in financing activities was RMB2,002.7 million, which was primarily attributable to (i) our deemed cash distribution of RMB1,331.5 million; (ii) our repayment of borrowings of RMB390.1 million; and (iii) our capital element of lease rentals paid of RMB270.1 million, offset by our proceeds from loans from related parties of RMB542.8 million.

In 2021, our net cash flows used in financing activities was RMB1,117.7 million, which was primarily attributable to (i) our deemed cash distribution of RMB881.4 million; and (ii) our capital element of lease rentals paid of RMB273.7 million, offset by our proceeds from loans from related parties of RMB478.7 million.

Net Current Assets/Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)* *(Unaudited)*
Current assets				
Inventories	2,412.3	2,292.9	1,762.1	1,385.5
Financial assets measured at FVTPL	220.2	200.5	–	–
Finance lease receivable	149.5	159.0	164.2	195.7
Trade and other receivables	1,543.7	1,587.3	1,142.9	1,023.0
Amount due from related parties	1,871.2	2,739.5	4,527.8	4,430.6
Restricted bank balances	46.8	254.2	304.1	14.7
Bank balances and cash	2,581.7	1,864.0	526.5	266.8
Total current assets	8,825.4	9,097.4	8,427.6	7,316.3
Current liabilities				
Trade and other payables	4,924.8	5,172.7	4,647.2	3,891.3
Amount due to related parties	814.9	1,363.2	5,342.0	5,196.3

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)* *(Unaudited)*
Contract liabilities	935.5	989.8	1,022.2	1,006.5
Income tax payables	172.9	535.1	788.6	808.0
Borrowings	393.3	654.1	737.8	4,369.4
Lease liabilities	259.5	276.3	264.4	275.5
Put option financial liabilities	2,003.0	2,003.0	–	–
Total current liabilities	9,503.9	10,994.2	12,802.2	15,547.0
Net current liabilities	(678.5)	(1,896.8)	(4,374.6)	(8,230.7)

Our net current liabilities increased significantly from RMB678.5 million as of December 31, 2021 to RMB1,896.8 million as of December 31, 2022. The increase was primarily due to (i) a decrease in bank balances and cash, see "— Liquidity and Capital Resources — Cash Flow;" and (ii) an increase in amount due to related parties, see "— Discussion of Selected Items from Our Statements of Financial Position — Amounts Due to Related Parties."

Our net current liabilities increased significantly from RMB1,896.8 million as of December 31, 2022 to RMB4,374.6 million as of December 31, 2023. The increase was primarily due to (i) a decrease in bank balances and cash, see "— Liquidity and Capital Resources — Cash Flow;" (ii) an increase in amount due to related parties, see "— Discussion of Selected Items from Our Statements of Financial Position — Amount Due to Related Parties."

Our net current liabilities increased by 88.1% from RMB4,374.6 million as of December 31, 2023 to RMB8,230.7 million as of April 30, 2024. The increase was primarily due to (i) the increase in borrowings, as our non-current borrowings as of December 31, 2023 turned into current borrowings as of April 30, 2024, see "— Indebtedness — Borrowings;" and (ii) the decrease in inventories, as we had relatively high inventories by the end of 2023 in anticipation of the Chinese New Year, see "— Discussion of Selected Items from Our Statements of Financial Position — Inventories.".

INDEBTEDNESS

As of December 31, 2021, 2022 and 2023 and April 30, 2024, our indebtedness consisted of lease liabilities (including current and non-current portions), borrowings (including current and non-current portions), non-trade related amounts due to related parties and redemption liabilities arising from preferred shares. As of April 30, 2024, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB22,827.0 million. As of April 30, 2024, we had no unutilized banking facilities.

The following table sets forth the details of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)* *(Unaudited)*
Current				
Lease liabilities	259.5	276.3	264.4	275.5
Borrowings	393.3	654.1	737.8	4,369.4
Non-trade related amounts due to related parties	512.7	824.3	4,911.6	5,137.8
Subtotal	1,165.5	1,754.7	5,913.8	9,782.7
Non-current				
Lease liabilities	2,701.6	2,862.7	2,476.2	2,384.8
Borrowings	5,902.0	5,433.4	4,038.7	–
Redemption liabilities arising from preferred shares	9,563.6	10,446.9	10,624.1	10,659.5
Subtotal	18,167.2	18,743.0	17,139.0	13,044.3
Total	19,332.7	20,497.7	23,052.8	22,827.0

Except for our indebtedness as disclosed above as of December 31, 2021, 2022 and 2023 and as of April 30, 2024, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), or acceptance credits, which were either guaranteed or unguaranteed, secured or unsecured. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this Document.

Redemption Liabilities Arising from Preferred Shares

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had redemption liabilities arising from preferred shares of RMB9,563.6 million, RMB10,446.9 million, RMB10,624.1 million and RMB10,659.5 million, respectively. We had USD-denominated preferred shares with redeemable option issued under certain share purchase agreements with several independent investors during the Track Record Period, see "History, Reorganization and Corporate Structure — Major Shareholding Changes of Our Company — 3. Pre-[**REDACTED**] Investments" and Note 27 of Appendix I to this Document.

At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome. Subsequently, they are measured at amortized cost. Any changes in the carrying amount of the financial liabilities are recognized in profit or loss. The instrument holders have the right to acquire us to redeem some or all of the preferred shares held by the holders upon certain redemption events, which are not all within the control of us.

The movement of the redemption liabilities arising from preferred shares during the Track Record Period was as follows:

	Redemption liabilities arising from preferred shares	
	(USD in millions)	*(RMB in millions)*
As of January 1, 2021	1,500.0	9,787.4
Exchange gains	–	(223.8)
As of December 31, 2021	1,500.0	9,563.6
Exchange losses	–	883.3
As of December 31, 2022	1,500.0	10,446.9
Exchange losses	–	177.2
As of December 31, 2023	1,500.0	10,624.1

The fluctuations of our redemption liabilities arising from preferred shares during the Track Record Period were all due to fluctuation in the exchange rate of RMB against USD as our preferred shares are USD-denominated. The redemption options of the preferred shares would be terminated and the preferred shares issued to investors would be converted into equity upon the qualified [**REDACTED**] of our Company's shares.

Lease Liabilities

As of December 31, 2021, 2022 and 2023 and April 30, 2024, our total lease liabilities (including current and non-current portions) amounted to RMB2,961.1 million, RMB3,139.0 million, RMB2,740.6 million and RMB2,660.3 million, respectively.

Our total lease liabilities increased by 6.0% from RMB2,961.1 million as of December 31, 2021 to RMB3,139.0 million as of December 31, 2022, primarily due to the increasing leased properties to satisfy our business expansion needs, as well as the increased rent of certain leased properties.

Our total lease liabilities decreased by 12.7% from RMB3,139.0 million as of December 31, 2022 to RMB2,740.6 million as of December 31, 2023, primarily due to our payment of rent in 2023.

Our total lease liabilities remained relatively stable at RMB2,740.6 million as of December 31, 2023 and RMB2,660.3 million as of April 30, 2024.

Non-Trade Related Amounts Due to Related Parties

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had non-trade related amounts due to related parties of RMB512.7 million, RMB824.3 million, RMB4,911.6 million and RMB5,137.8 million, respectively. Such related parties were mainly M Group Commerce (Shanghai) Co., Ltd., Shanghai M Commercial and Trading Company Limited and Retail Enterprise Corporation Ltd.

With regard to M Group Commerce (Shanghai) Co., Ltd., Shanghai M Commercial and Trading Company Limited: as of December 31, 2022 and 2023, amounts due to M Group Commerce (Shanghai) Co., Ltd., Shanghai M Commercial and Trading Company Limited was RMB539.5 million and RMB1,593.9 million, respectively, repayable on demand with annual interest rate at 0.35% and 1.6%, respectively.

With regard to Retail Enterprise Corporation Limited: as of December 31, 2021, amounts due to Retail Enterprise Corporation Limited included RMB280.5 million that was interest free and repayable on demand and RMB232.1 million that was repayable on demand with annual interest rate at 1.09%; as of December 31, 2022, amounts due to Retail Enterprise Corporation Ltd. included RMB27.9 million that was interest free and repayable on demand, and RMB256.3 million that was repayable on demand with annual interest rate at 1.09%; and as of December 31, 2023, amounts due to Retail Enterprise Corporation Ltd. included RMB1,042.6 million that was interest free and repayable on demand, RMB263.4 million that was repayable on demand with annual interest rate at 1.09%, RMB20.6 million that was one year from drawing with annual interest rate at 1.09%, and RMB1,990.2 million that was one year from drawing with annual interest rate at 5.25%.

Our non-trade related amounts due to related parties increased from RMB512.7 million as of December 31, 2021 to RMB823.9 million as of December 31, 2022, mainly due to the increase in non-trade related amounts due to M Group Commerce (Shanghai) Co., Ltd. and Retail Enterprise Corporation Ltd. in relation to the transactions mainly for purpose of loan payment. Our non-trade related amounts due to related parties increased from RMB824.3 million as of December 31, 2022 to RMB4,911.6 million as of December 31, 2023, mainly due to the increase in non-trade related amounts due to M Group Commerce (Shanghai) Co., Ltd. in relation to the transactions for purpose of loan payment, as well as Retail Enterprise Corporation Ltd. for (i) settlement of put option financial liabilities, see "— Discussion of Selected Items from Our Statements of Financial Position — Put Option Financial Liability;" (ii) early repayment of our borrowings. Our non-trade related amounts due to related parties remained relatively stable at RMB4,911.6 million as of December 31, 2023 and RMB5,137.8 million as of April 30, 2024.

All non-trade related amounts due to related parties will be fully settled before the [**REDACTED**].

Borrowings

As of December 31, 2021, 2022 and 2023 and April 30, 2024, our total borrowings (including current and non-current portions) amounted to RMB6,295.3 million, RMB6,087.5 million and RMB4,776.5 million and RMB4,369.4 million, respectively, which were all secured bank loans. Our total borrowings decreased by 8.5% from RMB4,776.5 million as of December 31, 2023 to RMB4,369.4 million as of April 30, 2024. The continuous decrease in the amount of our borrowings was mainly due to our repayment of bank loans, as well as due to the fluctuation in the exchange rate of RMB against EUR.

On April 23, 2020, our Company signed a facility agreement and borrowed EUR908.0 million (equivalent to approximately RMB7,205.8 million) from a bank for five years, with annual interest rate of EURIBOR plus 200 basis points. According to this facility agreement, the loan is secured by a pledge of 100% equity interest of all of our Company's subsidiaries, M Commerce Group Co., Ltd., Xinyan Property Management (Shanghai) Co., Ltd., Shanghai Xinqing Property Management Co., Ltd., Star Farm Shanghai, and was also secured by all lands and buildings owned by us with carrying amount of RMB7,411.2 million and RMB7,013.6 million and RMB6,621.0 million as of December 31, 2021, 2022 and 2023.

On July 24, 2023, we repaid EUR129.0 million (equivalent to approximately RMB1,021.8 million). The annual interest rate has been modified from EURIBOR plus 200 basis points to EURIBOR plus 150 basis points. The modification triggered a remeasurement of amortised cost of the borrowing. The difference of RMB26.5 million between the original future cashflows and the modified future cashflows has been recorded in other net losses or gains. See "— Description of Major Components of Our Results of Operations — Other Net (Losses)/Gains."

Our Directors confirm that, there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023 and up to April 30, 2024, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments represented the capital expenditure in respect of the acquisition of property, machinery and equipment contracted for but not provided in the historical financial information. Our capital commitments increased from RMB3.0 million as of December 31, 2021 to RMB9.8 million as of December 31, 2022, and decreased to RMB8.1 million as of December 31, 2023.

CAPITAL EXPENDITURES

During the Track Record Period, our historical capital expenditures were related to purchase of property, plant and equipment. We had capital expenditures of RMB240.7 million, RMB260.6 million and RMB125.7 million in 2021, 2022 and 2023, respectively. We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]." We intend to fund our future capital expenditures with financial resources available to us, including our cash and cash equivalents on hand, the expected cash generated from operating activities and the estimated net [**REDACTED**] from the [**REDACTED**]. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Cushman & Wakefield Limited, an independent property valuer, has valued our selected property interests as of May 31, 2024. For details of the valuation, see Appendix IV to this Document.

The following table sets forth a reconciliation of the fair value of the selected property interests as of May 31, 2024 set out in Appendix IV to this Document and their respective net book value as of December 31, 2023 included in the Accountants' Report as set out in Appendix I to this Document:

	RMB in millions
Net book value of our selected property interests as of December 31, 2023	707.4
Movement during the period from December 31, 2023 to May 31, 2024 (unaudited)	(19.2)
Net book value of our selected property interests as of May 31, 2024 (unaudited)	688.2
Valuation surplus[1]	323.8
Market value of our selected property interests as of May 31, 2024 as set forth in the property valuation report	1,012.0

Note:

(1) The valuation surplus was not recorded in our financial statements as our properties were stated at cost less accumulated depreciation and any impairment losses.

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 32 of Appendix I to this Document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. See Note 30 of Appendix I to this Document for a detailed description of our financial risk management.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to cash and cash equivalents, amounts due from related parties and trade and other receivables. The carrying amount of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

Our cash and bank deposits are held with banks located in the PRC and Hong Kong which management believes are of high credit quality. Accordingly, our credit risk is primarily attributable to trade and other receivables.

Trade and other receivables mainly are due from third party suppliers and third-party customers. We have established a credit risk management policy to monitor exposures to credit risk on an ongoing basis, under which credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer, as well as pertaining to the economic environment in which the customer operates.

We have no significant concentration of credit risk in industries or countries in which the customers operate. We also have no significant concentration of credit risk in the exposure to individual customers. Our Directors are of the opinion that there is no significant credit risk as of December 31, 2023.

We measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. For details of information about the exposure to credit risk and ECLs for trade receivables third-party from customers and movement in the loss allowance account in respect of trade receivables during the Track Record Period, see Note 30(a) of Appendix I to this Document.

Liquidity risk

Our individual operating entities are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. See Note 30(b) of Appendix I to this Document.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. We regularly review our strategy on interest rate risk management in the light of the prevailing market condition. For details of our interest rate risk profile and sensitivity analysis, see Note 30(c) of Appendix I to this Document.

Currency risk

We undertake certain financing and treasury transactions in foreign currencies, which expose us to foreign currency risk. We do not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise. For details of our exposure to currency risk and sensitivity analysis, see Note 30(d) of Appendix I to this Document.

DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period.

We are a holding company incorporated under the laws of the Cayman Islands. Under the Cayman Islands law, our Company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our legal adviser on Cayman Islands laws, subject to the above, there is no restriction under the Cayman Islands law for our Company to declare and pay a dividend despite our accumulated losses. We have no fixed dividend policy, and our Board has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our Shareholders may by ordinary resolution resolve to declare a dividend, but (i) no dividend may exceed the amount recommended by our Board; and (ii) no dividends shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or as otherwise permitted by law. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. We do not have a pre-determined dividend payout ratio. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that dividends of any amount will be declared or distributed in any year.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, the expected cash generated from operating activities, and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this Document. We had net cash generated from operating activities of RMB1,326.0 million, RMB2,104.8 million and RMB2,616.4 million in 2021, 2022 and 2023, respectively. Our Directors confirm that we had neither material defaults in payment of trade and non-trade payables and loans and borrowings, nor any breach of financial covenants during the Track Record Period and up to the date of this Document that would impact our ability to undertake additional debt financing.

DISTRIBUTABLE RESERVES

As of December 31, 2023, our Company did not have any distributable reserves.

[REDACTED] EXPENSE

[**REDACTED**] expenses consist of professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. We expect to incur [**REDACTED**] expenses of approximately HK$[**REDACTED**] (based on the mid-point of the indicative [**REDACTED**] and assuming the [**REDACTED**] is not exercised), which accounts for approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**]. We estimate the [**REDACTED**] expenses to consist of approximately HK$[**REDACTED**] in [**REDACTED**] fees and HK$[**REDACTED**] in [**REDACTED**] fees. The [**REDACTED**] fees include (a) fees and expenses of legal advisers and accountants, equal to HK$[**REDACTED**] and (b) other fees and expenses of HK$[**REDACTED**]. Among of the total [**REDACTED**] expenses, approximately HK$[**REDACTED**] will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [**REDACTED**], and the remaining HK$[**REDACTED**] will be recognized in our profit or loss in 2024. Our Directors do not expect such expenses to materially impact our results of operations.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and [**REDACTED**] statement of our adjusted net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of [**REDACTED**] Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets attributable to the owners of our Company as of December 31, 2023 as if it had taken place on December 31, 2023.

The unaudited [**REDACTED**] statement of adjusted net tangible assets have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to equity shareholders of our Company had the [**REDACTED**] been completed as of December 31, 2023 or any future dates.

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, as of the date of this Document, there had been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the end date of the periods reported in Appendix I to this Document, and there had been no event since December 31, 2023 that would materially affect the information as set out in the Accountants' Report in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this Document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" for a detailed discussion of our future plans.

USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] stated in this Document), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**] after deducting the [**REDACTED**], fees and other estimated expenses in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised or HK$[**REDACTED**] if the [**REDACTED**] and the [**REDACTED**] are exercised in full. In line with our strategies, we intend to use our [**REDACTED**] from the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for strengthening our supply chain capabilities to fulfil the growing needs of our business, and improve our operational efficiency and enhance quality assurance. In particular:

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for (i) upgrading and expanding our logistics network, (ii) acquiring OEM manufacturer(s), and (iii) establishing or acquiring four additional fresh food processing centers. In particular, we intend to set up fresh food processing centers in strategic locations, such as Qingdao, Wuhan, Xi'an and Shenyang, in the next five years. The cost to set up a new fresh food processing center is estimated to amount to RMB30.0 million. The average utilization rate of our distribution centers in each year during the Track Record Period was over 88.0%;

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for upgrading and consolidating the facilities in our distribution centers and local fulfillment centers, in the next five years. In particular, we plan to upgrade our cold chain warehouses and purchase automation equipment merchandise sorting and picking, which improve our warehousing and logistics efficiency and cost-savings; and

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for enhancing our quality assurance capabilities, so as to empower our supply chain. In particular, we plan to (i) conduct product testing, and MAS assessments as well as provide product traceability consulting service to suppliers; (ii) maintain and upgrade equipment in our local fulfillment centers; (iii) provide personnel training; and (iv) collaborate with government agencies and industry associations to establish industry-wide standards;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for developing new and differentiated merchandise. In particular:

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used to establish a multi-layer procurement infrastructure, so as to enhance our direct sourcing capabilities and expand the portfolio of directly sourced products. We plan to develop our (i) centralized direct sourcing capabilities at the origins, and (ii) localized sourcing capabilities based on our customers' demand by establishing new procurement centers and expanding procurement team; and

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used to upgrade the selection of our private label merchandise. We plan to invest in developing new merchandise by working with strategic OEM partners and brand owners in China and overseas markets, as well as upgrading our food processing capabilities, flavor profile and packaging;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for maintaining and expanding our customer base. In particular:

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used to optimize and expand our in-house sales team. We plan to (i) recruit personnel for headquarter sales team and regional customer managers; and (ii) enhance personnel training in relation to sales and promotion techniques; and

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used in our online and offline marketing and promotional activities, including participation in industry events, exhibitions and seminars, so as to promote our brands and solutions to attract potential customers;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for enhancing our digitalization. In particular:

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for upgrading our existing IT infrastructure and systems. We plan to (i) engage our IT service suppliers to continuously upgrade and iterate our existing IT systems, and develop functional modules to meet our business needs; (ii) develop a middle office system to integrate our systems, so as to improve the stability and reliability of our systems; and (iii) invest in the construction of back-office systems to streamline our operational processes and improve management efficiency; and

  - o approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used to invest in the adoption of new cutting-edge technologies such as artificial intelligence and Internet of Things, so as to better analyze data, gain insights into customer needs, and strengthen decision-making capabilities.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for potential investment or merger and acquisitions opportunities to increase our market shares and expand the scale of our business. In particular, we evaluate potential targets based on a number of factors, including (i) synergy with our business, (ii) scale of operations and (iii) coverage of their customer base in terms of industries and geographic regions. As of the Latest Practicable Date, we did not identify any acquisition targets; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for working capital and general corporate purposes.

To the extent that our actual net [**REDACTED**] from the [**REDACTED**] is higher or lower than our estimate above, we will increase or decrease our allocation of the net [**REDACTED**] for the purposes set out above on a *pro rata* basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net [**REDACTED**] from the [**REDACTED**].

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we only intend to place such [**REDACTED**] in short-term interest-bearing deposits with licensed banks or authorized financial institutions in Hong Kong or China.

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-[73], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MDL WHOLESALE LIMITED AND UBS SECURITIES HONG KONG LIMITED AND CHINA MERCHANTS SECURITIES INTERNATIONAL COMPANY LIMITED

Introduction

We report on the historical financial information of the food and fast-moving consumer goods distribution business (the "Food and FMCG Distribution Business") of MDL Wholesale Limited (the "Company") set out on pages I-[3] to I-[73], which comprises the statements of financial position of the Food and FMCG Distribution Business and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Food and FMCG Distribution Business, for each of the years ended 31 December 2021, 2022 and 2023 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[3] to I-[73] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Company and the Food and FMCG Distribution Business as at 31 December 2021, 2022 and 2023 and of the financial performance and cash flows of the Food and FMCG Distribution Business for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to the Note 29(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

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

[Date]

HISTORICAL FINANCIAL INFORMATION

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

The financial statements of the Food and FMCG Distribution Business for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shanghai Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Statements of profit or loss and other comprehensive income of the Food and FMCG Distribution Business

(Expressed in Renminbi)

	Note	Year ended 31 December 2021	2022	2023
		RMB'000	RMB'000	RMB'000
Revenue	4	27,820,237	27,102,310	24,858,318
Cost of sales		(25,301,432)	(24,469,459)	(22,202,288)
Gross profit		2,518,805	2,632,851	2,656,030
Other income	5(a)	72,421	102,016	59,456
Other net (losses)/gains	5(b)	(21,403)	96,380	168,350
Selling and distribution costs		(1,402,043)	(1,459,906)	(1,419,962)
Administrative expenses		(576,249)	(358,515)	(340,975)
(Provision of)/reversal of impairment loss on trade and other receivables	6(c)	(8,685)	(23,741)	14,692
Finance costs	6(a)	(295,741)	(312,278)	(454,346)
Profit from operations		287,105	676,807	683,245
Change of the carrying amounts of redemption liabilities arising from preferred shares	27	223,800	(883,350)	(177,150)
Profit/(loss) before taxation		510,905	(206,543)	506,095
Income tax	7(a)	(178,909)	(264,901)	(253,404)
Profit/(loss) for the year		331,996	(471,444)	252,691
Attributable to:				
Equity shareholders of the Company		340,206	(471,444)	252,691
Non-controlling interests		(8,210)	–	–
Profit/(loss) for the year		331,996	(471,444)	252,691
Earnings/(loss) per share				
Basic earnings/(loss) per share (RMB)	10	3.40	(4.71)	2.53
Diluted earnings/(loss) per share (RMB)	10	0.79	(4.71)	2.53

		Year ended 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year		331,996	(471,444)	252,691
Other comprehensive income for the year (after tax and reclassification adjustments)				
Item that will not be reclassified subsequently to profit or loss:				
Financial assets at fair value through other comprehensive income ("FVTOCI") – net movement in fair value reserves (non-recycling) (net of tax 2021: -RMB14,000; 2022: RMB6,166,000; 2023: RMB:15,804,000)		(43)	18,500	47,412
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of subsidiaries with functional currency other than Renminbi		766,071	(204,678)	(436,859)
Other comprehensive income for the year, net of income tax		766,028	(186,178)	(389,447)
Total comprehensive income for the year		1,098,024	(657,622)	(136,756)
Attributable to				
Equity shareholders of the Company		1,106,234	(657,622)	(136,756)
Non-controlling interests		(8,210)	–	–
Total comprehensive income for the year		1,098,024	(657,622)	(136,756)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Food and FMCG Distribution Business

(Expressed in Renminbi)

		As at 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	2,424,780	2,270,131	1,992,444
Investment property	*11*	2,544,805	2,404,650	2,266,877
		4,969,585	4,674,781	4,259,321
Right-of-use assets	*12*	5,507,376	5,160,222	4,725,944
Goodwill	*14*	4,848,922	4,848,922	4,848,922
Intangible assets	*13*	1,955,371	1,927,757	1,900,144
Finance Lease receivables	*15*	1,355,437	1,639,981	1,440,881
Rental Deposits		32,631	38,380	38,227
Deferred tax assets	*28(b)(ii)*	155,921	214,804	178,601
Prepayments	*18(b)*	–	62,398	106,322
Financial assets measured at FVTOCI	*17(a)*	129,034	153,701	216,917
		18,954,277	18,720,946	17,715,279
Current assets				
Inventories	*16*	2,412,263	2,292,940	1,762,062
Financial assets measured at fair value through profit or loss ("FVTPL")	*17(b)*	220,152	200,508	–
Finance lease receivables	*15*	149,490	158,972	164,229
Trade and other receivables	*18*	1,543,865	1,587,234	1,142,904
Amounts due from related parties	*19*	1,871,220	2,739,490	4,527,840
Restricted bank balances	*20(b)*	46,755	254,239	304,111
Bank balances and cash	*20(a)*	2,581,693	1,864,010	526,501
		8,825,438	9,097,393	8,427,647
Current liabilities				
Trade and other payables	*21*	4,924,833	5,172,726	4,647,185
Amounts due to related parties	*22*	814,890	1,363,196	5,341,996
Contract liabilities	*23*	935,496	989,775	1,022,175
Income tax payables	*28(a)*	172,966	535,185	788,674
Borrowings	*24*	393,329	654,141	737,827
Lease liabilities	*25*	259,473	276,253	264,361
Put option financial liability	*26*	2,002,960	2,002,960	–
		9,503,947	10,994,236	12,802,218
Net current liabilities		(678,509)	(1,896,843)	(4,374,571)
Total assets less current liabilities		18,275,768	16,824,103	13,340,708

		As at 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Borrowings	*24*	5,902,044	5,433,421	4,038,714
Lease liabilities	*25*	2,701,628	2,862,696	2,476,157
Deferred tax liabilities	*28(b)(ii)*	930,181	891,817	870,876
Redemption liabilities arising from preferred shares	*27*	9,563,550	10,446,900	10,624,050
Other non-current liabilities		201	193	186
		19,097,604	19,635,027	18,009,983
Net liabilities		(821,836)	(2,810,924)	(4,669,275)
Capital and reserves	*29*			
Share capital		7	7	7
Reserves		(821,843)	(2,810,931)	(4,669,282)
Total equity attributable to equity shareholders of the Company		(821,836)	(2,810,924)	(4,669,275)
Non-controlling interests		–	–	–
TOTAL DEFICIT		(821,836)	(2,810,924)	(4,669,275)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

(Expressed in Renminbi)

	Note	As at 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investments in subsidiaries	*1*	1,443,046	1,443,046	1,443,046
		1,443,046	1,443,046	1,443,046
Current assets				
Amounts due from related parties	*19*	8,137,486	8,823,452	9,007,914
Cash and cash equivalents		9,990	6,390	26,468
		8,147,476	8,829,842	9,034,382
Current liabilities				
Amounts due to related parties	*22*	–	–	17,766
		–	–	17,766
Net current assets		8,147,476	8,829,842	9,016,616
Total assets less current liabilities		9,590,522	10,272,888	10,459,662
Non-current liabilities				
Redemption liabilities arising from preferred shares	*27*	9,563,550	10,446,900	10,624,050
		9,563,550	10,446,900	10,624,050
Net assets/(liabilities)		26,972	(174,012)	(164,388)
CAPITAL AND RESERVE	*29(a)*			
Share capital		7	7	7
Reserves		26,965	(174,019)	(164,395)
TOTAL EQUITY/(DEFICIT)		26,972	(174,012)	(164,388)

The accompanying notes form part of the Historical Financial Information.

Statements of changes in equity of the Food and FMCG Distribution Business

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital	Other reserves	Fair value reserve	Statutory reserve	Exchange reserve	Retained profits	Net parent Investment *(Note 1)*	Sub-total (deficit)/ equity	Non-controlling interest	Total deficit
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021		7	(11,962)	–	192,570	(349,477)	279,862	(1,143,939)	(1,032,939)	(5,543)	(1,038,482)
Changes in equity for 2021 the year ended 31 December 2021:											
Profit for the year		–	–	–	–	–	340,206	–	340,206	(8,210)	331,996
Other comprehensive income		–	–	(43)	–	766,071	–	–	766,028	–	766,028
Total comprehensive income		–	–	(43)	–	766,071	340,206	–	1,106,234	(8,210)	1,098,024
Profit appropriation to statutory reserve		–	–	–	16,042	–	(16,042)	–	–	–	–
Acquisition of non-controlling interests		–	(13,753)	–	–	–	–	–	(13,753)	13,753	–
Deemed distribution	*1*	–	–	–	–	–	–	(881,378)	(881,378)	–	(881,378)
Balance at 31 December 2021 and 1 January 2022		7	(25,715)	(43)	208,612	416,594	604,026	(2,025,317)	(821,836)	–	(821,836)
Changes in equity for 2022 the year ended 31 December 2022:											
Loss for the year		–	–	–	–	–	(471,444)	–	(471,444)	–	(471,444)
Other comprehensive income		–	–	18,500	–	(204,678)	–	–	(186,178)	–	(186,178)
Total comprehensive income		–	–	18,500	–	(204,678)	(471,444)	–	(657,622)	–	(657,622)
Profit appropriation to statutory reserve		–	–	–	24,141	–	(24,141)	–	–	–	–
Deemed distribution	*1*	–	–	–	–	–	–	(1,331,466)	(1,331,466)	–	(1,331,466)

		Attributable to equity shareholders of the Company									
	Note	**Share capital**	**Other reserves**	**Fair value reserve**	**Statutory reserve**	**Exchange reserve**	**Retained profits**	**Net parent Investment** *(Note 1)*	**Sub-total (deficit)/ equity**	**Non-controlling interest**	**Total deficit**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 31 December 2022 and January 2023		7	(25,715)	18,457	232,753	211,916	108,441	(3,356,783)	(2,810,924)	–	(2,810,924)
Changes in equity for 2023 the year ended 31 December 2023:											
Profit for the year		–	–	–	–	–	252,691	–	252,691	–	252,691
Other comprehensive income		–	–	47,412	–	(436,859)	–	–	(389,447)	–	(389,447)
Total comprehensive income		–	–	47,412	–	(436,859)	252,691	–	(136,756)	–	(136,756)
Profit appropriation to statutory reserve		–	–	–	26,598	–	(26,598)	–	–	–	–
Deemed distribution	1	–	–	–	–	–	–	(1,721,595)	(1,721,595)	–	(1,721,595)
Balance at 31 December 2023		7	(25,715)	65,869	259,351	(224,943)	334,534	(5,078,378)	(4,669,275)	–	(4,669,275)

The accompanying notes form part of the Historical Financial Information.

Statements of cash flows of the Food and FMCG Distribution Business

(Expressed in Renminbi)

	Note	Year ended 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Cash generated from operations	*20(c)*	1,328,165	2,110,872	2,616,888
Income tax paid		(2,148)	(6,095)	(457)
Net cash generated from operating activities		**1,326,017**	**2,104,777**	**2,616,431**
Investing activities				
Purchases of property, plant and equipment		(240,739)	(260,579)	(125,740)
Proceeds from disposal of property, plant and equipment		24,256	16,018	19,464
Proceeds from early termination of lease contracts		–	75,767	–
Interest received		41,730	45,445	39,871
Purchase/(disposal) of financial assets		(220,152)	220,152	–
Increase of restricted deposits		(36,676)	(207,484)	(49,872)
Purchase of financial assets measured at FVTPL		(11,700,000)	(7,760,156)	(1,100,000)
Disposal of financial assets measured at FVTPL		11,716,076	7,596,193	1,303,596
Loans to related parties		(485,835)	(546,612)	(1,987,563)
Payment of contingent consideration		(36,100)	–	–
Settlement of put option financial liabilities		–	–	(1,974,690)
Net cash used in investing activities		**(937,440)**	**(821,256)**	**(3,874,934)**

		Year ended 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Financing activities				
Repayment of borrowings	*20(d)*	(172,102)	(390,055)	(1,633,734)
Interest paid	*20(d)*	(123,966)	(158,296)	(303,868)
Capital element of lease rentals paid	*20(d)*	(273,665)	(270,099)	(305,996)
Interest element of lease rentals paid	*20(d)*	(145,299)	(153,121)	(150,478)
Proceeds from loans from related parties	*20(d)*	478,749	542,814	4,038,945
Repayment of loans to related parties	*20(d)*	–	(242,439)	–
Deemed cash distribution	*1*	(881,378)	(1,331,466)	(1,721,595)
Net cash used in financing activities		**(1,117,661)**	**(2,002,662)**	**(76,726)**
Net decrease in cash and cash equivalents		(729,084)	(719,141)	(1,335,229)
Cash and cash equivalents at 1 January	*20(a)*	3,305,993	2,581,693	1,864,010
Effect of foreign exchange rate changes		4,784	1,458	(2,280)
Cash and cash equivalents at 31 December	*20(a)*	**2,581,693**	**1,864,010**	**526,501**

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

MDL Wholesale Limited (Previously named as WM Tech Corporation Limited and WM International Holding Corporation Limited) was incorporated as an exempted company with limited liability in the Cayman Islands on 24 July 2019. The addresses of the Company's registered office and principal place of business are disclosed in the section headed "Corporate Information" in the Document. The Company is an investment holding company. The Company and its subsidiaries' businesses primarily consist of (a) food, fast-moving consumer goods distribution business, which include food services and distribution solutions, welfare and gifting solutions, retailers distribution solutions and merchandise wholesale (the "Food and FMCG Distribution Business"); and (b) retail business through its retail stores (the "Retail Business"). The Food and FMCG Distribution Business and Retail Business are conducted under the brands of "Wumart" and "Maidelong". The Company and its subsidiaries comprising the Food and FMCG Distribution Business upon the completion of Reorganisation are referred to as the "Group".

Following the Company's assessment of the overall market positions of the Food and FMCG Distribution Business and the Retail Business, and to avoid potential competing interests between the Retail Business and the convenience stores and supermarkets business of Wumei Technology Group, Inc. (物美科技集團有限公司), being one of the Company's controlling shareholders, the Company decided to seek [**REDACTED**] of only the Food and FMCG Distribution Business. To rationalise the corporate structure in preparation of the [**REDACTED**] of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company conducted a group reorganisation (the "Reorganisation") as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Document, whereby the Retail Business was disposed to a company which is controlled by the Company's controlling shareholders, and the Group will only operate the Food and FMCG Distribution Business upon the completion of the Reorganisation.

The Historical Financial Information has been prepared to present the financial position, results of operations and cash flows of the Food and FMCG Distribution Business, and the assets and liabilities of the Retail Business to be disposed net of the cash consideration acquired is presented as the net parent investment in the statements of changes in equity of the Food and FMCG Distribution Business. The impact of transactions between the Food and FMCG Distribution Business and Retail Business that were not historically settled in cash is also included in the net parent investment. Other intra-group balances, transactions and unrealised gains/losses on intra-group transactions were eliminated when preparing the Historical Financial Information.

During the Relevant Periods and before the completion of the Reorganisation, the Food and FMCG Distribution Business and Retail Business under the brands of Maidelong were carried out by the subsidiaries now comprising the Group. As part of the Reorganisation, the Group disposed of the related Retail Business to a company which is controlled by the Company's controlling shareholder. Since the Food and FMCG Distribution Business and Retail Business under the brands of Maidelong were conducted as two divisions in the subsidiaries now comprising the Group before the Reorganisation, for the purpose of this Historical Financial Information, a process has been completed to specifically identify assets, liabilities, revenue, expenses and cash flows of FMCG Distribution Business and Retail Business during the Relevant Periods.

The Historical Financial Information only includes transactions and balances that are attributable to the Food and FMCG Distribution Business. Transactions and balances were attributed to the Food and FMCG Distribution Business based on specific identification except for those set out below, for which they were accounted for using the most relevant bases in the views of the Directors:

- Revenue for retailers distribution solutions under the brands of Maidelong have been allocated based on the mark-up on comparable transactions with unrelated parties;

- Staff costs have been principally allocated based on headcount to the extent a separate group of personnel could be specifically identified and attributed to the Food and FMCG Distribution Business;

- Other administrative and operating expenses have been principally allocated either based on headcount to the extent a separate group of personnel could be specifically identified and attributed to the Food and FMCG Distribution Business, or otherwise allocated based on revenue and/or sales volume as appropriate;

- Income taxes were determined based on the assumption that the Food and FMCG Distribution Business carried out by the division of the subsidiaries were separately taxable entities. The tax payment is paid at the legal entity level and the payments recognised in the Historical Financial Information represented a combined tax payment for both businesses during the Relevant Periods, amounting to RMB2,148,000 RMB6,095,000 and RMB457,000 for the years ended 31 December 2021, 2022 and 2023, respectively (Note 28); and

- Cash generated from or used by the Food and FMCG Distribution Business which were managed and controlled by the parent, with the net amounts of cash of RMB881,378,000 RMB1,331,466,000 and RMB1,721,595,000 used by the Retail Business during each of the year ended 31 December 2021, 2022 and 2023, respectively, are presented as deemed distribution in the statements of changes in equity and statements of cash flows of the Food and FMCG Distribution Business.

The Company believes the basis of preparation described above results in the Historical Financial Information reflecting the assets and liabilities associated with the Food and FMCG Distribution Business and reflects costs and expenses associated with the functions that would be necessary to operate independently. However, as the Food and FMCG Distribution Business under the brands of Maidelong did not operate as a stand-alone entity during the Relevant Periods, the Historical Financial Information may not be indicative of the Food and FMCG Distribution Business's future performance and do not necessarily reflect what its results of operations, financial position, and cash flows would have been had the Food and FMCG Distribution Business operated as a separate entity during the Relevant Periods.

At the date of the report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies.

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attribute to the Food and FMCG Distribution Business as date of the report	Principal Activities	*Note*
Directly held-					
WM Holdco Limited	British Virgin Islands 2 May 2019	Paid-in Capital 22,001 shares of US$1 each	100%	Investment holding	a & h
Indirectly held-					
M Commerce Group Co., Ltd.*	Mainland China 25 July 1995	Paid registered Capital USD68,034,778	100%	Wholesale and retail	c
Xi'an M Trading Co., Ltd.*	Mainland China 18 July 2011	Paid registered Capital EUR7,500,000	100%	Wholesale and retail	c
Star Farm (Shanghai) Consulting Co., Ltd.*	Mainland China 28 December 2007	Paid registered Capital EUR2,868,600	100%	Consulting	c
M Warehouse Management (Hangzhou) Co., Ltd.*	Mainland China 10 March 2000	Paid registered Capital USD6,000,000	100%	Real estate	c
M Warehouse Management (Wuhan) Co., Ltd.*	Mainland China 1 February 2000	Paid registered Capital USD5,760,000	100%	Real estate	c
Qingdao M Warehouse Management Co., Ltd.*	Mainland China 3 February 2000	Paid registered Capital USD6,000,000	100%	Real estate	c
Dalian M Warehouse Management Co., Ltd.*	Mainland China 10 May 2000	Paid registered Capital USD5,200,000	100%	Real estate	c
M Warehouse Management (Chongqing) Co., Ltd.*	Mainland China 30 June 2000	Paid registered Capital USD6,000,000	100%	Real estate	c
M Property Management (Changsha) Co., Ltd.*	Mainland China 13 October 2000	Paid registered Capital USD6,400,000	100%	Real estate	c
M Property Management (Tianjin Hongqiao) Co., Ltd.*	Mainland China 22 May 2002	Paid registered Capital USD5,000,000	100%	Real estate	c
M Property Management (Xi'an) Co., Ltd.*	Mainland China 25 January 2002	Paid registered Capital USD5,000,000	100%	Real estate	c
M Property Management (Xiamen) Co., Ltd.*	Mainland China 17 June 2002	Paid registered Capital USD9,900,000	100%	Real estate	c

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attribute to the Food and FMCG Distribution Business as date of the report	Principal Activities	*Note*
M Property Management (Dongguan) Co., Ltd.*	Mainland China 6 June 2003	Paid registered Capital USD5,000,000	100%	Real estate	c
M Property Management (Shenyang) Co., Ltd.*	Mainland China 31 March 2004	Paid registered Capital USD8,000,000	100%	Real estate	c
M Property Management (Harbin) Co., Ltd.*	Mainland China 15 July 2004	Paid registered Capital EUR4,755,000	100%	Real estate	c
M Property Management (Zhengzhou) Co., Ltd.*	Mainland China 8 April 2005	Paid registered Capital EUR3,900,000	100%	Real estate	c
M Property Management (Changshu) Co., Ltd.*	Mainland China 14 April 2009	Paid registered Capital EUR6,580,000	100%	Real estate	c
M Property Management (Suzhou) Co., Ltd.*	Mainland China 18 April 2005	Paid registered Capital EUR3,941,280	100%	Real estate	c
M Property Management (Hangzhou) Co., Ltd.*	Mainland China 24 February 2009	Paid registered Capital EUR7,260,000	100%	Real estate	c
M Property Management (Shenzhen) Co., Ltd.*	Mainland China 28 April 2006	Paid registered Capital EUR5,000,000	100%	Real estate	c
M Property Management (Jiaxing) Co., Ltd.*	Mainland China 28 September 2005	Paid registered Capital EUR3,900,000	100%	Real estate	c
M Property Management (Nanchang Qingshanhu) Co., Ltd.*	Mainland China 14 July 2004	Paid registered Capital EUR4,189,000	100%	Real estate	c
M Warehouse Management (Suzhou) Co., Ltd.*	Mainland China 29 June 2009	Paid registered Capital EUR7,850,000	100%	Real estate	c
M Property Management (Nantong) Co., Ltd.*	Mainland China 18 August 2004	Paid registered Capital USD5,000,000	100%	Real estate	c
M Property Service (Changchun) Co., Ltd.*	Mainland China 13 December 2012	Paid registered Capital EUR7,500,000	100%	Real estate	c
M Property Management (Qingdao) Co., Ltd.*	Mainland China 28 June 2011	Paid registered Capital EUR7,500,000	100%	Real estate	c
M Property Management (Kunshan) Co., Ltd.*	Mainland China 8 December 2008	Paid registered Capital EUR6,600,000	100%	Real estate	c
M Property Management (Zhongshan) Co., Ltd.*	Mainland China 2 September 2010	Paid registered Capital EUR5,916,500	100%	Real estate	c
M Property Management (Changzhou) Co., Ltd.*	Mainland China 18 July 2006	Paid registered Capital EUR4,500,000	100%	Real estate	c
M Property Management (Jiangyin) Co., Ltd.*	Mainland China 28 November 2005	Paid registered Capital EUR4,000,000	100%	Real estate	c
M Property Management (Zhangjiagang) Co., Ltd.*	Mainland China 2 December 2011	Paid registered Capital EUR8,000,000	100%	Real estate	c
M North Warehouse Management (Chongqing) Co., Ltd.*	Mainland China 21 December 2011	Paid registered Capital EUR10,500,000	100%	Real estate	c
M Warehouse Management (Yantai) Co., Ltd.*	Mainland China 22 June 2010	Paid registered Capital EUR3,226,000	100%	Real estate	c
M Property Management (Cixi) Co., Ltd.*	Mainland China 28 October 2008	Paid registered Capital EUR5,446,000	100%	Real estate	c
M Property Management (Wuxi) Co., Ltd.*	Mainland China 19 June 2008	Paid registered Capital EUR5,325,000	100%	Real estate	c
M Warehouse Management (Zibo) Co., Ltd.*	Mainland China 12 June 2012	Paid registered Capital EUR5,000,000	100%	Real estate	c
M Property Management (Weifang) Co., Ltd.*	Mainland China 17 October 2013	Paid registered Capital USD6,900,000	100%	Real estate	c
M Warehouse Management (Taizhou) Co., Ltd.*	Mainland China 15 November 2021	Paid registered Capital EUR8,500,000	100%	Real estate	c
M Property Management (Huaian) Co., Ltd.*	Mainland China 5 November 2012	Paid registered Capital EUR6,500,000	100%	Real estate	c

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attribute to the Food and FMCG Distribution Business as date of the report	Principal Activities	*Note*
M Property Management (Xiangyang) Co., Ltd.*	Mainland China 29 October 2012	Registered Capital EUR6,000,000	100%	Real estate	c
Yantai M Commercial Company Limited *	Mainland China 17 May 2023	Registered Capital RMB5,000,000	100%	Wholesale and retail	b
M Commercial Group South (Shenzhen) Co., Ltd.*	Mainland China 8 April 2021	Registered Capital RMB200,000,000	100%	Wholesale and retail	b
Shenzhen Youze Business Management Co., Ltd.*	Mainland China 14 August 2019	Registered Capital RMB100,000,000	100%	Business management	b
Shanghai Xinqing Property Management Co., Ltd.*	Mainland China 8 November 2017	Registered Capital USD6,389,434	100%	Real estate	c
Xinyan Property Management (Shanghai) Co., Ltd.*	Mainland China 2 November 2017	Paid registered Capital USD18,666,001	100%	Real estate	c
M Property Management (Wuhu) Co., Ltd.*	Mainland China 11 March 2013	Paid registered Capital EUR5,500,000	100%	Real estate	c
WM Development (HK) Limited	Hong Kong China 18 March 2020	Registered Capital HKD10,000	100%	Investment holding	f
WM Property (HK) Limited	Hong Kong China 19 March 2020	Registered Capital HKD10,000	100%	Investment holding	f
WM Retail Operation (HK) Limited	Hong Kong China 19 March 2020	Registered Capital HKD10,000	100%	Investment holding	f
Shanghai Tobacco Management Consultant Co., Ltd.*	Mainland China 19 November 2020	Paid registered Capital RMB80,000	100%	Management Consulting	b
WM Holding (HK) Limited	Hong Kong China 24 July 2019	Paid-in Capital HKD10,000	100%	Operation of logistics transportation	d
Shenzhen Tongfu Trading Co., Ltd.*	Mainland China 15 August 2019	Registered Capital RMB100,000,000	100%	Business management	b
Beijing Wumart Shangjia Fresh Business Management Service Co., Ltd.*	Mainland China 16 June 2020	Registered Capital RMB5,000,000	100%	Business Service	b
Hangzhou Ruixin Commercial Operating Management Co., Ltd.*	Mainland China 9 July 2020	Registered Capital RMB5,000,000	100%	Operation of logistics transportation	b
Beijing Wumart Xintonglu Logistics Technology Co., Ltd.*	Mainland China 9 June 2020	Registered Capital RMB10,000,000	100%	Operation of logistics transportation	b
Beijing Wumei Extreme Supply Chain Technology Co., Ltd.*	Mainland China 5 November 2019	Paid registered Capital RMB16,330,000	100%	Business Service	b
Beijing Wumart Lvnongyouxian Supply Chain Technology Co., Ltd.*	Mainland China 21 April 2021	Registered Capital RMB50,000,000	100%	Business service	g
Jiaxing Green Agricultural Fresh Supply Chain Technology Co., Ltd.*	Mainland China 29 July 2021	Registered Capital RMB44,000,000	100%	Business Service	b
Guangdong Shenzhen General Aviation International Trade Co., Ltd.*	Mainland China 20 April 2021	Registered Capital RMB10,000,000	100%	Operation of Logistics transportation	b
Beijing Wumart North Supply Chain Technology Co., Ltd.*	Mainland China 11 January 2022	Registered Capital RMB10,000,000	100%	Business Service	b
Beijing Wumart Dingli Santong Logistics Co., Ltd.*	Mainland China 23 November 2009	Paid registered Capital RMB10,000,000	100%	Operation of Logistics transportation	b
Hangzhou Santong Logistics Co., Ltd.*	Mainland China 13 September 2017	Paid registered Capital RMB5,000,000	100%	Operation of Logistics transportation	b

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attribute to the Food and FMCG Distribution Business as date of the report	Principal Activities	*Note*
Deqing Liantong Logistics Co., Ltd.*	Mainland China 13 May 2019	Paid registered Capital RMB5,000,000	100%	Operation of Logistics transportation	b
Tianjing Wumart Dingli Logistics Technology Co., Ltd.*	Mainland China 10 July 2020	Registered Capital RMB5,000,000	100%	Operation of Logistics transportation	b
Hangzhou Ruishang Food Processing Co., Ltd.*	Mainland China 17 July 2020	Paid registered Capital RMB2,000,000	100%	Operation of logistics transportation	b
Guangdong Shenzhen Zhiwangyijia Business Management Co., Ltd.*	Mainland China 14 August 2019	Registered Capital RMB100,000,000	100%	Business management	b
WM Synergy Limited	British Virgin Islands 22 April 2022	Paid-in Capital 1 shares of US$1 each	100%	Investment holding	a
WM Super Limited	British Virgin Islands 2 May 2019	Paid-in Capital 1 shares of US$1 each	100%	Investment holding	a
WM Stores (HK) Limited	Hong Kong China 2 July 2019	Paid-in Capital 10,000 shares of HKD1 each	100%	Investment holding	e
WM New Retail Limited	British Virgin Islands 2 July 2019	Paid-in Capital 1 shares of US$1 each	100%	Investment holding	a
WM Sourcing Limited	British Virgin Islands 4 July 2019	Paid-in Capital 1 shares of US$1 each	100%	Investment holding	a
WM Sourcing (HK) Limited	Hong Kong China 24 July 2019	Paid-in Capital 10,000 shares of HKD1 each	100%	Investment holding	e
WM Retail Technology Limited	British Virgin Islands 4 July 2019	Paid-in Capital 1 shares of US$1 each	100%	Investment holding	a
WM Retail (HK) Limited	Hong Kong China 2 July 2019	Paid-in Capital 10,000 shares of HKD1 each	100%	Investment holding	e

(a) No statutory financial statements have been prepared for these companies as they were not subject to statutory audit requirements under the relevant rules and regulations for the jurisdiction of incorporation and establishment.

(b) No audited financial statements of these subsidiaries in the PRC during the Relevant Periods have been prepared as there is no statutory audit requirements.

(c) The audited statutory financial statements of these companies for the years ended 31 December 2021 and 2022 have been prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance applicable to the enterprises in the PRC and audited by KPMG Huazhen LLP Shanghai Branch. The audited financial statements of these companies for the year ended 31 December 2023 are not yet issued.

(d) The statutory financial statements of the company for the years ended 31 December 2021 and 2022 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and audited by KPMG. The audited financial statement of the company for the year ended 31 December 2023 is not yet issued.

(e) The statutory financial statements of these companies for the years ended 31 December 2021 and 2022 have been prepared in accordance with HKFRSs issued by the HKICPA and audited by RONALD KO & COMPANY CPA LIMITED. The audited financial statements of these companies for the year ended 31 December 2023 are not yet issued.

(f) The audited financial statements of these companies for the years ended 31 December 2021, 2022 and 2023 are not yet issued.

(g) The audited statutory financial statements of the company for the years ended 31 December 2021, 2022 and 2023 have been prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance applicable to the enterprises in the PRC and audited by Beijing Zhongcai Guoxin Certified Public Accountants.

(h) It is a subsidiary directly held by the Company throughout the Relevant Periods.

* The English name of this company is translated from its registered Chinese name for identification purpose only.

The Historical Financial Information has been prepared assuming the Food and FMCG Distribution Business will continue as a going concern notwithstanding that the Food and FMCG Distribution Business recorded net current liabilities of RMB4,374,571,000 and net liabilities of RMB4,669,275,000 as at 31 December 2023. Based on the projection of profit and cash inflows from operations and the financial resources available, the Directors are of the opinion that the Food and FMCG Distribution Business has sufficient working capital to continue as a going concern for the next twelve months from the date of this report. Therefore, the Directors are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, all applicable new and revised IFRS Accounting Standards have been adopted for the Relevant Periods, except for those that are not yet effective for the accounting period beginning on or before 1 January 2023. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 34.

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

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand yuan (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except the that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— *Financial assets measured at FVTOCI (see Note 17(a))*

— *Financial assets measured at FVTPL (see Note 17(b))*

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

The Company's functional currency is RMB, while the Historical Financial Information are presented in RMB considering that the Food and FMCG Distribution Business is principally conducted in RMB and most of the monetary assets and liabilities of the Food and FMCG Distribution Business are denominated in RMB.

(c) Business combination or assets acquisitions

Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Historical Financial Information from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the statement of financial position of the Food and FMCG Distribution Business within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group is presented on the face of the combined statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)).

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(k)(ii)).

(f) Other investments in securities

The group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(w)(ii)(b)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Investment property

Investment property is stated at cost less accumulated depreciation and impairment losses (see Note 1(k)(ii)). Depreciation is calculated to write-off the cost of investment property less its estimated residual value using the straight-line method over its estimated useful life.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with Note 2(w)(ii)(a).

(h) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write-off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Useful Life
– Buildings and leasehold improvements	4 ~ 33 years
– Operating facilities	10 ~ 15 years
– Electronic equipment, office and other equipment	3 ~ 15 years
– Motor vehicles	6 years
– Leasehold lands	30 ~ 40 years
– Leasehold properties	3 ~ 20 years
– Leasehold operating equipment	2 ~ 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets (other than goodwill)

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use, and their estimated useful lives are as follows:

—	Customer relationship	10 years

Both the period and method of amortisation are reviewed annually.

Trademarks are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of a trademark is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h) and 2(k)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the statement of financial position of the Food and FMCG Distribution Business, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(w)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

— lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

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

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

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(w)(ii)(b) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(w)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement of the Food and FMCG Distribution Business. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(y).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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

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

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract (see Note 2(k)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) Redemption liabilities arising from preferred shares

Preferred shares give rise to financial liabilities if they are redeemable at the option of the preferred shareholders upon occurrence of events that are beyond the control of both the Company and the preferred shareholders.

At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome. Subsequently, they are measured at amortised cost. Any changes in the carrying amount of the financial liabilities are recognised in profit or loss.

If the preferred shares are converted into ordinary shares, the then carrying amount of the financial liabilities is transferred to reserves.

(v) Put option

Put options on non-controlling interest of the Group are financial instruments granted by the Group which permit the holders to put back to the Group their shares in certain non-wholly owned subsidiaries of the Group for cash or other financial instruments. If the Group does not have the unconditional right to avoid delivering cash or other financial instruments under the put option, a financial liability is initially recognised in the financial statements of the Food and FMCG Distribution Business at the present value of the estimated future cash outflows on exercise under the put option. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect revised estimated cash outflows.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(b) Service income

Service income is recognised in profit or loss when services are rendered.

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(b) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(x) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions. Foreign currency differences arose from translation of foreign operations are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the group's accounting policies

As detailed in Note 1, for those transactions and balances that cannot be directly attributed to the Food and FMCG Distribution Business and Retail Business based on specific identification, allocations were made based on the most relevant allocation bases in the views of the Directors. The Directors believe that these allocation bases are reasonable.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Historical Financial Information is included in the following note:

— Note 12: lease term and determination of incremental borrowing rates of lease contracts: whether the Group is reasonably certain to exercise extension options and the determination of incremental borrowing rates requires financing spread adjustments and lease specific adjustments on the relevant market rates. The assessments of whether the extension options will be exercised and the adjustments in determining the incremental borrowing rates involved management's judgement, which may significantly affect the carrying amounts of lease liabilities and right-of-use assets.

— Note 7: Income tax: Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences and cumulative tax losses.

(b) Sources of estimation uncertainties

Note 13 and Note 14 contain information about the assumption and risk factors relating to valuation of goodwill and intangible asset impairment. Other significant sources of estimation uncertainty are as follows:

(i) Provision for inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and net realisable value. Management estimates the net realisable value based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-downs and affect the Group's net asset value.

(ii) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the statements of profit or loss and other comprehensive income of the Food and FMCG Distribution Business in future years.

(iii) Impairment of goodwill and indefinite life intangible asset

Determining whether goodwill and indefinite life intangible asset are impaired requires an estimation of the recoverable amount of the cash-generating unit or group of cash-generating units to which goodwill and indefinite life intangible asset has been allocated, which is the higher of fair value less costs of disposal and value in use. 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 units) and 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.

(iv) Impairment assessment of leasehold improvements and right-of-use assets

Leasehold improvements and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. The Group reviews their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of each reporting period. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In determining whether an asset is impaired, the Group have to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, 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 cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimate the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the growth rate, gross margin and the discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

4 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are the operations of Food and FMCG Distribution Business, which include food services and distribution solutions, welfare and gifting solutions, retailers distribution solutions and merchandise wholesale (the "Food and FMCG Distribution Business" in the People's Republic of China ("PRC").

(a) Revenue

Revenue mainly represents revenue from sale of goods, service income and rental income from leasing of owned properties and interest income from sub-lease.

(i) Disaggregation of revenue

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

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Recognised at a point in time			
Disaggregated by major products or service lines			
– Food service and distribution	4,159,462	3,592,313	3,520,283
– Welfare and gifting solutions	3,477,315	3,935,827	3,497,937
– Retailers distribution solutions	16,633,987	16,414,419	14,932,216
– Merchandise wholesale	2,620,717	2,224,543	1,936,995
Recognised overtime			
– Logistic service	399,860	397,707	426,365
– Consulting and other services	27,860	29,739	24,556
Revenue from other sources			
– Rental income	501,036	507,762	519,966
Total	27,820,237	27,102,310	24,858,318

During the years ended 31 December 2021, 2022 and 2023, one, one and one customer with whom transactions have exceeded 10% of the Group's revenues. The customer is considered as a group of entities known to be under common control by the controlling shareholder. During the years ended 31 December 2021, 2022 and 2023, the sales of goods to the customers which are under common control by the controlling shareholder amounted to approximately RMB16,637,827,000, RMB16,416,527,000 and RMB14,934,096,000, respectively. Details of concentrations of credit risk arising from the customer are set out in Note 30(a).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2021, 2022 and 2023, the remaining performance obligations (unsatisfied or partially unsatisfied) for contracts with customers are part of contracts that have original expected duration of one year or less. The Group has elected the practical expedient and not disclosed the transaction price allocated to the performance obligations (unsatisfied or partially unsatisfied) as at the end of each reporting period.

(iii) Revenue from rental income

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Rental income from operating leases	430,428	428,217	439,175
Income from finance leases	70,608	79,545	80,791
Total revenue arising from leases	501,036	507,762	519,966

Note: Rental income from operating lease is mainly from the leases with fixed lease payments. Income from finance leases include finance income on the finance lease receivables.

(b) Segment reporting

(i) Segment information

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company's chief operating decision maker for the purpose of resources allocation and performance assessment. The Group's Food and FMCG Distribution Business are operated in the PRC and the Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The chief operating decision maker is the chief executive officer of the Group who reviews the results of operations of the Food and FMCG Distribution Business in assessing performance of and making decisions about allocations to this segment. On this basis, the Company has determined that it only has one operating segment.

All the non-current assets of the Food and FMCG Distribution Business are located in the PRC. Accordingly, no geographical information has been presented.

5 OTHER INCOME AND OTHER NET GAIN/(LOSS)

(a) Other income

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Government subsidies	2,396	8,531	3,951
Sales of scrapped materials	12,219	11,495	12,546
Interest income	41,731	45,445	39,871
Gain on financial assets measured at FVTPL *(Note 30 (e)(ii))*	16,075	36,545	3,088
	72,421	102,016	59,456

Note: During the years ended 31 December 2021, 2022 and 2023, the subsidies were mainly received from the local government in recognition of the contribution of the Food and FMCG Distribution Business to local development and revitalisation of consumer industry, which had no conditions imposed by the respective PRC government authorities.

(b) Other net (losses)/gains

		Year ended 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Net foreign exchange (losses)/gains		(35,363)	21,283	135,040
Impairment loss of property, plant and equipment	*11(a)*	–	(7,736)	(24,165)
Gain on early termination of lease contracts	*(i)*	–	62,655	–
Loss on disposal of property, plant and equipment		(21,518)	(3,378)	(4,638)
Write-off of prepaid cards		18,249	22,101	36,677
Remeasurement gain on loans measured at amortised cost		–	–	26,476
Contingent consideration adjustment	*(ii)*	22,548	–	–
Other (losses)/gains		(5,319)	1,455	(1,040)
		(21,403)	96,380	168,350

(i) Gain on early termination of lease contracts

Due to early termination of lease contracts initiated by the landlord, the Group received compensation of RMB75,767,000 in 2022 and a gain on early termination of lease contracts amounted to RMB62,655,000 was recognised in statement of profit or loss of the Food and FMCG Distribution Business.

(ii) Contingent consideration adjustment

A group of companies operating both the Retail Business and Food and FMCG Distribution Business under the brand of Maidelong was acquired in 2020 ("Maidelong Business"). The final purchase price for this acquisition was subject to a true-up mechanism based on the result of net cash and net working capital as at completion date. Therefore, part of the consideration was contingent and not paid at the acquisition date. On 17 May 2021, the remaining consideration was determined at RMB36,100,000 and had been settled in the same year. The difference between the remaining consideration payable of RMB58,648,000 and the actual remaining consideration paid of RMB36,100,000, which is RMB22,548,000, was recognised as other net (losses)/gains during the year ended 31 December 2021.

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

		Year ended 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Interest arose from:				
Bank loans and other borrowings	24	147,819	154,732	301,551
Entrusted loan	22	2,623	4,425	2,317
Lease liabilities	25	145,299	153,121	150,478
		295,741	312,278	454,346

(b) Staff costs

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	606,081	633,122	608,560
Contributions to defined contribution retirement plans *(Note)*	60,917	65,454	62,039
	666,998	698,576	670,599

Note: The employees of the subsidiaries of the Group established in the PRC participate in a defined contribution scheme managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees' salaries as agreed by the local municipal governments. Employees of these companies are entitled to benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

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

(c) Other items

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Cost of inventories	*16(b)*	24,244,893	23,426,857	21,298,349
Amortisation of intangible assets	*13*	27,613	27,614	27,613
Auditor's remuneration		2,741	2,768	3,241
Depreciation charge				
– owned property, plant and equipment	*11*	259,077	264,269	267,434
– right-of-use assets	*12*	439,201	436,049	427,556
– investment properties	*11*	141,783	140,155	137,773
		840,061	840,473	832,763
Operating lease charges	*12*	16,136	13,149	8,214
Provision of/(Reversal of) impairment losses on trade and other receivables	*30(a)*	8,685	23,741	(14,692)

7 INCOME TAX IN THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE FOOD AND FMCG DISTRIBUTION BUSINESS

(a) Taxation in the statements of profit or loss of the Food and FMCG Distribution Business represents:

	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Current tax			
Provision for the year	171,143	368,314	253,946
Deferred tax	7,766	(103,413)	(542)
Total	178,909	264,901	253,404

(i) The Company is a tax exempted company incorporated in the Cayman Islands.

(ii) The Group is not subject to any income tax under the jurisdiction of the British Virgin Islands during the Relevant Periods.

(iii) Pursuant to the income tax rules and regulations of Hong Kong, the subsidiaries in Hong Kong were liable to the Hong Kong Profits Tax at a rate of 16.5% during the years ended 31 December 2021, 2022 and 2023. All the subsidiaries in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

(iv) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax ("CIT") at a statutory rate of 25%, except for the following specified subsidiaries:

According to the Notice of the Ministry of Finance of the PRC ("MOF") and the State Taxation Administration of the PRC ("STA") on Implementing the Inclusive Tax Deduction and Exemption Policies for Small Low-profit Enterprises ("Notice of Small Low-profit Enterprises") which took effect on 1 January 2019, from 1 January 2019 to 31 December 2021, the annual taxable income of small low-profit enterprises that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%, and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%. According to the Announcement on Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses, which was promulgated by the MOF and the STA on 2 April 2021, during the period from 1 January 2021 to 31 December 2022, for the portion of annual taxable income amount of small low-profit enterprises which does not exceed RMB1 million, corporate income tax shall be reduced by 50%, in addition to the incentives stipulated in Notice of Small Low-profit Enterprises. According to the Notice of the MOF and the STA on the Income Tax Incentives to Small and Micro Enterprises and Privately-owned Businesses and the Notice of the MOF and the STA on the Relevant Tax and Fee Policies for Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households, which shall be in force from 1 January 2023 to 31 December 2027, for the annual taxable income of a small and low-profit enterprise, the portion not exceeding RMB1 million shall be treated as 25% for the purpose of taxable income calculation and subject to the enterprise income tax rate of 20%.

Certain subsidiaries in the Group which met the conditions as small-scaled minimal profit enterprise were qualified for the entitlement of such preferential tax treatment during the years ended 31 December 2021, 2022 and 2023.

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

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	510,905	(206,543)	506,095
Notional tax on profit before taxation calculated at PRC income tax rate of 25%	127,726	(51,636)	126,524
Tax effect of different tax rate	34,976	(12,413)	(110)
Tax effect of changes of the redemption arising from preferred shares	(55,950)	220,838	44,288
Tax effect of non-deductible expenses	57,872	86,071	86,241
Tax effect of non-taxable income	(5,402)	(309)	(12,161)
Recognition of previously unrecognised tax losses	(346)	(1,377)	(8,347)
Tax effect of temporary differences and tax losses not recognized	20,299	24,018	18,157
Tax effect of tax concession	(266)	(291)	(1,188)
Income tax expense for the year	178,909	264,901	253,404

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2021	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2021 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman, executive director					
XU Shaochuan	–	675	450	55	1,180
Non-executive directors					
ZHANG Bin (appointed in March 2021)	–	–	–	–	–
ZHANG Lumin	–	–	–	–	–
MENG Liang	–	–	–	–	–

For the year ended 31 December 2021	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2021 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors					
WANG Hang	–	–	–	–	–
WANG Xiaochuan	–	–	–	–	–
	–	675	450	55	1,180

For the year ended 31 December 2022	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2022 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman, executive director					
XU Shaochuan	–	678	281	60	1,019
Non-executive directors					
ZHANG Bin	–	–	–	–	–
ZHANG Lumin	–	–	–	–	–
MENG Liang	–	–	–	–	–
Independent non-executive directors					
WANG Hang	–	–	–	–	–
WANG Xiaochuan	–	–	–	–	–
	–	678	281	60	1,019

For the year ended 31 December 2023	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2023 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman, executive director					
XU Shaochuan	–	633	300	65	998
Non-executive directors					
ZHANG Bin	–	–	–	–	–
ZHANG Lumin	–	–	–	–	–
MENG Liang	–	–	–	–	–
Independent non-executive directors					
WANG Hang	–	–	–	–	–
WANG Xiaochuan	–	–	–	–	–
	–	633	300	65	998

(i) WANG Yi was appointed as non-executive director in June 2024. YE Bangyin was appointed as independent non-executive director in June 2024.

(ii) During the Relevant Periods, no director has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

(iii) No remuneration was paid or payable to certain directors in respect of their services during the Relevant Periods. Certain directors received remunerations from holding companies or fellow subsidiaries. The directors of the Company are of the opinion that the services provided to the Group only occupy an insignificant amount of their time and therefore it is concluded that those directors are not remunerated for such services.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none of them are directors whose emoluments are disclosed in Note 8 for the years ended 31 December 2021, 2022 and 2023. The aggregate of the emoluments in respect of the other five individuals in 2023 (2022: five, 2021: five) are as follows:

	Year ended 31 December		
	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Salaries, allowance and benefits in kind	11,590	13,148	14,896
Discretionary bonuses	5,885	3,847	4,228
Retirement scheme contributions	448	574	578
	17,923	17,569	19,702

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

	Year ended 31 December		
	2021 *Number of individuals*	**2022** *Number of individuals*	**2023** *Number of individuals*
HKD2,500,001 – HKD3,000,000	2	1	–
HKD3,000,001 – HKD3,500,000	–	–	1
HKD3,500,001 – HKD4,000,000	–	2	1
HKD4,000,001 – HKD4,500,000	1	–	1
HKD4,500,001 – HKD5,000,000	–	1	1
HKD5,000,001 – HKD5,500,000	1	1	–
HKD5,500,001 – HKD6,000,000	–	–	1
HKD6,000,001 – HKD6,500,000	1	–	–

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of profit of RMB340,206,000, loss of RMB471,444,000 and profit of RMB252,691,000 for the years ended 31 December 2021, 2022 and 2023, respectively, and the weighted average number of 100,000,000 ordinary shares in issue for the years ended 31 December 2021, 2022 and 2023.

(b) Diluted earnings/(losses) per share

The calculation of diluted earnings per share for the year ended 31 December 2021 is based on the following profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares (after adjusting for the assumed conversion of all dilutive potential ordinary shares):

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2021 *RMB'000*
Profit attributable to ordinary equity shareholders	340,206
After tax effect of deemed exercise of conversion rights of preferred shares *(Note 27(iii))*	(223,800)
Profit attributable to ordinary equity shareholders (diluted)	116,406

(ii) Weighted average number of ordinary shares (diluted)

	2021 *Number of shares '000*
Weighted average number of ordinary shares at 31 December *(Note 29(a))*	100,000
Effect of conversion of preferred shares *(Note 27(iii))*	48,000
Weighted average number of ordinary shares (diluted) at 31 December	148,000

There was no difference between basic and diluted (loss)/earnings per share for the years ended 31 December 2022 and 2023 as the assumed conversion of preferred shares issued by the Company (see Note 27(iii)) into ordinary shares would have anti-dilutive effects on the corresponding basic (loss)/earnings per share amounts.

11 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Buildings and leasehold improvements *RMB'000*	Operating facilities *RMB'000*	Electronic equipment, office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Investment properties – Buildings and leasehold improvements *RMB'000*	Investment properties – Lands *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:								
At 1 January 2021	1,868,486	508,649	267,875	11,665	1,273,889	1,515,435	12,754	5,458,753
Additions	77,657	102,549	50,211	3,028	–	–	110,685	344,130
Transfers	105,139	–	17,928	–	–	–	(123,067)	–
Disposals	(10,788)	(18,435)	(29,208)	(775)	–	–	–	(59,206)
At 31 December 2021 and 1 January 2022	2,040,494	592,763	306,806	13,918	1,273,889	1,515,435	372	5,743,677
Additions	27,164	31,801	25,826	300	–	–	72,636	157,727
Transfers	72,435	–	372	–	–	–	(72,807)	–
Disposals	(39,497)	(20,649)	(17,286)	(205)	–	–	–	(77,637)
At 31 December 2022 and 1 January 2023	2,100,596	603,915	315,718	14,013	1,273,889	1,515,435	201	5,823,767
Additions	13,361	4,236	20,115	302	–	–	–	38,014
Transfers	201	–	–	–	–	–	(201)	–
Disposals	(15,298)	(4,075)	(12,876)	(9,488)	–	–	–	(41,737)
At 31 December 2023	2,098,860	604,076	322,957	4,827	1,273,889	1,515,435	–	5,820,044
Accumulated depreciation:								
At 1 January 2021	(179,798)	(49,841)	(52,186)	(2,103)	(52,026)	(50,710)	–	(386,664)
Charge for the year	(148,034)	(56,758)	(52,325)	(1,960)	(74,023)	(67,760)	–	(400,860)
Written back on disposals	2,219	3,540	7,327	346	–	–	–	13,432
At 31 December 2021 and 1 January 2022	(325,613)	(103,059)	(97,184)	(3,717)	(126,049)	(118,470)	–	(774,092)
Charge for the year	(150,825)	(58,892)	(52,504)	(2,048)	(72,394)	(67,761)	–	(404,424)
Written back on disposals	15,055	6,225	8,146	104	–	–	–	29,530
At 31 December 2022 and 1 January 2023	(461,383)	(155,726)	(141,542)	(5,661)	(198,443)	(186,231)	–	(1,148,986)
Charge for the year	(156,010)	(57,089)	(52,536)	(1,799)	(70,013)	(67,760)	–	(405,207)
Written back on disposals	2,298	1,438	8,349	5,550	–	–	–	17,635
At 31 December 2023	(615,095)	(211,377)	(185,729)	(1,910)	(268,456)	(253,991)	–	(1,536,558)
Impairment:								
At 1 January 2021	–	–	–	–	–	–	–	–
Additions	–	–	–	–	–	–	–	–
Write-off	–	–	–	–	–	–	–	–
At 31 December 2021 and 1 January 2022	–	–	–	–	–	–	–	–
Additions	(1,115)	(4,863)	(1,758)	–	–	–	–	(7,736)
Write-off	1,115	4,863	1,758	–	–	–	–	7,736
At 31 December 2022 and 1 January 2023	–	–	–	–	–	–	–	–
Additions	(20,675)	(1,737)	(1,753)	–	–	–	–	(24,165)
Write-off	–	–	–	–	–	–	–	–
At 31 December 2023	(20,675)	(1,737)	(1,753)	–	–	–	–	(24,165)
Net book value:								
At 31 December 2021	1,714,881	489,704	209,622	10,201	1,147,840	1,396,965	372	4,969,585
At 31 December 2022	1,639,213	448,189	174,176	8,352	1,075,446	1,329,204	201	4,674,781
At 31 December 2023	1,463,090	390,962	135,475	2,917	1,005,433	1,261,444	–	4,259,321

(i) All the Group's investment properties and property, plant and equipment are located in the PRC.

(ii) As at 31 December 2021, 2022 and 2023, the Group was in the process of obtaining property ownership certificates for certain buildings with an aggregate carrying amount of RMB143,525,000, RMB153,350,000 and RMB134,342,000, respectively. Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial title to these buildings as at 31 December 2021, 2022 and 2023.

(iii) The Group have plans to close its certain fulfilment centre at the end of the reporting period. The Group assessed the recoverable amounts of these fulfilment centre and as a result the carrying amount of the buildings and leasehold improvements, operating facilities and electronic equipment were written down to their recoverable amount. For the year ended 31 December 2022 and 2023, an impairment loss of RMB7,736,000 and RMB24,165,000, respectively, was recognised in "other net (losses)/gains" to the statements of profit or loss. The estimates of recoverable amount were based on the fair values less costs of disposal, using market comparison approach by reference to recent sales price of similar assets within the same industry, adjusted for differences such as remaining useful lives. The fair value on which the recoverable amount is based on is categorised as level 3 measurement.

(iv) As set out in Note 2(g), the Group has applied the cost model for its investment properties.

An independent professional valuer has been engaged by the Group to measure the fair value of the investment properties owned by the Group. As at 31 December 2021, 2022 and 2023, the total fair value of the investment properties were RMB3,170,200,000, RMB3,066,100,000 and RMB2,962,700,000, respectively.

The valuation technique and significant unobservable inputs used to estimate the fair value of the such buildings included the investment properties and associated land use rights are set forth below. The fair value measurement for investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used. There have been no changes in valuation technique compared to that used in the prior year.

Valuation technique	Significant unobservable inputs
Income approach by capitalising the net rental incomes derived from the existing tenancies with due allowance for any reversionary income potential of the properties.	• Market rent: The market rent is estimated according to the comparable properties in close proximity. Market rent ranges from RMB32.36 to RMB188.64, RMB31.47 to RMB188.08 and RMB30.70 to RMB187.14, per month per square meters from 2021, 2022 and 2023, respectively. The higher the market rent, the higher the fair value of the properties. • Reversionary yield: The reversionary yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. The range of adopted reversionary yield is from 4.75% to 6.00% according to different cities for 2021, 2022 and 2023. The higher the yield, the lower the fair value of the properties.

(v) The investment properties were leased out under operating leases. The leases typically run for an initial period of 1 year, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the group in future periods as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	366,401	374,409	382,330
After 1 year but within 2 years	374,409	382,407	390,483
After 2 years but within 3 years	382,407	390,589	398,824
After 3 years but within 4 years	390,589	398,958	407,357
After 4 years but within 5 years	398,958	407,521	416,086
After 5 years	5,444,117	5,036,627	4,615,874
	7,356,881	6,990,511	6,610,954

(vi) As at 31 December 2021, 2022 and 2023, the buildings and the investment properties amounted to RMB3,362,889,000, RMB3,169,076,000 and RMB2,980,344,000 of the Group were pledged as the borrowings of the Group (see Note 24).

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

The Group

	Leasehold lands	Leased properties	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2021	5,239,111	884,489	14,729	6,138,329
Additions	20,032	233,020	5,865	258,917
Disposals	(1,590)	(38,083)	(170)	(39,843)
At 31 December 2021 and 1 January 2022	5,257,553	1,079,426	20,424	6,357,403
Additions	68,813	101,164	5,572	175,549
Disposals	(87,623)	(111,503)	–	(199,126)
At 31 December 2022 and 1 January 2023	5,238,743	1,069,087	25,996	6,333,826
Additions	2,359	12,868	2,242	17,469
Disposals	(786)	(26,297)	(930)	(28,013)
At 31 December 2023	5,240,316	1,055,658	27,308	6,323,282
Accumulated depreciation:				
At 1 January 2021	(360,625)	(59,239)	(1,652)	(421,516)
Charge for the year	(343,999)	(90,990)	(4,212)	(439,201)
Written back on disposals	1,590	8,954	146	10,690
At 31 December 2021 and 1 January 2022	(703,034)	(141,275)	(5,718)	(850,027)
Charge for the year	(347,826)	(82,812)	(5,411)	(436,049)
Written back on disposals	87,623	24,849	–	112,472
At 31 December 2022 and 1 January 2023	(963,237)	(199,238)	(11,129)	(1,173,604)
Charge for the year	(340,116)	(81,314)	(6,126)	(427,556)
Written back on disposals	786	2,347	689	3,822
At 31 December 2023	(1,302,567)	(278,205)	(16,566)	(1,597,338)
Net book value:				
At 31 December 2021	4,554,519	938,151	14,706	5,507,376
At 31 December 2022	4,275,506	869,849	14,867	5,160,222
At 31 December 2023	3,937,749	777,453	10,742	4,725,944

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:			
Leasehold land	343,999	347,826	340,116
Leased properties	90,990	82,812	81,314
Others	4,212	5,411	6,126
	439,201	436,049	427,556
Interest on lease liabilities *(Note 6(a))*	145,299	153,121	150,478
Expense relating to short-term leases	16,136	13,149	8,214

Details of total cash outflows for leases and the maturity analysis of lease liabilities are set out in Note 20(d) and 25 respectively.

(i) Leasehold lands

The Group obtains leasehold land use rights for periods ranging from 30 to 70 years where the Group's operations are located among which, part of the building area and related leasehold land are for own use, and part are sublet to earn rental income. As at 31 December 2021,2022 and 2023, the Group had not obtained land use rights certificates for certain land use right with an aggregate carrying amount of RMB153,350,000, RMB143,526,000 and RMB134,342,000, respectively. Notwithstanding this, the Directors are of the opinion that the Group owned the beneficial title to these land use rights as at 31 December 2021, 2022 and 2023.

As at 31 December 2021, 2022 and 2023, leasehold lands amounted to RMB4,048,303,000, RMB3,844,496,000 and RMB3,640,689,000 were pledged for the borrowings (see Note 24).

(ii) Leased properties

During the Relevant Periods, the Group leases retail stores, warehouse and vehicles for its operations. Lease contracts are entered into for fixed term of 12 months 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.

13 INTANGIBLE ASSETS

The Group

	Customer relationship	**Trademark**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021, 31 December 2021 and 31 December 2022	276,135	1,725,795	2,001,930
Accumulated amortisation:			
At 1 January 2021	(18,946)	–	(18,946)
Charge for the year	(27,613)	–	(27,613)
At 31 December 2021 and 1 January 2022	(46,559)	–	(46,559)
Charge for the year	(27,614)	–	(27,614)
At 31 December 2022	(74,173)	–	(74,173)
Charge for the year	(27,613)	–	(27,613)
At 31 December 2023	(101,786)	–	(101,786)
Net book value:			
At 31 December 2021	229,576	1,725,795	1,955,371
At 31 December 2022	201,962	1,725,795	1,927,757
At 31 December 2023	174,349	1,725,795	1,900,144

The amortisation charge for the year is included in "selling and distribution costs" in the statements of profit or loss of the Food and FMCG Distribution Business.

The above trademarks and customer relationship was purchased as part of business combination related to Maidelong Business in 2020. The customer relationship has finite useful lives and amortised on a straight-line basis over 10 years. The directors of the Company are of the opinion that the Group does not have any plan to replace the existing trademarks and will renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. As of 31 December 2021, 2022 and 2023, the recoverable amount of trademarks had been determined based on the value-in-use calculations. For the purposes of impairment testing, the carrying amounts of goodwill as set out in Note 14 and trademarks with indefinite useful lives have been allocated to group of cash-generating units ("CGUs") and impairment test is performed as at 31 December 2021, 2022 and 2023 with no impairment loss is recognised (Note 14).

14 GOODWILL

	RMB'000
At 31 December 2021, 2022 and 2023	4,848,922

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, the carrying amounts of goodwill and trademarks with indefinite useful lives as set out in Note 13 have been allocated to a group of cash-generating units ("CGUs"), namely Maidelong business, which represent the lowest level within the Group at which goodwill are monitored for internal management purpose.

The recoverable amount of the CGU is determined based on value-in-use calculation. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

	As at 31 December		
	2021	2022	2023
Annual revenue growth rate during the forecast period	-6.5%-4.5%	-6.5%-4.8%	1.3%-4.8%
Long-term growth rates used over the forecast period	2%	2%	2%
Pre-tax discount rate	13.27%	13.20%	13.16%

The recoverable amount of the CGU of Maidelong business is estimated to exceed the carrying amount of the CGU by RMB594 million, RMB1,262 million and RMB1,838 million as at 31 December 2021, 2022 and 2023, respectively.

Management performed sensitivity analysis and concluded that two key assumptions that could significantly affect the recoverable amount. The following table shows the percentage by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

Change required for recoverable amount to equal carrying amount (in percentage point):

	As at 31 December		
	2021	**2022**	**2023**
Decrease in long-term growth rates used over the forecast period	-0.83%	-1.83%	-2.81%
Increase in pre-tax discount rate	0.83%	1.80%	2.60%

15 FINANCE LEASE RECEIVABLES

The Group

Certain leased properties of the Group are subleased under finance lease with the average terms mainly ranging from 5 to 20 years. The following table shows the maturity analysis of the undiscounted lease payments to be received:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Finance lease receivables comprise:			
Within 1 year	156,815	166,761	172,276
After 1 year but within 2 years	156,815	179,390	178,975
After 2 years but within 3 years	156,815	179,390	178,975
After 3 years but within 4 years	148,837	158,493	152,957
After 4 years but within 5 years	135,918	153,371	152,957
After 5 years	1,122,339	1,279,268	1,041,512
	1,877,539	2,116,673	1,877,652
Gross investment in the lease	1,877,539	2,116,673	1,877,652
Less: unearned finance income	(372,612)	(317,720)	(272,542)
	1,504,927	1,798,953	1,605,110
Analysed as:			
Non-current	1,355,437	1,639,981	1,440,881
Current	149,490	158,972	164,229
	1,504,927	1,798,953	1,605,110

As of 31 December 2021, 2022 and 2023, the interest rates implicit in the above finance leases are ranging from 4.75% to 4.9%, 4.75% to 4.9% and 4.75% to 4.9%, respectively.

The lowest and the highest implicit interest rates of the above finance leases as of each of the reporting date are 4.75% and 4.9%, respectively.

As there has been no significant increase in the risk of default of these finance lease receivables since initial recognition, the Group and the Company assess that there is no material expected credit loss and accordingly no loss allowance is required.

16 INVENTORIES

(a) Inventories in the statements of financial position of the Food and FMCG Distribution Business comprise:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trading merchandise	2,412,263	2,292,940	1,762,062

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	24,236,917	23,419,737	21,297,621
Write down of inventories	7,976	7,120	728
Total	24,244,893	23,426,857	21,298,349

All of the inventories are expected to be recovered within one year.

17 OTHER INVESTMENT IN SECURITIES

The Group

(a) Financial assets measured at FVTOCI

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Investment in a listed equity security	129,034	153,701	216,917

The listed equity security represents shares in Guoquan Food (Shanghai) Co., Ltd., a company incorporated in People's Republic of China with limited liability and is listed on the Stock Exchange of Hong Kong Limited. The Directors designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment for the year ended 31 December 2021, 2022 and 2023.

(b) Financial assets measured at FVTPL

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Trading securities			
– Unlisted equity securities	220,152	–	–
Structured deposits	–	200,508	–

The unlisted equity securities are shares in Chengxin Technology Inc., an exempted limited liability company incorporated under the laws of the Cayman Islands and engaged in the businesses of community group purchase business. These securities were disposed during the year ended 31 December 2022.

The structured deposits were issued by a financial institution in the PRC with a floating return which will be paid together with the principal on the maturity date.

18 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

The Group

(a) Trade and other receivables

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables – third parties	600,656	650,725	541,535
Less: allowance for credit losses	(10,856)	(22,349)	(15,549)
	589,800	628,376	525,986
Other receivables, prepayments and deposits			
Prepayments to suppliers	294,781	206,560	68,294
Amounts due from suppliers	173,941	301,259	169,697
Deposits	33,597	20,775	25,957
Value-added tax recoverable	418,707	447,622	363,272
Other receivables	56,181	15,997	10,083
Less: allowance for credit losses	(23,142)	(33,355)	(20,385)
	1,543,865	1,587,234	1,142,904

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
0 – 60 days	517,488	488,856	507,940
61 – 120 days	66,829	101,544	16,627
121 days – one year	5,411	37,570	1,386
Over one year	72	406	33
	589,800	628,376	525,986

Trade receivables are normally due within 60 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 30(a).

(b) Non-current prepayments

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for:			
– onboarding access fee	–	62,398	106,322

Prepayments for onboarding access fee are prepaid to Metro AG to obtain the access to a sourcing organisation platform used by the Group. The useful lives of prepayments are 10 years and they are amortised based on the service completion status.

19 AMOUNTS DUE FROM RELATED PARTIES

The Group

Amounts due from related parties – Trade related

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Fellow subsidiaries			
Beijing Wumart Supermarket Co., Ltd. and its subsidiaries ("Beijing Wumart Supermarket Group")	508,497	599,364	594,404
Wumart Southern Development Co., Ltd.	18,563	59,894	13,601
Zhejiang Wumei Yilian Commercial Management Co., Ltd.	7,395	2,404	6,476
Guangdong Shenzhen Wumei Business Management Co., Ltd.	10,785	–	–
Dmall Inc. and its subsidiaries ("Dmall Group")	24,180	28	139
Shanghai M Commercial and Trading Company Limited	807,899	947,265	760,260
Others	1,338	8,770	2,924
	1,378,657	1,617,725	1,377,804
Associates of the holding company			
Beijing Chongwenmen Vegetable Market Wumart General Supermarket Co. Ltd.	2,071	180	109
Chongqing Department Store Co., Ltd and its subsidiaries ("Chongqing Department Store Group")	1,524	–	–
Others	200	10	–
	3,795	190	109
Intermediate Holding			
Wumei Technology Group, Inc.	815	15,315	170
Wumei Southern Technology Co., Ltd.	–	–	1
	815	15,315	171
	1,383,267	1,633,230	1,378,084

The amounts due from related parties, trade related and interest-free are trade in nature, unsecured. The credit period is ranged over 0 to 30 days.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
0 – 60 days	1,383,267	1,623,246	1,378,084
61 – 120 days	–	9,984	–
	1,383,267	1,633,230	1,378,084

Amounts due from related parties – Non-trade related

	Note	As at 31 December 2021	2022	2023
		RMB'000	RMB'000	RMB'000
Fellow subsidiaries				
Beijing Wumart Supermarket Group	(i)	252,126	326,843	385,960
M Group Commerce (Shanghai) Co., Ltd.	(ii)	908	541,109	1,474,982
M Group Commerce Limited	(iii)	–	–	20,012
Beijing Huishang Commercial Co., Ltd.		–	3,000	–
Others		599	579	387
		253,633	871,531	1,881,341
Intermediate Holding				
WM Innovation Limited		–	–	7
Wumei Technology Group Co., Ltd.	(iv)	234,320	234,729	1,268,408
		234,320	234,729	1,268,415
		487,953	1,106,260	3,149,756

(i) As at 31 December 2021, 2022 and 2023, amount due from Beijing Wumart Supermarket Co., Ltd. ("Beijing Wumart") mainly include:

Receivables for payment of rental expenses on behalf of Beijing Wumart amounting to RMB4,601,000, RMB73,235,000 and RMB132,350,000 respectively.

Entrusted loans due from Beijing Wumart amounting to RMB247,525,000, RMB253,525,000 and 253,525,000, respectively, which was 1 year from drawing with annual interest rate at 1.09%.

(ii) As at 31 December 2021, 2022 and 2023, amount due from M Group Commerce (Shanghai) Co., Ltd. mainly include receivables from cash pool arrangement of Maidelong, which was repayable on demand with annual interest rate at 0.35%.

(iii) As at 31 December 2023, amount due from M Group Commerce Limited was interest-free and repayable on demand.

(iv) As at 31 December 2021, 2022 and 2023, amount due from Wumei Technology Group Co., Ltd. ("Wumei Tech") mainly include:

Entrusted loans due from Wumei Tech amounting to RMB234,219,000 at each of the reporting period, which was 1 year from drawing with annual interest rate at 1.09%.

As at 31 December 2023, the remaining receivables due from Wumei Tech was unsecured interest-free and repayable on demand.

The Company

Amounts due from related parties – Non-trade related

	Note	As at 31 December 2021	2022	2023
		RMB'000	RMB'000	RMB'000
Subsidiaries				
WM New Retail Limited	(i)	7,895,636	8,556,916	8,735,030
WM Holding (HK) Limited	(ii)	241,276	265,445	272,204
WM Sourcing (HK) Limited		510	890	496
WM Retail (HK) Limited		64	70	–
WM Super Limited		–	131	2
		8,137,486	8,823,452	9,007,732
Fellow subsidiaries				
Beijing Wumart Supermarket Group		–	–	182
		8,137,486	8,823,452	9,007,914

(i) As at 31 December 2021, 2022 and 2023, amount due to WM New Retail was unsecured, repayable on demand.

(ii) As at 31 December 2021, 2022 and 2023, amount due to WM Holding (HK) Limited was unsecured, repayable on demand with annual interest rate from Nil to 1.09%.

20 CASH, RESTRICTED CASH AND OTHER CASH FLOW INFORMATION

The Group

(a) Cash

	As at 31 December 2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	2,581,693	1,864,010	526,501

(b) Restricted cash

	Note	As at 31 December 2021	2022	2023
		RMB'000	RMB'000	RMB'000
Escrow account for construction	(i)	10,110	10,139	10,162
Escrow account for prepaid card	(ii)	3,500	204,044	249,977
Restricted deposits for borrowings	(iii)	33,142	34,055	36,056
Other restricted accounts	(iv)	3	6,001	7,916
Total		46,755	254,239	304,111

(i) The balance of escrow account for construction represents amounts held at a bank which are restricted for a construction project for a mall.

(ii) The balance of escrow account for prepaid card represents deposits held at a bank which are restricted for prepaid card regulation purpose.

(iii) The balance represents the restricted deposits for borrowings (Note 24).

(iv) The balance of other restricted accounts mainly represent amounts held at banks which are deposits for issuing letter of guarantee.

(c) Reconciliation of profit/(loss) before taxation to cash generated from operations

	Note	**2021** *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Operating activities				
Profit/(loss) before taxation		510,905	(206,543)	506,095
Adjustments for:				
Finance costs	*6(a)*	295,741	312,278	454,346
Net foreign exchange losses/(gains)	*5(b)*	35,363	(21,283)	(135,040)
Interest income	*5(a)*	(41,731)	(45,445)	(39,871)
Gain on financial assets measured at FVTPL	*5(a)*	(16,076)	(36,545)	(3,088)
Remeasurement gain on loans measured at amortised cost	*5(b)*	–	–	(26,476)
Changes of the redemption liabilities arising from preferred shares		(223,800)	883,350	177,150
Depreciation of property, plant and equipment	*6(c)*	259,077	264,269	267,434
Depreciation of right-of-use assets	*6(c)*	439,201	436,049	427,556
Depreciation of investment properties	*6(c)*	141,783	140,155	137,773
Amortisation of intangible assets	*6(c)*	27,613	27,614	27,613
Gain on early termination of lease contracts	*5(b)*	–	(62,655)	–
Impairment loss of property, plant and equipment	*11(a)*	–	7,736	24,165
Loss on disposal of property, plant and equipment	*5(b)*	21,518	3,378	4,638
Contingent consideration adjustment	*5(b)*	(22,548)	–	–
Provision of/(reversal of) impairment loss on trade receivable	*30(a)*	8,685	23,741	(14,692)
Write-down of inventories	*16(b)*	7,976	7,120	728
Operating cash flows before movements in working capital		1,443,707	1,733,219	1,808,331
Changes in working capital:				
(Increase)/decrease in inventories		(453,625)	112,203	530,150
(Increase)/decrease in trade and other receivables		(214,962)	(67,109)	459,021
Decrease/(increase) in amounts due from related parties		505,623	(292,923)	264,075
(Increase)/decrease in rental deposits		(3,001)	(5,749)	153
Increase in non-current prepayments		–	(62,398)	(43,924)
Decrease in finance lease receivables		67,414	82,112	108,130
Increase in contract liabilities		138,747	54,279	32,400
Increase/(decrease) in trade and other payables		250,670	308,450	(437,835)
(Decrease)/increase in amounts due to related parties		(406,609)	248,796	(103,606)
Increase/(decrease) in other non-current liabilities		201	(8)	(7)
Cash generated from operations		1,328,165	2,110,872	2,616,888

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the liabilities from financing activities of the Food and FMCG Distribution Business, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement of the Food and FMCG Distribution Business as cash flows from financing activities. The changes of movements of put option financial liabilities and redemption liabilities arising from preferred share are disclosed in Note 26 and Note 27 respectively.

	Borrowings *RMB'000* *(Note 24)*	Amounts due to related parties *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 25)*	Total *RMB'000*
At 1 January 2021	7,205,826	25,767	2,753,929	9,985,522
Changes from financing cash flows:				
Repayment of bank loans	(172,102)	–	–	(172,102)
Interest paid	(123,966)	–	–	(123,966)
Proceed of loans from related parties	–	478,749	–	478,749
Capital element of lease rentals paid	–	–	(273,665)	(273,665)
Interest element of lease rentals paid	–	–	(145,299)	(145,299)
Total changes from financing cash flows	(296,068)	478,749	(418,964)	(236,283)
Exchange adjustments	(762,204)	5,581	–	(756,623)
Increase in lease liabilities from entering into new leases during the period	–	–	480,837	480,837
Interest expenses *(Note 6(a))*	147,819	2,623	145,299	295,741
Total other changes	(614,385)	8,204	626,136	19,955
At 31 December 2021	6,295,373	512,720	2,961,101	9,769,194

	Borrowings *RMB'000* *(Note 24)*	Amounts due to related parties *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 25)*	Total *RMB'000*
At 1 January 2022	6,295,373	512,720	2,961,101	9,769,194
Changes from financing cash flows:				
Repayment of bank loans	(390,055)	–	–	(390,055)
Interest paid	(153,871)	(4,425)	–	(158,296)
Proceed of loans from related parties	–	542,814	–	542,814
Repayment of loans to related parties	–	(242,439)	–	(242,439)
Capital element of lease rentals paid	–	–	(270,099)	(270,099)
Interest element of lease rentals paid	–	–	(153,121)	(153,121)
Total changes from financing cash flows	(543,926)	295,950	(423,220)	(671,196)
Exchange adjustments	181,383	11,194	–	192,577
Increase in lease liabilities from entering into new leases during the period	–	–	579,588	579,588
Decrease in lease liabilities from early termination of lease contracts	–	–	(131,641)	(131,641)
Interest expenses *(Note 6(a))*	154,732	4,425	153,121	312,278
Total other changes	336,115	15,619	601,068	952,802
At 31 December 2022	6,087,562	824,289	3,138,949	10,050,800

	Borrowings	Amounts due to related parties	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 24)	*(Note 22)*	*(Note 25)*	
At 1 January 2023	6,087,562	824,289	3,138,949	10,050,800
Changes from financing cash flows:				
Repayment of bank loans	(1,633,734)	–	–	(1,633,734)
Interest paid	(301,551)	(2,317)	–	(303,868)
Proceed of loans from related parties	–	4,038,945	–	4,038,945
Capital element of lease rentals paid	–	–	(305,996)	(305,996)
Interest element of lease rentals paid	–	–	(150,478)	(150,478)
Total changes from financing cash flows	(1,935,285)	4,036,628	(456,474)	1,644,869
Exchange adjustments	349,189	48,411	–	397,700
Decrease in lease liabilities from expiration	–	–	(92,435)	(92,435)
Remeasurement of loan measured at amortised cost	(26,476)	–	–	(26,476)
Interest expenses *(Note 6(a))*	301,551	2,317	150,478	454,346
Total other changes	624,264	50,728	58,043	733,135
At 31 December 2023	4,776,541	4,911,645	2,740,518	12,428,804

21 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	3,888,430	4,227,540	3,788,786
Deposits received	45,828	57,184	163,690
Construction payable	240,472	179,915	92,209
Staff cost payable	133,707	168,080	122,025
Accruals	230,733	266,355	207,114
Tax payables	155,496	192,213	202,291
Service fee payables	111,633	22,561	24,325
Other payables	118,534	58,878	46,745
Total	4,924,833	5,172,726	4,647,185

All of the trade and other payables included in current liabilities are expected to be settled within one year.

The following is an aged analysis of trade payables based on the invoice dates at the end of reporting period:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
0 – 60 days	3,511,354	3,871,499	3,251,733
61 – 120 days	207,644	241,766	371,255
121 days – one year	97,108	11,097	55,162
Over one year	72,324	103,178	110,636
Total	3,888,430	4,227,540	3,788,786

22 AMOUNTS DUE TO RELATED PARTIES

The Group

Amounts due to related parties – Trade related

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Fellow subsidiaries			
Beijing Wumart Supermarket Group	280,459	511,954	380,440
M Group Commerce Limited	–	–	27,864
Dmall Group	1,431	1,927	6,693
Others	28	4,804	10,022
	281,918	518,655	424,981
Associates			
Chongqing Department Store Group	–	–	5,370
	–	–	5,370
Intermediate holding			
Wumei Technology Group, Inc.	20,252	20,252	–
	302,170	538,907	430,351

The following is an aged analysis of amounts due to related parties based on the invoice dates:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
0 – 60 days	302,170	538,907	430,351

(i) The amounts due to related parties are trade in nature, unsecured and non-interest bearing.

Amounts due to related parties – Non-trade related

	Note	As at 31 December 2021	2022	2023
		RMB'000	RMB'000	RMB'000
Fellow subsidiaries				
M Group Commerce (Shanghai) Co., Ltd.	*(i)*	–	539,464	1,473,388
M Group Commerce Limited		58	59	–
Beijing Wumart Supermarket Group		–	333	539
Shanghai M Commercial and Trading Company Limited	*(i)*	–	–	120,492
		58	539,856	1,594,419
Intermediate Holding				
Retail Enterprise Corporation Ltd.	*(ii)*	512,655	284,433	3,317,226
Wumei Sourcing (HK) Limited		7	–	–
		512,662	284,433	3,317,226
		512,720	824,289	4,911,645

(i) As at 31 December 2022 and 2023, amount due to M Group Commerce (Shanghai) Co., Ltd. and Shanghai M Commercial and Trading Company Limited mainly include payable from cash pool arrangement of Maidelong China, which was repayable on demand with annual interest rate at 0.35% and 1.6% respectively.

(ii) As at 31 December 2021, amount due to Retail Enterprise Corporation Ltd. included RMB280,537,000, which interest-free and repayable on demand, and RMB232,117,000, which was repayable on demand with annual interest rate at 1.09%.

As at 31 December 2022, amount due to Retail Enterprise Corporation Ltd. included RMB27,865,000, which interest-free and repayable on demand, and RMB256,259,000, which was repayable on demand with annual interest rate at 1.09%.

As at 31 December 2023, amount due to Retail Enterprise Corporation Ltd. included RMB1,042,637,000, which was interest-free and repayable on demand; RMB263,352,000, which was repayable on demand with annual interest rate at 1.09%; RMB20,616,000, which was 1 year from drawing with annual interest rate at 1.09%; RMB1,990,239,000, which was 1 year from drawing with annual interest rate at 5.25%.

The Company

Amounts due to related parties – Non-trade related

	As at 31 December 2021	2022	2023
	RMB'000	RMB'000	RMB'000
Subsidiaries			
WM Sourcing (HK) Limited	–	–	965
WM Stores (HK) Limited	–	–	16,801
	–	–	17,766

23 CONTRACT LIABILITIES

The Group

		As at 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Prepaid cards	*(i)*	811,865	804,427	797,270
Advances receipts from customers		123,631	185,348	224,905
Total		935,496	989,775	1,022,175

(i) Balance of prepaid cards represents the unused prepaid cards which are expected to be redeemed in the future. Revenue from prepaid cards is recognised when the prepaid cards are redeemed by customers upon their acceptance of the products or in proportion to the pattern of rights exercised by the customer.

Movements in contract liabilities

	Prepaid cards	**Advances receipts from customers**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2021	631,039	165,710	796,749
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the beginning of the year	(214,794)	(165,710)	(380,504)
Write-off of prepaid cards	(18,249)	–	(18,249)
Receipts from customers	413,869	123,631	537,500
Balance at 31 December 2021 and 1 January 2022	811,865	123,631	935,496
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the beginning of the year	(350,068)	(123,631)	(473,699)
Write-off of prepaid cards	(22,101)	–	(22,101)
Receipts from customers	364,731	185,348	550,079
Balance at 31 December 2022 and 1 January 2023	804,427	185,348	989,775
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the beginning of the year	(313,896)	(185,294)	(499,190)
Write-off of prepaid cards	(36,677)	–	(36,677)
Receipts from customers	343,416	224,851	568,267
Balance at 31 December 2023	797,270	224,905	1,022,175

24 BORROWINGS

The Group

The analysis of the carrying amount of interest-bearing borrowings is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Secured Loans	6,295,373	6,087,562	4,776,541

The analysis of the repayment schedule of secured bank loans is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	393,329	654,141	737,827
After 1 year but within 2 years	636,234	858,515	4,038,714
After 2 years but within 5 years	5,265,810	4,574,906	–
Total	6,295,373	6,087,562	4,776,541

At 23 April 2020, the Company signed a facility agreement and borrowed EUR908,000,000 (equivalent to approximately RMB7,205,806,000) from a bank for five years, with annual interest rate of EURIBOR plus 200 basis points. According to this facility agreement, the loan is secured by a pledge of 100% equity interest of the Company's certain subsidiaries that operate both the Retail Business and Food and FMCG Distribution Business under the brand of Maidelong in mainland China, and was also secured by certain lands and buildings owned by these subsidiaries with carrying amount of RMB7,411,192,000, RMB7,013,572,000 and RMB6,621,033,000 as at 31 December 2021, 2022 and 2023.

On 27 July 2023, the Group repaid EUR129,000,000 (equivalent to approximately RMB1,021,783,000). The annual interest rate has been modified from EURIBOR plus 200 basis points to EURIBOR plus 150 basis points. The modification triggered a remeasurement of amortised cost of the borrowing. The difference of RMB26,476,000 between the original future cashflows and the modified future cashflows has been recorded in "other net (losses)/gains" in the statements of profit or loss of the Food and FMCG Distribution Business.

The Group's banking facility is subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 30(b). As at 31 December 2023, none of the covenants relating to drawn down facilities was breached.

25 LEASE LIABILITIES

The Group

At 31 December 2023, the lease liabilities were repayable as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	259,473	276,253	264,361
After 1 year but within 2 years	281,231	285,441	240,051
After 2 years but within 5 years	690,729	639,646	609,964
After 5 years	1,729,668	1,937,609	1,626,142
	2,701,628	2,862,696	2,476,157
	2,961,101	3,138,949	2,740,518

26 PUT OPTION FINANCIAL LIABILITY

The Group and the Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Put option financial liability	2,002,960	2,002,960	–

The Group signed an agreement with METRO Cash & Carry International GmbH ("MCCI") in 2020. Pursuant to the agreement, an option to sell and transfer the 20.04% of the shares of WM Holding Limited to the group at any time for the option price specified in the agreement ("the Put Option").

In December 2021, MCCI issued an exercise notice and exercised the Put Option in respect of all of 5,013 shares (representing 20.04% of the shares in WM Holding Limited) at RMB2,002,960,000 in accordance with the agreement.

The Group obtained the regulatory approval for its purchase of the shares held by MCCI in October 2023. The exercise price was paid in November 2023.

27 REDEMPTION LIABILITIES ARISING FROM PREFERRED SHARES

The Group and the Company

As at 31 December 2021, 2022 and 2023, the Group and the Company had redemption liabilities arising from preferred shares which were issued during 2019 and 2020.

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Redemption liabilities arising from preferred shares	9,563,550	10,446,900	10,624,050

The movement of the redemption liabilities arising from preferred shares during the years ended 31 December 2021, 2022 and 2023 is as follows:

	Redemption liabilities arising from preferred shares	
	USD'000	*RMB'000*
As 1 January 2021	1,500,000	9,787,350
Exchange gains	–	(223,800)
As 31 December 2021	1,500,000	9,563,550
Exchange losses	–	883,350
As 31 December 2022	1,500,000	10,446,900
Exchange losses	–	177,150
As 31 December 2023	1,500,000	10,624,050

The details of the issuance and key terms of the preferred shares are set out as below:

	Date of issue	Total number of preferred shares issued	Preferred issue price per share *USD*	Total consideration at the date of issue *USD'000*	Equivalent to RMB at the date of issue *RMB'000*
Batch 1	20 December 2019	6,441,224	31.05	200,000	1,400,500
Batch 2	26 June 2020	4,669,887	31.05	145,000	1,023,048
Batch 3	29 June 2020	4,669,886	31.05	145,000	1,026,714
Batch 4	21 August 2020	8,051,530	31.05	250,000	1,727,675
Batch 5	28 August 2020	3,091,787	31.05	96,000	661,354
Batch 5	28 August 2020	3,987,424	31.05	130,000	895,583
Batch 6	30 September 2020	17,397,441	31.05	523,725	3,566,617
		48,309,179		1,489,725	10,301,491

(i) Dividends rights

The preferred shares holders shall be entitled to receive dividends at the rate no less than the rate for the holders of any class or series of ordinary shares.

No dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless a dividend or distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each outstanding preferred share.

(ii) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the preferred shares holders shall be entitled first to receive for each preferred share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of ordinary shares. The amount equal to the Preferred Issue Price (US$31.05, as appropriately adjusted for share splits, share dividends, combinations, recapitalisations and similar events with respect to the preferred shares), plus interest accruing thereon daily at a rate of 8% per annum (simple interest) (accruing from the preferred shares issue date (inclusive) to the date of such distribution (inclusive)), plus all declared but unpaid dividends on such preferred share, if any (collectively, the "Preference Amount"). If there are any assets or funds remaining after the aggregate Preference Amount has been distributed or paid in full to the applicable preferred share holders, the remaining assets and funds of the Company available for distribution shall be distributed among holders of ordinary shares on a pro rata basis.

(iii) Conversion right

Each preferred share shall be convertible, at the option of the holder thereof, at any time after the preferred share issuance date into such number of fully paid and non-assessable ordinary shares as determined by dividing the Preferred Issue Price by the then-effective Preferred Conversion Price. The "Preferred Conversion Price" shall initially be the Preferred Issue Price, resulting in an initial conversion ratio for the preferred shares of 1:1, and shall be subject to adjustment from time to time as hereinafter provided, including adjustments upon issuance of new equity securities for a consideration less than the applicable conversion price.

Each preferred share shall automatically be converted, based on the then-effective Preferred Conversion Price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (i) the closing of an [**REDACTED**], or (ii) the date specified by a written consent or an agreement of the holders of more than 50% of the voting power of the then outstanding preferred shares.

[**REDACTED**] means a firm [**REDACTED**] of the shares or derivatives thereof and the [**REDACTED**] of such securities for [**REDACTED**] on (a) the New York Stock Exchange, (b) NASDAQ Global Market, (c) the Hong Kong Stock Exchange or (d) another stock exchange as approved by the Board which shall include one Director who is not an ordinary director, if any.

(iv) Redemption feature

If no [**REDACTED**] or a deemed liquidation event having been consummated on or prior to 28 June 2025, each preferred shares holder may deliver a written notice to the Company to require the Company to redeem any or all of the preferred shares held by it at a per share price equal to the Preferred Issue Price (US$31.05).

(v) Voting right

The holder of each ordinary share issued and outstanding shall have one vote in respect of each ordinary share held, and the holder of a preferred share shall be entitled to such number of votes equal to the whole number of ordinary shares into which such holder's preferred share is convertible immediately after the close of business on the record date of the determination of the Company's members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's members is first solicited. Except as otherwise provided in the shareholders agreement or articles, the preferred shares and ordinary shares shall vote together, and not in separate classes or series, on all matters put before the members.

28 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION OF THE FOOD AND FMCG DISTRIBUTION BUSINESS

(a) Current taxation in the statement of financial position of the Food and FMCG Distribution Business represents:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	(3,971)	(172,966)	(535,185)
Provision for current income tax for the year	(171,143)	(368,314)	(253,946)
Payments during the year	2,148	6,095	457
As at 31 December	(172,966)	(535,185)	(788,674)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the statement of financial position of the Food and FMCG Distribution Business and the movements during the year are as follows:

The Group

Deferred tax arising from:	Property, plant and equipment	Write-down of inventories and expected credit losses provision	The effect of ROU assets	The effect of lease liability	Equity investments at FVOCI	Fair value adjustments on acquisition of subsidiaries	Accruals and other temporary differences	Total
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	52,917	10,388	(705,179)	696,288	–	(972,863)	151,941	(766,508)
Credited/(Charged) to profit or loss	751	(1,132)	(41,420)	50,151	–	42,682	(58,798)	(7,766)
Credited to other comprehensive income	–	–	–	–	14	–	–	14
At 31 December 2021 and 1 January 2022	53,668	9,256	(746,599)	746,439	14	(930,181)	93,143	(774,260)
Credited/(Charged) to profit or loss	2,736	5,605	(37,671)	46,270	–	44,517	41,956	103,413
Charged to other comprehensive income	–	–	–	–	(6,166)	–	–	(6,166)
At 31 December 2022 and 1 January 2023	56,404	14,861	(784,270)	792,709	(6,152)	(885,664)	135,099	(677,013)
Credited/(Charged) to profit or loss	8,014	3,878	88,954	(102,903)	–	36,744	(34,145)	542
Charged to other comprehensive income	–	–	–	–	(15,804)	–	–	(15,804)
At 31 December 2023	64,418	18,739	(695,316)	689,806	(21,956)	(848,920)	100,954	(692,275)

(ii) Reconciliation to the statement of financial position of the Food and FMCG Distribution Business

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	155,921	214,804	178,601
Deferred tax liabilities	(930,181)	(891,817)	(870,876)
	(774,260)	(677,013)	(692,275)

(c) Deferred tax assets not recognised

At 31 December 2021, 2022 and 2023, the Group had unused tax losses of RMB51,244,000, RMB66,432,000 and RMB69,617,000 respectively, available for offset against future profits. Deferred tax asset has been recognised in respect of RMB8,455,000, RMB10,961,000 and RMB11,487,000 of such losses. The tax losses do not expire under the accounting policy set out in Note 2(s).

At 31 December 2021, 2022 and 2023, no deferred tax asset has been recognised in respect of other tax losses of RMB103,764,000, RMB186,843,000 and RMB202,657,000 due to unpredictability of future profit stream, which will expire gradually within five years as set out below:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
2024	1,165	1,163	1,163
2025	36,873	34,088	33,238
2026	65,726	63,005	50,907
2027	–	88,587	68,146
2028	–	–	49,203
Total	103,764	186,843	202,657

Under the PRC Corporate Income Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the Historical Financial Information in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB74,917,000, RMB84,314,000 and RMB102,739,000 as at 31 December 2021, 2022 and 2023, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of equity of the Food and FMCG Distribution Business is set out in the statements of changes in equity of the Food and FMCG Distribution Business. Details of the changes in the Company's individual components of equity between the beginning and the end of each year are set out below:

	Attributable to equity shareholders of the Company			
	Share capital	Other reserves	Accumulated losses	Total equity/ (deficit)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021	7	112,135	(8,094)	104,048
Changes in equity for the year ended 31 December 2021:				
Loss and total comprehensive income for the year	–	–	(77,076)	(77,076)
Balance at 31 December 2021 and 1 January 2022	7	112,135	(85,170)	26,972
Changes in equity for the year ended 31 December 2022:				
Loss and total comprehensive income for the year	–	–	(200,984)	(200,984)
Balance at 31 December 2022 and 1 January 2023	7	112,135	(286,154)	(174,012)
Changes in equity for the year ended 31 December 2023:				
Profit and total comprehensive income for the year	–	–	9,624	9,624
Balance at 31 December 2023	7	112,135	(276,530)	(164,388)

(b) Share capital

Details of the movement of the authorised issued and fully paid share capital of the Company are as follows:

	No. of shares *('000)*	*RMB'000*
Authorised:		
Ordinary shares of US$0.00001 each		
At 1 January 2021, 31 December 2021, 31 December 2022 and 31 December 2023	4,951,690,821	341

	No. of shares *('000)*	*RMB'000*
Ordinary shares, issued and fully paid:		
At 1 January 2021, 31 December 2021, 2022 and 2023	100,000	7

(c) Dividends

No dividends were paid or declared by the Company during the Relevant Periods.

(d) Other reserves

The other reserves mainly arose from:

— capital contributions from controlling shareholders

— acquisitions from the Company's controlling shareholders

— acquisitions/disposals of non-controlling interests

(e) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(f)).

(f) Statutory reserve

The statutory reserve represents statutory reserves which are appropriated by the Group's PRC subsidiaries ("PRC Companies"). According to the relevant laws and regulations for foreign investment enterprises and the articles of association for these PRC Companies, profits of the PRC Companies, as determined in accordance with the accounting rules and regulations in the PRC, are available for distribution in the form of cash dividends to investors after the PRC Companies have (1) satisfied all tax liabilities; (2) offset losses in previous years; and (3) made appropriation to the statutory reserve funds, including general reserve fund and enterprise expansion fund.

(g) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(x).

(h) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of each of the Relevant Periods.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, amounts due from related parties and trade and other receivables. The carrying amount of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's cash and bank deposits are held with banks located in the PRC and Hong Kong which management believes are of high credit quality. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables.

Trade and other receivables mainly are due from third party suppliers and third-party customers. The Group has established a credit risk management policy to monitor exposures to credit risk on an ongoing basis, under which credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer, as well as pertaining to the economic environment in which the customer operates.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. The Group also has no significant concentration of credit risk in the exposure to individual third party customers. The Directors are of the opinion that there is no significant credit risk as at the reporting date.

Given the expected credit loss rates in respect of the amounts due from related parties were insignificant for the years ended 31 December 2021, 2022 and 2023, and accordingly, no loss allowance was recognised for the respective years.

Trade receivables

The Group measures loss allowances for trade receivables from third parties at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from third-party customers at 31 December 2023.

	As at 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.33%	462,420	1,548
1-90 days past due	1.71%	125,148	2,134
91-180 days past due	15.45%	6,995	1,081
181-270 days past due	100.00%	2,324	2,324
271-360 days past due	100.00%	2,856	2,856
More than 360 days past due	100.00%	913	913
		600,656	10,856

	As at 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.37%	408,262	1,526
1-90 days past due	1.69%	203,714	3,439
91-180 days past due	15.36%	25,217	3,873
181-270 days past due	99.39%	3,455	3,434
271-360 days past due	100.00%	3,330	3,330
More than 360 days past due	100.00%	6,747	6,747
		650,725	22,349

	As at 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.31%	481,042	1,515
1-90 days past due	1.87%	44,209	828
91-180 days past due	19.89%	3,842	764
181-270 days past due	100.00%	1,151	1,151
271-360 days past due	100.00%	2,459	2,459
More than 360 days past due	100.00%	8,832	8,832
		541,535	15,549

Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the management's view of economic conditions over the expected lives of the receivables.

Other receivables

For other receivables, the management has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the management will measure the loss allowance based on lifetime rather than 12-month ECL. The management has assessed that during the Relevant Periods, other receivables did not have a significant increase in credit risk since initial recognition. Thus, a 12-month ECL approach that results from possible default event within 12 months of each reporting date is adopted by management. As at 31 December, 2021, 2022 and 2023, the loss allowance of other receivables were RMB23,142,000, RMB33,355,000, and RMB20,385,000 respectively.

Movement in the loss allowance account in respect of the trade receivables and other receivables during the Relevant Periods is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	25,727	33,998	55,704
Provision of/(reversal of) Impairment losses	8,685	23,741	(14,692)
Impairment losses written off	(414)	(2,035)	(5,078)
Balance at 31 December	33,998	55,704	35,934

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the non-derivative financial liabilities of the Food and FMCG Distribution Business, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Food and FMCG Distribution Business can be required to pay:

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 Dec**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	517,228	769,396	5,439,744	–	6,726,368	6,295,373
Trade and other payables	4,924,833	–	–	–	4,924,833	4,924,833
Lease liabilities	327,947	403,890	934,930	2,296,889	3,963,656	2,961,101
Amounts due to related parties	814,890	–	–	–	814,890	814,890
	6,584,898	1,173,286	6,374,674	2,296,889	16,429,747	14,996,197

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 Dec**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	674,000	876,199	4,583,195	–	6,133,394	6,087,562
Trade and other payables	5,172,726	–	–	–	5,172,726	5,172,726
Lease liabilities	326,441	420,458	923,083	2,545,480	4,215,462	3,138,949
Amounts due to related parties	1,363,196	–	–	–	1,363,196	1,363,196
	7,536,363	1,296,657	5,506,278	2,545,480	16,884,778	15,762,433

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 Dec
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings	927,700	4,852,584	–	–	5,780,284	4,776,541
Trade and other payables	4,647,185	–	–	–	4,647,185	4,647,185
Lease liabilities	363,208	358,963	907,224	2,071,210	3,700,605	2,740,518
Amounts due to related parties	5,341,996	–	–	–	5,341,996	5,341,996
	11,280,089	5,211,547	907,224	2,071,210	19,470,070	17,506,240

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table has provided the details the interest rate risk profile of the borrowings of the Food and FMCG Distribution Business at the end of the reporting period:

		As at 31 December					
	Note	2021		2022		2023	
		Effective Interest rate %	*RMB'000*	*Effective Interest rate %*	*RMB'000*	*Effective Interest rate %*	*RMB'000*
Fixed rate interests:							
Amounts due from related parties	*19*	1.09%-1.6%	482,812	1.09%-1.6%	1,029,015	1.09%-1.6%	1,964,732
Amounts due to related parties	*22*	1.09%	(232,117)	1.09%-1.6%	(795,723)	0.35%-5.25%	(3,868,188)
Lease liabilities	*25*	3.83%-4.9%	(2,961,101)	3.83%-4.9%	(3,138,949)	3.83%-4.9%	(2,740,518)
			(2,710,406)		(2,905,657)		(4,643,974)
Variable rate interests:							
Borrowings	*24*	2%+EURIBOR	(6,295,373)	2%+EURIBOR	(6,087,562)	1.5%+EURIBOR	(4,776,541)
Net exposure			(9,005,779)		(8,993,219)		(9,420,515)

(ii) Sensitivity analysis

The following table details the effect on the profit/(loss) after tax of the Food and FMCG Distribution Business for each year of the Relevant Periods and retained profits as at the end of each reporting period that an increase/decrease of 100 basis points in interest rates would have.

	As at 31 December 2021			As at 31 December 2022			As at 31 December 2023		
	Increase/ (decrease) of basis point	Effect on profit/ (loss) after tax	Effect on retained profits	Increase/ (decrease) of basis point	Effect on profit/ (loss) after tax	Effect on retained profits	Increase/ (decrease) of basis point	Effect on profit/ (loss) after tax	Effect on retained profits
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Interest rates	1%	(83,282)	(83,282)	1%	(82,668)	(82,668)	1%	(82,595)	(82,595)
Interest rates	-1%	83,282	83,282	-1%	82,668	82,668	-1%	82,595	82,595

The sensitivity analysis above indicates the instantaneous change in the profit/(loss) after tax and retained profits of the Food and FMCG Distribution Business that would arise assuming that the change in interest rates had occurred at the end of the reporting periods and had been applied to re-measure those financial instruments which expose the Food and FMCG Distribution Business to fair value interest rate risk at the end of the reporting periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments at the end of the reporting periods, the impact on the profit/(loss) after tax and retained profits of the Food and FMCG Distribution Business is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group undertakes certain financing and treasury transactions in foreign currencies, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

(i) Exposure to currency risk

The following table details the exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities of the Food and FMCG Distribution Business denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	As at 31 December 2021		
	USD	EUR	RMB
	USD'000	*EUR'000*	*RMB'000*
Cash and cash equivalents	209,198	27,138	1,356
Trade and other receivables	–	59	–
Trade and other payables	(21,990)	(1,028)	–
Amounts due to related parties	(257,627)	–	–
Redemption liabilities arising from preferred shares	(1,500,000)	–	–
Net exposure	(1,570,419)	26,169	1,356

	As at 31 December 2022		
	USD	EUR	RMB
	USD'000	*EUR'000*	*RMB'000*
Cash and cash equivalents	55,843	29,458	13,109
Trade and other receivables	434	58	–
Trade and other payables	(2,851)	(2,894)	–
Amounts due to related parties	(284,124)	–	(539,463,915)
Redemption liabilities arising from preferred shares	(1,500,000)	–	–
Net exposure	(1,730,698)	26,622	(539,450,806)

	As at 31 December 2023		
	USD	EUR	RMB
	USD'000	*EUR'000*	*RMB'000*
Cash and cash equivalents	35,843	21,291	529
Trade and other receivables	434	58	–
Trade and other payables	(1,252)	(2,019)	–
Amounts due from related parties	–	–	20,012
Amounts due to related parties	(2,302,545)	–	(1,473,388)
Redemption liabilities arising from preferred shares	(1,500,000)	–	–
Net exposure	(3,767,520)	19,330	(1,452,847)

(ii) Sensitivity analysis

A reasonably possible strengthening (weakening) of EUR and USD against RMB at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit of loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	As at 31 December					
	2021		2022		2023	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB'000		*RMB'000*		*RMB'000*
United States Dollars	1%	(11,778)	1%	(12,980)	1%	(28,256)
	-1%	11,778	-1%	12,980	-1%	28,256
Euros	1%	196	1%	200	1%	145
	-1%	(196)	-1%	(200)	-1%	(145)
RMB	1%	10	1%	(4,045,881)	1%	(10,896)
	-1%	(10)	-1%	4,045,881	-1%	10,896

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the profit/(loss) after tax and equity of each of the entities comprising the Group measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Food and FMCG Distribution Business to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Food and FMCG Distribution Business which are denominated in a currency other than the functional currencies. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the presentation currency of the Food and FMCG Distribution Business.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the financial instruments of the Food and FMCG Distribution Business measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

Some of the financial assets of the Food and FMCG Distribution Business 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 liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Financial assets measured at FVTOCI . .	129,034	129,034	–	–
Financial assets measured at FVTPL . . .	220,152	–	220,152	–

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Financial assets measured at FVTOCI . .	153,701	153,701	–	–
Financial assets measured at FVTPL . . .	200,508	200,508	–	–

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Financial assets measured at FVTOCI . .	216,917	216,917	–	–
Financial assets measured at FVTPL . . .	–	–	–	–

During the years ended 31 December 2021,2022 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The accounting policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 1 and Level 2 fair value measurements

Level 1 financial asset at FVTOCI comprise equity investment traded on The Stock Exchange of Hong Kong Limited. Their fair value is based on closing price of the instrument.

Level 2 financial assets at FVTOCI and FVTPL comprise unlisted equity securities. Their fair values are determined using comparable transactions adjusted approach adjusted for changing trend of medium market multiples of comparable companies or medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies.

(iii) Information about Level 3 fair value measurements

The fair value of structured deposit is estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the structured deposit. The directors believe that the estimated fair values resulting from the valuation technique are reasonable, and that they are the most appropriate values at the end of reporting periods.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	–	–	200,508
Purchases	11,700,000	7,760,156	1,100,000
Disposal	(11,716,076)	(7,596,193)	(1,303,596)
Gains recognised in the statements of profit or loss	16,076	36,545	3,088
At 31 December	–	200,508	–

Fair value of financial assets and liabilities carried at other than fair value:

Except for the preferred shares issued by the Company as disclosed in Note 27, the carrying amounts of the other financial instruments of the Food and FMCG Distribution Business carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021, 2022 and 2023.

31 COMMITMENTS

Capital commitments outstanding at 31 December 2021, 2022 and 2023 not provided for in the Historical Financial Information were as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for acquisition of property, machinery and equipment	2,969	9,787	8,102

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationship of the related parties that had material transactions with the Food and FMCG Distribution Business the Relevant Periods

Fellow subsidiaries

Beijing Wumart Supermarket Co., Ltd. and its subsidiaries

Wumart Southern Development Co., Ltd.

Zhejiang Wumei Yilian Commercial Management Co., Ltd.

Guangdong Shenzhen Wumei Business Management Co., Ltd.

Dmall Inc. and its subsidiaries ("Dmall Group")

Shanghai M Commercial and Trading Company Limited

M Group Commerce (Shanghai) Co., Ltd.

M Group Commerce Limited

Beijing Huishang Commercial Co., Ltd.

Associates

Beijing Chongwenmen Vegetable Market Wumart General Supermarket Co., Ltd.

Chongqing Department Store Co., Ltd. and its subsidiaries ("Chongqing Department Store Group")

Intermediate holding companies

Wumei Technology Group, Inc.

Wumei Southern Technology Co., Ltd.

WM Innovation Limited

(b) Transactions with key management personnel

Remuneration of key management personnel of the Food and FMCG Distribution Business is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	4,590	3,856	3,866
Post-employment benefits	194	199	204
	4,784	4,055	4,070

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

The remuneration of directors and other members of key management is determined by the board of directors having regard to the performance of individuals and market trends. No remuneration was paid or payable to certain directors in respect of their services during the Relevant Periods. Certain directors received remunerations from holding company or fellow subsidiary (see Note 8).

(c) Material transactions with other related parties

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Associates			
Sales of goods	1,049	98	10
Purchase of goods	–	–	16,582
Rental expense	4,393	5,318	5,093
Fellow subsidiaries			
Sales of goods	16,637,827	16,416,527	14,934,096
Rental income	458,860	470,094	471,182
Interest income	2,016	2,614	2,643
Purchase of goods	–	344	86,643
Cloud service fee	34,713	65,563	67,195
Borrowings raised	–	542,814	1,054,517
Interest on borrowings	–	1	–
Loans lend	248,515	546,612	953,885
Intermediate holding			
Interest income	716	2,442	2,598
Borrowings raised	478,749	–	2,984,428
Borrowings repaid	–	242,439	–
Interest on borrowings	2,623	4,425	2,317
Loans lend	237,320	–	1,033,678

(d) Leasing arrangement

The right-of-use assets and lease liabilities recognized for a long-term lease with a related party in respect of certain leasehold properties for operating activities are as below:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets	60,752	232,562	121,249
Lease liabilities	61,814	233,072	125,577

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the Directors consider the immediate parent company to be MDL Wholesale Limited, which is incorporated in Cayman Islands.

The ultimate controlling party of the Company is Beijing Jingxi Guigu Technology Co., Ltd., which is incorporated in the PRC.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the IASB has issued a few of amendments, new standards and interpretations which are not yet effective for Relevant Periods and which have not been adopted in Historical Financial Information. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2024
Amendments to IAS 1, *Non-current liabilities with covenants*	1 January 2024
Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to IAS 7, *Supplier finance arrangements*	1 January 2024
Amendments to IAS 21, *Lack of exchangeability*	1 January 2025
Amendments to IFRS 9 and IFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
IFRS 18, *Presentation and Disclosure in Financial Statements*	1 January 2027
IFRS 19, *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

At 1 June 2024, WM Holding (HK) Limited entered into a share transfer agreement with WM Controlling (HK) Limited, which is ultimately controlled by Retail Enterprise Corporation Ltd.. Pursuant to the share transfer agreement, WM Controlling (HK) Limited will transfer 100% equity interest of M Group Commerce Limited together with its subsidiary, namely M Group Commerce (Shanghai) Co., Ltd., which engage in online cross border Retail Business, to WM Controlling (HK) Limited with a consideration of RMB44 million. Such consideration was determined based on the valuation results of the businesses under M Group Commerce Limited as at 31 December 2023 and was settled on 25 June 2024.

At 4 June 2024, WM Stores (HK) Limited entered into a share transfer agreement with WM Controlling (HK) Limited to transfer 100% equity interest of Guangdong Shenzhen Runze Tonghui Technology Co., Ltd, Guangdong Shenzhen Zhidajiatai Technology Co., Ltd and Guangdong Shenzhen Wumart Business Management Co., Ltd. To WM Controlling (HK) Limited with a consideration of approximately RMB1,430 million. Such consideration was determined based on the independent valuation of the businesses under these companies as at 31 December 2023 and was settled on 24 June 2024.

At 20 June 2024, Shanghai Tobacco Management Consultant Co., Ltd. entered into a share transfer agreement with Shanghai Dimai Trading Co., Ltd., a wholly owned subsidiary of WM Controlling (HK) Limited, to transfer 100% equity interest of Shanghai Maidelong AG Trading Co., Ltd. to Shanghai Dimai Trading Co., Ltd. with a consideration of RMB546 million. Such consideration was determined based on the independent valuation of the businesses under Shanghai Maidelong AG Trading Co., Ltd. as at 31 December 2023 and has been fully settled on the same day.

On 26 June 2024, a special resolution was passed to amend the existing Memorandum and Articles of Association ("M&A") and the shareholders agreement. Pursuant to the amended M&A and the shareholders agreement, the Company and the preferred shares holders agreed that the redemption rights shall be automatically terminated and cease to have any effect immediately before the first submission of the [**REDACTED**] (the [**REDACTED**]") by or on behalf of the Company to The Stock Exchange of Hong Kong Limited, and shall be automatically reinstated and restored in full as if it has never been amended or terminated at the earlier of (i) the date on which the Company's [**REDACTED**] is withdrawn, rejected or returned for any reason, or (ii) 26 June 2025 if there is no [**REDACTED**] by then.

Subsequent Financial Statements

No audited financial statements have been prepared by the Company or any of its subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2023.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 July 2019 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the [**REDACTED**]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

(i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;

(ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

(iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns from his office as Director;

(ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(v) the Director is prohibited from being or ceases to be a Director by operation of law;

(vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or

(vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than two-thirds (other than in relation to any resolution approving changes to the Company's constitutional documents or a voluntary winding up of the Company, in which case a special resolution must be passed by a majority of not less than three-fourths) of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other join holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

(B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote, provided that if the Company has only one member of record the quorum shall be that one member present in person or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognised clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

(a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

(a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

(b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 24 July 2019 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. If a company is considered to be a "relevant entity" and is conducting one or more of the nine "relevant activities", then such company will be required to comply with the economic substance requirements in relation to the relevant activity from 1 July 2019. All companies whether a relevant entity or not is required to file an annual report with the Registrar of Companies of the Cayman Islands confirming whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents on display" in Appendix VI. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value of the Property held by the Group in the PRC as at 31 May 2024.

CUSHMAN & WAKEFIELD
戴德梁行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

The Board of Directors
MDL Wholesale Limited
No. 1425, Zhenbei Road
Putuo District
Shanghai
the People's Republic of China

Dear Sirs,

RE: Portfolio Valuations in the PRC

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instruction of MDL Wholesale Limited (麦德龙供应链有限公司) (the "**Company**") for Cushman & Wakefield ("**C&W**") to prepare a market valuation of the captioned properties (the "**Properties**") in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation report) in which the Company and/or its subsidiaries (together referred to as the "**Group**") have interests, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the value of the Property as at 31 May 2024 (the "**Valuation Date**").

VALUATION BASIS

Our valuation of each property represents its market value which in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors ("**HKIS**") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that our valuations are undertaken in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors. In valuing the Properties, we confirm that we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of The Hong Kong Limited.

Our valuation of each property is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the Properties, we have relied on the information and advice given by the Company and the Company's PRC legal adviser (the "**Legal Adviser**"), JINGTIAN & GONGCHENG* (北京市競天公誠律師事務所), regarding the titles to the Properties and the interests of the Group in the Properties. We have also relied on other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenures, completion date of buildings, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, tenancy agreements, interests attributable to the Group, and all other relevant matters. Unless otherwise stated in the legal opinion provided for the Properties, in valuing the Properties, we have assumed that Company has enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

The status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION METHODS

In forming our opinion of the market values of the Properties, we have used Investment Method by capitalizing the rental income derived from the existing tenancies, if any, with due provision for reversionary potential each constituent portion of the Properties at appropriate capitalization rates. As the Property generate rental income from letting arrangements and such rental comparables are most readily available, we consider the Investment Method to be the best method to value the Property, which is also commonly used in valuing properties for investment purpose.

The key inputs we adopted in carrying out the valuations are:

Property	Capitalization Rate	Market Unit Rent
		(RMB/sq m/month)
1. Maidelong Shanghai Pudong Store	4.75%	122 to 226
2. Maidelong Shanghai Putuo Store	4.75%	106 to 154
3. Maidelong Wuhan Qiaokou Store	5.25%	55 to 72
4. Maidelong Tianjin Hongqiao Store	5.50%	46 to 59
5. Maidelong Xi'an Yanta Store	5.75%	43 to 65
6. Maidelong Xiamen Huli Store	5.75%	60 to 65
7. Maidelong Zhengzhou Zhengdong Store	5.75%	43 to 53
8. Maidelong Shenzhen Nanshan Store	4.75%	46 to 75

When using Investment Method, we have mainly made reference to lettings within the Properties as well as other relevant comparable rental evidence of properties of similar use type subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time and other relevant factors. The capitalisation rates adopted in our valuations are based on our analyses of the yields of properties of similar use type after due adjustments. Such capitalisation rates are estimated with reference to the yields generally expected by the market for comparable properties of similar use type, which implicitly reflect the type and quality of the Property, the expectation of the potential future rental growth, capital appreciation and relevant risk factors. The capitalisation rates adopted are reasonable and in line with the market norm having regard to the analysed yields of transactions of the relevant use type.

SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information given by the Company and have accepted advice on such matters as planning approvals or statutory notices, easements, tenures, completion date of buildings, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, tenancy agreements, interests attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Company with copies of documents in relation to the titles to the Properties. However, we are not able to conduct title searches to verify the ownership of the Properties and we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Properties in the PRC and we have therefore relied on the advice given by the Company or the Legal Adviser regarding the interests of the Company in the Properties.

In the course of our valuation, we have relied to a considerable extent on the information given by the Company and its legal advisers in respect of the title to the properties in the PRC.

SITE INSPECTION

Our valuer, Shirlin Qi (CIREA, 16 years' experience of property valuation) of our Shanghai Office have inspected the exterior, and where possible, the interior of Maidelong Shanghai Pudong Store and Maidelong Shanghai Putuo Store on 30 May and 3 June 2024 respectively. Our valuer, Fiona Hang (CIREA, 10 years' experience of property valuation) of our Maidelong Wuhan Qiaokou Store have inspected the exterior, and where possible, the interior of Wuhan store on 30 May 2024. Our valuer, Linda Li (Bachelor of Engineering, 9 years' experience of property valuation) of our Maidelong Tianjin Hongqiao Store have inspected the exterior, and where possible, the interior of Tianjin store on 29 May 2024. Our valuer, Dean Wang (CIREA, 11 years' experience of property valuation) of our Maidelong Xi'an Yanta Store have inspected the exterior, and where possible, the interior of Xi'an store on 31 May 2024. Our valuer, Alisa Xu (Master of Real Estate Finance, 4 years' experience of property valuation) of our Maidelong Xiamen Huli Store Office have inspected the exterior, and where possible, the interior of Xiamen store on 30 May 2024. Our valuer, Chris Qi (Master of Applied Statistics, 2 years' experience of property valuation) of our Maidelong Zhengzhou Zhengdong Store have inspected the exterior, and where possible, the interior of Zhengzhou store on 30 May 2024. Our valuer, Vicky Wei (Master of Real Estate and Hospitality Asset, 5 years' experience of property valuation) of our Maidelong Shenzhen Nanshan Store have inspected the exterior, and where possible, the interior of Shenzhen store on 30 May 2024. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Property are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("**RMB**"), the official currency of the PRC.

INDEPENDENCE

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

INTENDED USE OF REPORT

This valuation report is issued for the use of the Company for regulatory disclosure purpose.

We attach herewith our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

Notes:

(1) Ms. Grace Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

(2) *Company name in English translation for identification only.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 31 May 2024	Interest attributable to the Group	Market value in existing state as at 31 May 2024 attributable to the Group
		(RMB)	*(%)*	*(RMB)*
Group — Property held for investment by the Group in the PRC				
1.	Portion of Maidelong Pudong Store, No. 383, Baiyang Road, Pudong New District, Shanghai, the PRC (中國上海浦東新區白楊路383號上海浦東店部分)	294,500,000	100	294,500,000
2.	Portion of Maidelong Putuo Store, No. 1425 Zhenbei Road, No. 1150 Meichuan Road, Putuo District, Shanghai, the PRC (中國上海真北路1425號、梅川路1150號上海普陀店部分)	228,200,000	100	228,200,000
3.	Portion of Maidelong Wuhan Store, No. 144 Jiefang Avenue, Qiaokou District, Wuhan, Hubei Province, the PRC (中國湖北省武漢市礄口區解放大道144號武漢礄口店部分)	80,400,000	100	80,400,000
4.	Portion of Maidelong Tianjin Store, No. 75 Xiqing Avenue, Hongqiao District, Tianjin, the PRC (中國天津市紅橋區西青道75號店天津紅橋部分)	83,400,000	100	83,400,000
5.	Portion of Maidelong Xi'an Store, No. 86, Chang'an South Road, Yanta District, Xi'an, Shanxi Province, the PRC. (中國陝西省西安市雁塔區長安南路86號西安雁塔店部分)	72,700,000	100	72,700,000
6.	Portion of Maidelong Xiamen Store, No. 8 Changhao Road, Huli District, Xiamen, Fujian Province, the PRC (中國福建省廈門市湖裡區長浩路8號廈門湖裡店部分)	82,700,000	100	82,700,000
7.	Portion of Maidelong Zhengzhou Store, No. 137 Zhengbian Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC (中國河南省鄭州市鄭東新區鄭汴路137號鄭州鄭東店部分)	72,300,000	100	72,300,000

	Property	**Market value in existing state as at 31 May 2024**	**Interest attributable to the Group**	**Market value in existing state as at 31 May 2024 attributable to the Group**
		(RMB)	*(%)*	*(RMB)*
8.	Portion of Maidelong Shenzhen Store, No. 255 Shahedong Road, Nanshan District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市南山區沙河東路255號深圳南山店部分)	97,800,000	100	97,800,000
	Grand Total:	1,012,000,000		1,012,000,000

VALUATION REPORT

Property held for investment by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2024
1.	Portion of Maidelong Shanghai Pudong Store No. 383, Baiyang Road Pudong New District Shanghai the PRC (中國上海浦東新區白楊路383號上海浦東店部分)	Maidelong Shanghai Pudong Store comprises a single storey supermarket with mezzanines. The store is erected on a parcel of commercial land, with a site area of 40,296 sq m. It was completed in 2000 with a total gross floor area of approximately 15,676.62 sq m. The Property comprises portion of the Maidelong Pudong Store with a total leasable area of 11,746.00 sq m. The Property is located at No. 383 Baiyang Road, Pudong New District, Shanghai. Developments nearby are mainly retail and residential developments. According to the Company, the Property is for retail use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the Property. The land use rights of the Property have been granted for a land use term due to expire on 6 December 2039 for commercial use.	As at the Valuation Date, the Property is subject to a tenancy for retail use with the expiry date on 31 December 2024, generating a total monthly rent of approximately RMB2,673,000, excluding value-added tax ("VAT").	RMB294,500,000 (RENMINBI TWO HUNDRED NINETY FOUR MILLION FIVE HUNDRED THOUSAND) (100% interest attributable to the Group: RMB294,500,000)

Notes:

(1) According to Certificate of Real Estate Ownership No. (2018)035581 issued on 18 April 2018, the land use rights and the building ownership rights of the MAIDELONG Pudong Store with a site area of approximately 40,296 sq m and a total gross floor area of 15,676.62 sq m have been vested in Shanghai Xinqing Property Management Co., Ltd* (上海鑫晴物業管理有限公司) for a land use term due to expire on 6 December 2039.

As advised by the Company, the Property forms part of the aforesaid site area and gross floor area.

(2) According to Real Estate Registration Certificate No. (2022) 14093465 on 6 December 2022, Xinqing Property Management (Shanghai) Co., Ltd* (上海鑫晴物業管理有限公司) mortgaged the land and building as collateral to China Minsheng Banking Co., Ltd-Hong Kong Branch (中國民生銀行股份有限公司香港分行), for a mortgage amount of RMB1,290,300,000 from 23 April 2020 to 23 April 2025.

(3) According to Business Licence No. 07000002202109300003 dated 30 September 2021, Shanghai Xinqing Property Management Co., Ltd* (上海鑫晴物業管理有限公司) has been established as a limited company with a registered capital of USD6,389,434.

(4) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

(a) As of Latest Practicable Date Shanghai Xinqing Property Management Co., Ltd* (上海鑫晴物業管理有限公司) is the legal owner of the Property and has obtained relevant rights certificates from the government;

(b) The above Property was mortgaged. The relevant domestic subsidiaries shall enjoy the right to occupy and use in accordance with the law during the mortgage period, but the transfer, leasing, re-mortgage or other disposal of the mortgaged property shall be restricted in accordance with the law or contract.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2024
2.	Portion of Maidelong Shanghai Putuo Store No. 1425 Zhenbei Road and No. 1150 Meichuan Road Putuo District Shanghai the PRC (中國上海真北路1425號、梅川路1150號上海普陀店部分)	Maidelong Shanghai Putuo Store comprises a single storey supermarket with mezzanines and a five-storey corporate headquarter. The store is erected on a parcel of commercial land, with a site area of 40,733.73 sq m. It was completed in 2008 with a total gross floor area of approximately 26,802.81 sq m, in which 9,691.07 sq m for office portion and 17,111.74 sq m for retail portion. The Property comprises parts of the retail portion of the Maidelong Putuo Store with a total leasable area of 10,330.00 sq m. The Property is located at No. 1425 Zhenbei Road, Putuo District, Shanghai. Developments nearby are mainly retail and residential developments. According to the Company, the Property is for retail use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the Property. The land use rights of the Project have been granted for a land use term due to expire on 9 January 2044 for commercial use.	As at the Valuation Date, the Property is subject to a tenancy for retail use with the expiry date on 31 December 2024, generating a total monthly rent of approximately RMB3,312,000, excluding VAT.	RMB228,200,000 (RENMINBI TWO HUNDRED AND TWENTY EIGHT MILLION TWO HUNDRED THOUSAND) (100% interest attributable to the Group: RMB228,200,000)

Notes:

(1) According to Certificate of Real Estate Ownership No. (2018)003067 dated 8 February 2018, the land use rights and the building ownership rights of the MAIDELONG Putuo Store with a site area of approximately 40,733.73 sq m and a total gross floor area of 26,802.81 sq m have been vested in Xinyan Property Management (Shanghai) Co., Ltd* (鑫研物業管理(上海)有限公司) for a land use term due to expire on 9 January 2044.

As advised by the Company, the Property forms part of the aforesaid site area and gross floor area.

(2) According to the Real Estate Registration Certificate No. (2022) 07013546 on 17 November 2022, Xinyan Property Management (Shanghai) Co., Ltd* (鑫研物業管理(上海)有限公司) mortgaged the land and building as collateral to China Minsheng Banking Co., Ltd-Hong Kong Branch (中國民生銀行股份有限公司香港分行) for a mortgage amount of RMB1,139,000,000 from 23 April 2020 to 23 April 2025.

(3) According to Business Licence No. 15000002202108250005 dated 25 August 2021, Xinyan Property Management (Shanghai) Co., Ltd* (鑫研物業管理(上海)有限公司) has been established as a limited company with a registered capital of USD18,666,001.

(4) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

(a) As of Latest Practicable Date Xinyan Property Management (Shanghai) Co., Ltd* (鑫研物業管理(上海)有限公司) is the legal owner of the property and has obtained relevant rights certificates from the government;

(b) The above Property was mortgaged. The relevant domestic subsidiaries shall enjoy the right to use in accordance with the law during the mortgage period, but the transfer, leasing, re-mortgage or other disposal of the mortgaged properties shall be restricted in accordance with the law or contract.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2024
3.	Portion of Maidelong Wuhan Qiaokou Store No. 144 Jiefang Avenue Qiaokou District Wuhan Hubei Province the PRC (中國湖北省武漢市礄口區解放大道144號武漢礄口店部分)	Maidelong Wuhan Qiaokou Store comprises a single storey supermarket with mezzanines. The store is erected on a parcel of commercial land, with site area of 40,234.32 sq m. It was completed in 2001 with a total gross floor area of approximately 15,489.28 sq m. The Property comprises portion of the Maidelong Wuhan Store with a total leasable area of 9,159 sq m. The Property is located at No. 144 Jiefang Avenue, Qiaokou District, Wuhan. Developments nearby are mainly residential developments. According to the Company, the Property is for retail use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the Property. The land use rights of the Property have been granted for a land use term due to expire on 25 July 2040 for commercial use.	As at the Valuation Date, the Property is subject to a tenancy for retail use with the expiry date on 31 December 2024, generating a total monthly rent of approximately RMB642,000, excluding VAT.	RMB80,400,000 (RENMINBI EIGHTY MILLION FOUR HUNDRED THOUSAND) (100% interest attributable to the Group: RMB80,400,000)

Notes:

(1) According to Certificate of Building Ownership No. 200105965 dated 26 September 2001, the building ownership rights of the MAIDELONG Wuhan Store with a total gross floor area of 15,489.28 sq m have been vested in MAIDELONG Warehouse (Wuhan) Co., Ltd* (麥德龍倉儲(武漢)有限公司) for commercial purpose.

As advised by the Company, the Property forms part of the aforesaid gross floor area.

(2) According to Certificate of Land Use Rights No. (2009)217 dated 1 April 2009, the land use rights and the building ownership rights of the MAIDELONG Wuhan Store with a site area of approximately 40,234.32 sq m have been vested in MAIDELONG Warehouse (Wuhan) Co., Ltd* (麥德龍倉儲(武漢)有限公司) for a land use term due to expire on 25 July 2040.

As advised by the Company, the Property forms part of the aforesaid site area.

(3) As advised by the Company, there is no mortgage on the Property.

(4) According to Business Licence No. 91420100717955058Q dated 18 June 2021, MAIDELONG Warehouse (Wuhan) Co., Ltd* (麥德龍倉儲(武漢)有限公司) has been established as a limited company with a registered capital of USD576,000.

(5) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

(a) As of Latest Practicable Date, MAIDELONG Warehouse (Wuhan) Co., Ltd* (麥德龍倉儲(武漢)有限公司) is the legal owner of the property and has obtained relevant rights certificates from the government;

(b) As of Latest Practicable Date, MAIDELONG Warehouse (Wuhan) Co., Ltd* (麥德龍倉儲(武漢)有限公司) has the right to freely occupy, transfer, lease or dispose of the property.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company:

Certificate of Building Ownership	Yes
Certificate of Land Use Rights	Yes
Business Licence	Yes

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2024
4.	Portion of Maidelong Tianjin Hongqiao Store, No. 75, Xiqing Avenue, Hongqiao District, Tianjin, the PRC (中國天津市紅橋區西青道75號店天津紅橋部分)	Maidelong Tianjin Hongqiao Store comprises a single storey supermarket with mezzanines. The store is erected on a parcel of commercial land, with a site area of 32,063.80 sq m. It was completed in 2002 with a total gross floor area of approximately 12,886.97 sq m. The Property comprises a portion of the Maidelong Tianjin Store with a total leasable area of 8,687 sq m. The Property is located at No. 75, Xiqing Avenue (西青道), Hongqiao District, Tianjin. Developments nearby are mainly residential developments. According to the Company, the Property is for retail use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the Property. The land use rights of the Property have been granted for a land use term due to expire on 4 June 2046 for commercial use.	As at the Valuation Date, the Property is subject to a tenancy for retail use with the expiry date on 31 December 2024, generating a total monthly rent of approximately RMB609,000, excluding VAT.	RMB83,400,000 (RENMINBI EIGHTY THREE MILLION AND FOUR HUNDRED THOUSAND) (100% interest attributable to the Group: RMB83,400,000)

Notes:

(1) According to Certificate of Real Estate Ownership No. (2021)7077069 dated 28 July 2021, the land use rights of the MAIDELONG Tianjin Store with a site area of 32,063.80 sq m and a total gross floor area of 12,886.97 sq m have been vested in MAIDELONG Property Management (Tianjin Hongqiao) Co., Ltd.* (麥德龍物業管理(天津紅橋)有限公司), for a land use term due to expire on 4 June 2046 for commercial use.

As advised by the Company, the Property forms part of the aforesaid site area and gross floor area.

(2) According to Business Licence No. 91120106738461022X dated 24 June 2021, MAIDELONG Property Management (Tianjin Hongqiao) Co., Ltd.* (麥德龍物業管理(天津紅橋)有限公司) has been established as a limited company with a registered capital of USD5,000,000

(3) As advised by the Company, there is no mortgage on the Property.

(4) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

(a) As of Latest Practicable Date, MAIDELONG Property Management (Tianjin Hongqiao) Co., Ltd.* (麥德龍物業管理(天津紅橋)有限公司) is the legal owner of the Property and has obtained relevant rights certificates from the government;

(b) As of Latest Practicable Date, MAIDELONG Property Management (Tianjin Hongqiao) Co., Ltd.* (麥德龍物業管理(天津紅橋)有限公 司) has the right to freely occupy, transfer, lease or dispose of the Property.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2024
5.	Portion of Maidelong Xi'an Yanta Store No. 86 Chang'an South Road Yanta District Xi'an, Shanxi Province the PRC (中國陝西省西安市雁塔區長安南路86號西安雁塔店部分)	Maidelong Xi'an Yanta Store comprises with a single storey supermarket with mezzanines. The store is erected on a parcel of commercial land, with a site area of 33,333.80 sq m. It was completed in 2003 with a total gross floor area of approximately 12,605 sq m. The Property comprises portion of the Maidelong Xi'an Store with a total leasable area of 8,174 sq m. The Property is located at No. 86 Chang'an South Road, Yanta District, Xi'an. Developments nearby are mainly residential developments. According to the Company, the Property is for retail use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the Property. The land use rights of the Property have been granted for a land use term due to expire on 7 February 2042 for commercial use.	As at the Valuation Date, the Property is subject to a tenancy for retail use with the expiry date on 31 December 2024, generating a total monthly rent of approximately RMB648,000, excluding VAT.	RMB72,700,000 (RENMINBI SEVENTY TWO MILLION SEVEN HUNDRED THOUSAND) (100% interest attributable to the Group: RMB72,700,000)

Notes:

(1) According to Contract for Grant of State-owned Land Use Rights dated 8 May 2002 by Shanxi Province Xi'an Land and Resources Bureau, the land use rights of the MAIDELONG Xi'an Store have been granted as below:

Site Area:	33,334 sq m
Land Use:	Commercial, Warehouse
Land Use Term:	40 years
Land Premium:	RMB1,650,033
Main Building Nature:	Commercial, Warehouse
Plot Ratio:	≤0.5
Building Covenant:	To commence construction before 8 May 2003

(2) According to Certificate of Land Use Rights No. (2007)363 dated 25 May 2007, the land use rights of the MAIDELONG Xi'an Store with a site area of 33,333.20 sq m have been vested in MAIDELONG Property Management (Xi'an) Co., Ltd.* (麥德龍物業管理(西安)有限公司) for a land use term due to expire on 7 February 2042 for commercial use.

As advised by the Company, the Property forms part of the aforesaid site area.

(3) According to the Planning Permit for Construction Use of Land No. (2002)13 dated 27 April 2002, the construction land with 95.879 mu complies with the requirements of the urban rural planning.

(4) According to the Survey Report No. B161012378 dated 21 April 2022, gross floor area of the mall is 12,604.969 sq m.

(5) As informed by the Company, MAIDELONG Property Management (Xi'an) Co., Ltd.* (麥德龍物業管理(西安)有限公司) is currently obtaining title documents, including the Planning Permit for Construction Use of Land, the Permit for Commencement of Construction Works, and the Certificate of Real Estate Ownership.

(6) According to Business Licence No. 91610113729974379R dated 4 June 2021, MAIDELONG Property Management (Xi'an) Co., Ltd.* (麥德龍物業管理(西安)有限公司) has been established as a limited company with a registered capital of USD5,000,000 from 25 January 2002 to 25 January 2042.

(7) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

(a) In the view of lack of the completion-based acceptance, there are risks of penalties, and being ordered to amend within a specific period of time.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Contract for Grant of State-owned Land Use Rights	Yes
Certificate of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Survey Report of the Building	Yes
Planning Permit for Construction Works	No
Permit for Commencement of Construction Works	No
Business Licence	Yes

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2024
6.	Portion of Maidelong Xiamen Huli Store No. 8 Changhao Road Huli District, Xiamen Fujian Province the PRC (中國福建省廈門市湖裡區長浩路8號廈門湖裡店部分)	Maidelong Xiamen Huli Store comprises with a single storey supermarket with mezzanines. The store is erected on a parcel of commercial land, with a site area of 29,331.47 sq m. It was completed in 2003 with a total gross floor area of approximately 11,189.6 sq m. The Property comprises a portion of the Maidelong Xiamen Store with a total leasable area of 8,240 sq m. The Property is located at No. 8 Changhao Road, Huli District, Xiamen. Developments nearby are mainly residential developments. According to the Company, the Property is for retail use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the Property. The land use rights of the Property have been granted for a land use term due to expire on 24 September 2042 for commercial use.	As at the Valuation Date, the Property is subject to a tenancy for retail use with the expiry date on 31 December 2024, generating a total monthly rent of approximately RMB769,000, excluding VAT.	RMB82,700,000 (RENMINBI EIGHTY TWO MILLION SEVEN HUNDRED THOUSAND) (100% interest attributable to the Group: RMB82,700,000)

Notes:

(1) According to Certificate of Real Estate Ownership No. (2020)0002827 dated 10 January 2020, the land use rights of the MAIDELONG Xiamen Store with a site area of 29,331.47 sq m and a total gross floor of 11,189.60 sq m have been vested in MAIDELONG Property Management (Xiamen) Co., Ltd.* (麥德龍物業管理(廈門)有限公司) for a land use term due to expire on 24 September 2042 for commercial use.

As advised by the Company, the Property forms part of the aforesaid site area and gross floor area.

(2) According to Business Licence No. 913502006120466169 dated 1 March 2022, MAIDELONG Property Management (Xiamen) Co., Ltd.* (麥德龍物業管理(廈門)有限公司) has been established as a limited company with a registered capital of USD9,000,000 from 17 June 2002 to 16 June 2042.

(3) As advised by the Company, there is no mortgage on the Property.

(4) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

(a) As of Latest Practicable Date, MAIDELONG Property Management (Xiamen) Co., Ltd.* (麥德龍物業管理(廈門)有限公司) is the legal owner of the Property and has obtained relevant rights certificates from the government;

(b) As of Latest Practicable Date, MAIDELONG Property Management (Xiamen) Co., Ltd.* (麥德龍物業管理(廈門)有限公司) has the right to freely occupy, transfer, lease or dispose of the Property.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2024
7.	Portion of Maidelong Zhengzhou Zhengdong Store No. 137 Zhengbian Road Zhengdong New District Zhengzhou Henan Province the PRC (中國河南省鄭州市鄭東新區鄭汴路137號鄭州鄭東店部分)	Maidelong Zhengzhou Zhengdong Store comprises with a single storey supermarket with mezzanines. The store is erected on a parcel of commercial land, with a site area of 26,643.10 sq m. It was completed in 2005 with a total gross floor area of 10,315.01 sq m. The Property comprises portion of the Maidelong Zhengzhou Store with a total leasable area of 8,453 sq m. The Property is located at No. 137 Zhengbian Road, Zhengdong New District, Zhengzhou. Developments nearby are mainly residential developments. According to the Company, the Property is for retail use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the Property. The land use rights of the Property have been granted for a land use term due to expire on 30 June 2045 for commercial use.	As at the Valuation Date, the Property is subject to a tenancy for retail use with the expiry date on 31 December 2024, generating a total monthly rent of approximately RMB444,000, excluding VAT.	RMB72,300,000 (RENMINBI SEVENTY TWO MILLION THREE HUNDRED THOUSAND) (100% interest attributable to the Group: RMB72,300,000)

Notes:

(1) According to Certificate of Real Estate Ownership No. (2018)003067 dated 8 February 2018, the land use rights of the MAIDELONG Zhengzhou Store with a site area of 26,643.10 sq m and a total gross floor of 10,315.01 sq m have been vested in MAIDELONG Property Management (Zhengzhou) Co., Ltd.* (麥德龍物業管理(鄭州)有限公司) for a land use term due to expire on 30 June 2045 for commercial use.

As advised by the Company, the Property forms part of the aforesaid site area and gross floor area.

(2) According to the Real Estate Registration Certificate No. (2022) 0184441 on 29 September 2022, MAIDELONG Property Management (Zhengzhou) Co., Ltd.* (麥德龍物業管理(鄭州)有限公司) mortgaged the land as collateral to China Minsheng Banking Co., Ltd.-Hong Kong Branch (中國民生銀行股份有限公司香港分行) for a mortgage amount of RMB241,000,000 from 23 April 2020 to 23 April 2025.

(3) According to Business Licence No. 91410100772174203C dated 2 August 2021, MAIDELONG Property Management (Zhengzhou) Co., Ltd.* (麥德龍物業管理(鄭州)有限公司) has been established as a limited company with a registered capital of EUR3,900,000 from 8 April 2005 to 6 July 2045.

(4) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

(a) As of Latest Practicable Date, MAIDELONG Property Management (Zhengzhou) Co., Ltd.* (麥德龍物業管理(鄭州)有限公司) is the legal owner of the Property and has obtained relevant rights certificates from the government;

(b) The above Property was mortgaged. The relevant domestic subsidiaries shall enjoy the right of possession and use in accordance with the law during the mortgage period, but the transfer, leasing, re-mortgage or other disposal of the mortgaged Property shall be restricted in accordance with the law or contract.

(5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2024
8.	Portion of Maidelong Shenzhen Nanshan Store No. 255 Shahedong Road Nanshan District Shenzhen Guangdong Province the PRC (中國廣東省深圳市南山區沙河東路255號深圳南山店部分)	Maidelong Shenzhen Nanshan Store comprises a single storey supermarket with mezzanines. The store is erected on a parcel of commercial land, with a site area of 21,025.92 sq m. It was completed in 2007 with a total gross floor area of approximately 20,461 sq m. The Property comprises portion of Maidelong Shenzhen Store with a total leasable area of 6,576 sq m. The Property is located at No. 255 Shahedong Road, Nanshan District, Shenzhen. Developments nearby are mainly residential developments. According to the Company, the Property is for retail use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the Property. The land use rights of the Property have been granted for a land use term due to expire 13 June 2047 for commercial use.	As at the Valuation Date, the Property is subject to a tenancy for retail use with the expiry date on 31 December 2024, generating a total monthly rent of approximately RMB536,000, excluding VAT.	RMB97,800,000 (RENMINBI NINETY SEVEN MILLION EIGHT HUNDRED THOUSAND) (100% interest attributable to the Group: RMB97,800,000)

Notes:

(1) According to Contract for Grant of State-owned Land Use Rights No. (2007)0057 dated 27 June 2007 by Shenzhen Land and Resources Bureau, the land use rights of the MAIDELONG Shenzhen Store have been granted as below:

Site Area:	21,025.92 sq m
Land Use:	Commercial (商業)
Land Use Term:	40 years
Land Premium:	RMB5,370,220
Main Building Nature:	Shopping mall (商場)
Plot Ratio	<1
Building Covenant:	To commence construction before 2007 December 27.

(2) According to Certificate of Land Use Rights No.4000341742 dated 16 October 2007, the land use rights of the MAIDELONG Shenzhen Store with a site area of 21,025.92 sq m have been vested in MAIDELONG Property Management (Shenzhen) Co., Ltd.* (麥德龍物業管理(深圳)有限公司) due to expire on 13 June 2047 for commercial use.

As advised by the Company, the Property forms part of the aforesaid site area.

(3) According to the Planning Permit for Construction Use of Land No. 09-2006-0037 dated 22 December 2006, the construction land with 21,025.92 sq m complies with the requirements of the urban rural planning.

(4) According to the Planning Permit for Construction Works No. ZS-2008-0028 dated 27 February 2008, the construction works with a construction scale of 20,461 sq m comply with the requirement of the urban rural planning.

(5) As informed by the Company, MAIDELONG Property Management (Xi'an) Co., Ltd.* (麥德龍物業管理(西安)有限公司) is currently obtaining title documents, including Permit for Commencement of Construction Works, and Certificate of Real Estate Ownership.

(6) According to Business Licence No. 91440300781373757T dated 10 June 2021, MAIDELONG Property Management (Shenzhen) Co., Ltd.* (麥德龍物業管理(深圳)有限公司) has been established as a limited company.

(7) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

(a) In the view of the overdue completion of the establishment of its South China Headquarters or South China Procurement Center, the land use rights and the building are at risk of being reclaimed by the local land administration authorities based on the land cost and the net value of the building;

(b) As of Latest Practicable Date, no record was found, based on limited searches that indicates MAIDELONG Property Management (Shenzhen) Co., Ltd.* (麥德龍物業管理(深圳)有限公司) receives any request from Ministry of Natural Resources to reclaim relevant land use rights;

(c) In the view of lack of the Permit for Commencement of Construction Works and the completion-based acceptance, there are risks of penalties and being ordered to amend within a specific period of time.

(8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company:

Contract for Grant of State-owned Land Use Rights	Yes
Certificate of Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	No
Business Licence	Yes

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands on July 24, 2019 as an exempted company with limited liability. Our registered office address is at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in the section headed "Summary of the Constitution of Our Company and the Cayman Companies Act" in Appendix III to this Document.

Our place of business in Hong Kong is at Unit 3808, 38/F, Tower Two Lippo CTR, 89 Queensway, Hong Kong. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong on August 10, 2020. Ms. NG Sau Mei has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As at the date of this Document, our Company's head office was located at No. 1425 Zhenbei Road, Putuo District, Shanghai, the PRC.

2. Changes in Share Capital

There has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document.

3. Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Appendix I to this Document.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this Document:

Jiaxing Green Agriculture Fresh Supply Chain Technology Co., Ltd. (嘉興綠農優鮮供應鏈科技有限公司)

On March 27, 2023, the registered capital of Jiaxing Green Agriculture Fresh Supply Chain Technology Co., Ltd. was increased from RMB10 million to RMB44 million.

Guangdong Maidelong Commerce Management Co., Ltd. (廣東麥德龍商業管理有限公司)

On May 16, 2023, Guangdong Maidelong Commerce Management Co., Ltd. was established in Shenzhen, Guangdong Province, the PRC as a wholly-owned subsidiary of WM Retail (HK) Limited.

Maidelong (Yantai) Commerce Co., Ltd. (麥德龍(煙台)商業有限公司)

On May 17, 2023, Maidelong (Yantai) Commerce Co., Ltd. was established in Yantai, Shandong Province, the PRC as a wholly-owned subsidiary of Maidelong Commerce.

Shanghai Toppaco

(1) On September 28, 2023, Maidelong Commerce transferred its 100% equity interests in Shanghai Toppaco to Digital Innovation (HK) Limited.

(2) On October 8, 2023, Digital Innovation transferred its 100% equity interests in Shanghai Toppaco to WM Retail Operation (HK) Limited.

Dmall Extreme

On December 14, 2023, Wumart Supermarket transferred its 100% equity interests in Dmall Extreme to Tongfu Commerce.

Beijing Wumei Shangjia Fresh Commerce Management Service Co., Ltd. (北京物美尚佳鮮品商業管理服務有限公司)

On December 19, 2023, Wumart Supermarket transferred its 100% equity interests in Beijing Wumei Shangjia Fresh Commerce Management Service Co., Ltd. to Tongfu Commerce.

4. Resolutions of the Shareholders of Our Company dated [●], 2024

On [●], 2024, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "Structure of the [**REDACTED**]" and pursuant to the terms set out therein:

(a) our Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the [**REDACTED**]. The [**REDACTED**] and the grant of the [**REDACTED**] were approved and the Directors of our Company from time to time or (if applicable) or any of his/her duly authorized attorney (the "**Authorized Signatory**") were authorized to allot and issue the Shares pursuant to the [**REDACTED**] and the exercise of the [**REDACTED**];

(b) the [**REDACTED**] was approved and any Authorized Signatory would be authorized to implement the [**REDACTED**];

(c) every Share of US$0.00001 of the Company was subdivided into 20 Shares of US$0.0000005 each;

(d) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; or (iii) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:

(A) 20% of the total number of Shares in issue immediately following the completion of the [**REDACTED**]; and

(B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the "**Relevant Period**"); and

(e) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the [**REDACTED**] of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association or any applicable laws to be held, and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Document concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], 2024, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may be sold, or issued and allotted pursuant to the exercise of the [**REDACTED**], with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands laws, any purchases by our Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

Under the laws of the Cayman Islands, the Shares repurchased may (i) be treated by our Company as cancelled; or (ii) be held by our Company as treasury shares, and in each case the aggregate amount of authorized share capital would not be reduced.

Our Company may re-deposit its treasury Shares into [**REDACTED**] established and operated by [**REDACTED**] only if it has an imminent plan to resell them on the Stock Exchange, and it should complete the resale as soon as possible. For any treasury Shares deposited with [**REDACTED**] pending resale on the Stock Exchange, our Company will have appropriate measures to ensure that it would not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the relevant laws with respect to treasury Shares. These measures include, for example, an approval by the Board that (i) our Company should procure its broker not to give any instructions to [**REDACTED**] to vote at general meetings for the treasury Shares deposited with [**REDACTED**] pending resale; and (ii) in the case of dividends or distributions, our Company should withdraw the treasury Shares from [**REDACTED**], and either re-register them in our Company's name as treasury Shares or cancel them, in each case before the record date for the dividends or distributions.

Holders of treasury Shares (if any) shall abstain from voting on matters that require Shareholders' approval at the Company's general meetings.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from "a core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of our Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of our Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors [have undertaken] to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than the highest of (i) approximately 25% of the Company's total issued share capital; (ii) such percentage of Shares held by the public after completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised); and (iii) such percentage of Shares held by the public after the full or partial exercise of the [**REDACTED**] could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this Document and are or may be material:

[REDACTED]

2. Intellectual Property Rights

(a) Trademarks

(i) Registered Trademarks

As at the Latest Practicable Date, we have been granted to use the following trademarks in our operations, which we consider to be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
1.		PRC	Maidelong Commerce	1	59345065	06/03/2032
2.		PRC	Maidelong Commerce	2	59345071	06/03/2032
3.		PRC	Maidelong Commerce	3	59345077	06/03/2032
4.		PRC	Maidelong Commerce	4	59329488	06/03/2032
5.		PRC	Maidelong Commerce	5	59353056	06/03/2032
6.		PRC	Maidelong Commerce	6	59345094	06/03/2032
7.		PRC	Maidelong Commerce	7	59327232	06/03/2032
8.		PRC	Maidelong Commerce	8	59346424	06/03/2032
9.		PRC	Maidelong Commerce	9	59334109	06/03/2032
10.		PRC	Maidelong Commerce	10	59334113	06/03/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
11.		PRC	Maidelong Commerce	11	59346459	06/03/2032
12.		PRC	Maidelong Commerce	12	59349992	06/03/2032
13.		PRC	Maidelong Commerce	13	59343488	06/03/2032
14.		PRC	Maidelong Commerce	14	59334146	06/03/2032
15.		PRC	Maidelong Commerce	15	59339831	06/03/2032
16.		PRC	Maidelong Commerce	16	59326146	06/03/2032
17.		PRC	Maidelong Commerce	17	59346486	06/03/2032
18.		PRC	Maidelong Commerce	18	59339846	06/03/2032
19.		PRC	Maidelong Commerce	19	59335654	06/03/2032
20.		PRC	Maidelong Commerce	20	59346497	06/03/2032
21.		PRC	Maidelong Commerce	21	59332667	06/03/2032
22.		PRC	Maidelong Commerce	22	59351086	06/03/2032
23.		PRC	Maidelong Commerce	23	59353025	06/03/2032
24.		PRC	Maidelong Commerce	24	59346596	06/03/2032
25.		PRC	Maidelong Commerce	25	59349808	06/03/2032
26.		PRC	Maidelong Commerce	26	59326961	06/03/2032
27.		PRC	Maidelong Commerce	27	59340458	06/03/2032
28.		PRC	Maidelong Commerce	28	59348119	06/03/2032
29.		PRC	Maidelong Commerce	29	59326987	06/03/2032
30.		PRC	Maidelong Commerce	30	59348136	06/03/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
31. .		PRC	Maidelong Commerce	31	59349860	06/03/2032
32. .		PRC	Maidelong Commerce	32	59331094	06/03/2032
33. .		PRC	Maidelong Commerce	33	59348168	06/03/2032
34. .		PRC	Maidelong Commerce	34	59351526	06/03/2032
35. .		PRC	Maidelong Commerce	35	59349900	06/03/2032
36. .		PRC	Maidelong Commerce	36	59324501	06/03/2032
37. .		PRC	Maidelong Commerce	37	59335613	06/03/2032
38. .		PRC	Maidelong Commerce	38	59351705	06/03/2032
39. .		PRC	Maidelong Commerce	39	59335623	06/03/2032
40. .		PRC	Maidelong Commerce	40	59343640	06/03/2032
41. .		PRC	Maidelong Commerce	41	59350087	06/03/2032
42. .		PRC	Maidelong Commerce	42	59330336	06/03/2032
43. .		PRC	Maidelong Commerce	43	59335801	06/03/2032
44. .		PRC	Maidelong Commerce	44	59351554	06/03/2032
45. .		PRC	Maidelong Commerce	45	59329466	06/03/2032
46. .		PRC	Maidelong Commerce	1	60946225	13/05/2032
47. .		PRC	Maidelong Commerce	2	60913402	06/05/2032
48. .		PRC	Maidelong Commerce	3	60936596	06/05/2032
49. .		PRC	Maidelong Commerce	4	60932451	06/05/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
50. .		PRC	Maidelong Commerce	5	60932941	13/05/2032
51. .		PRC	Maidelong Commerce	6	60915430	06/05/2032
52. .		PRC	Maidelong Commerce	7	60919965	06/05/2032
53. .		PRC	Maidelong Commerce	8	60942954	13/05/2032
54. .		PRC	Maidelong Commerce	9	60942964	06/05/2032
55. .		PRC	Maidelong Commerce	10	60925048	13/05/2032
56. .		PRC	Maidelong Commerce	11	60925434	13/05/2032
57. .		PRC	Maidelong Commerce	12	60914544	06/05/2032
58. .		PRC	Maidelong Commerce	13	60930598	06/05/2032
59. .		PRC	Maidelong Commerce	14	60945936	06/05/2032
60. .		PRC	Maidelong Commerce	15	60918118	13/05/2032
61. .		PRC	Maidelong Commerce	16	60918129	06/05/2032
62. .		PRC	Maidelong Commerce	17	60913455	06/05/2032
63. .		PRC	Maidelong Commerce	18	60941920	06/05/2032
64. .		PRC	Maidelong Commerce	19	60923868	13/05/2032
65. .		PRC	Maidelong Commerce	20	60914587	06/05/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
66. . .		PRC	Maidelong Commerce	21	60933524	13/05/2032
67. .		PRC	Maidelong Commerce	22	60919669	13/05/2032
68. .		PRC	Maidelong Commerce	23	60936658	06/05/2032
69. .		PRC	Maidelong Commerce	24	60910108	06/05/2032
70. .		PRC	Maidelong Commerce	25	60924652	13/05/2032
71. .		PRC	Maidelong Commerce	26	60925435	13/05/2032
72. .		PRC	Maidelong Commerce	27	60911927	13/05/2032
73. .		PRC	Maidelong Commerce	28	60930600	13/05/2032
74. .		PRC	Maidelong Commerce	29	60913426	06/05/2032
75. .		PRC	Maidelong Commerce	30	60926098	13/05/2032
76. .		PRC	Maidelong Commerce	31	60933480	13/05/2032
77. .		PRC	Maidelong Commerce	32	60930641	06/05/2032
78. .		PRC	Maidelong Commerce	33	60945978	13/05/2032
79. .		PRC	Maidelong Commerce	34	60932072	06/05/2032
80. .		PRC	Maidelong Commerce	35	60944820	13/05/2032
81. .		PRC	Maidelong Commerce	36	60924609	13/05/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
82. .		PRC	Maidelong Commerce	37	60919674	06/05/2032
83. .		PRC	Maidelong Commerce	38	60924628	13/05/2032
84. .		PRC	Maidelong Commerce	39	60924639	13/05/2032
85. .		PRC	Maidelong Commerce	40	60913502	06/05/2032
86. .		PRC	Maidelong Commerce	41	60913509	06/05/2032
87. .		PRC	Maidelong Commerce	42	60944887	13/05/2032
88. .		PRC	Maidelong Commerce	43	60934303	13/05/2032
89. .		PRC	Maidelong Commerce	44	60926510	06/05/2032
90. .		PRC	Maidelong Commerce	45	60942039	06/05/2032
91. .	麦臻选	PRC	Maidelong Commerce	3	56488199	06/12/2031
92. .	麦臻选	PRC	Maidelong Commerce	4	56503779	27/11/2031
93. .	麦臻选	PRC	Maidelong Commerce	5	56520831A	06/03/2032
94. .	麦臻选	PRC	Maidelong Commerce	5	56520831	27/07/2032
95. .	麦臻选	PRC	Maidelong Commerce	6	56498999	27/11/2031
96. .	麦臻选	PRC	Maidelong Commerce	7	56533328	27/11/2031
97. .	麦臻选	PRC	Maidelong Commerce	8	56497493	27/11/2031
98. .	麦臻选	PRC	Maidelong Commerce	9	56490925	27/11/2031
99. .	麦臻选	PRC	Maidelong Commerce	10	56523083	27/11/2031

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
100. .	麦臻选	PRC	Maidelong Commerce	11	56497529	27/11/2031
101. .	麦臻选	PRC	Maidelong Commerce	12	56519118	27/11/2031
102. .	麦臻选	PRC	Maidelong Commerce	14	56509233	27/11/2031
103. .	麦臻选	PRC	Maidelong Commerce	16	56513895	27/11/2031
104. .	麦臻选	PRC	Maidelong Commerce	17	56523098	27/11/2031
105. .	麦臻选	PRC	Maidelong Commerce	18	56520901	27/11/2031
106. .	麦臻选	PRC	Maidelong Commerce	19	56512575	27/11/2031
107. .	麦臻选	PRC	Maidelong Commerce	20	56509636	27/11/2031
108. .	麦臻选	PRC	Maidelong Commerce	21	56518589	27/11/2031
109. .	麦臻选	PRC	Maidelong Commerce	22	56497149	27/11/2031
110. .	麦臻选	PRC	Maidelong Commerce	23	56509689	27/11/2031
111. .	麦臻选	PRC	Maidelong Commerce	24	56515082	27/11/2031
112. .	麦臻选	PRC	Maidelong Commerce	25	56515118	27/11/2031
113. .	麦臻选	PRC	Maidelong Commerce	26	56510481	27/11/2031
114. .	麦臻选	PRC	Maidelong Commerce	27	56520251	27/11/2031
115. .	麦臻选	PRC	Maidelong Commerce	28	56497237	27/11/2031
116. .	麦臻选	PRC	Maidelong Commerce	29	56499450	06/12/2031
117. .	麦臻选	PRC	Maidelong Commerce	30	56527444A	06/03/2032
118. .	麦臻选	PRC	Maidelong Commerce	30	56527444	27/04/2034
119. .	麦臻选	PRC	Maidelong Commerce	31	56535295	27/11/2031
120. .	麦臻选	PRC	Maidelong Commerce	32	56502734	27/11/2031

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
121. .	麦臻选	PRC	Maidelong Commerce	33	56494337	27/11/2031
122. .	麦臻选	PRC	Maidelong Commerce	34	56518367	27/11/2031
123. .	麦臻选	PRC	Maidelong Commerce	35	56501624	27/11/2031
124. .	麦臻选	PRC	Maidelong Commerce	3	56493902	27/11/2031
125. .	麦甄选	PRC	Maidelong Commerce	4	56514659	27/11/2031
126. .	麦甄选	PRC	Maidelong Commerce	5	56502987	27/11/2031
127. .	麦甄选	PRC	Maidelong Commerce	6	56512800	27/11/2031
128. .	麦甄选	PRC	Maidelong Commerce	7	56521001	27/11/2031
129. .	麦甄选	PRC	Maidelong Commerce	8	56524346	27/11/2031
130. .	麦甄选	PRC	Maidelong Commerce	9	56489763	27/11/2031
131. .	麦甄选	PRC	Maidelong Commerce	10	56503064	27/11/2031
132. .	麦甄选	PRC	Maidelong Commerce	11	56509595	27/11/2031
133. .	麦甄选	PRC	Maidelong Commerce	12	56527686	27/11/2031
134. .	麦甄选	PRC	Maidelong Commerce	14	56536119	27/11/2031
135. .	麦甄选	PRC	Maidelong Commerce	16	56515000	27/11/2031
136. .	麦甄选	PRC	Maidelong Commerce	17	56533322	27/11/2031
137. .	麦甄选	PRC	Maidelong Commerce	18	56529064	27/11/2031
138. .	麦甄选	PRC	Maidelong Commerce	19	56501160	27/11/2031
139. .	麦甄选	PRC	Maidelong Commerce	20	56501167	27/11/2031
140. .	麦甄选	PRC	Maidelong Commerce	21	56505711	27/11/2031
141. .	麦甄选	PRC	Maidelong Commerce	22	56494546	27/11/2031

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
142. .	麦甄选	PRC	Maidelong Commerce	23	56525875	27/11/2031
143. .	麦甄选	PRC	Maidelong Commerce	24	56511173	27/11/2031
144. .	麦甄选	PRC	Maidelong Commerce	26	56501513	27/11/2031
145. .	麦甄选	PRC	Maidelong Commerce	27	56502597	27/11/2031
146. .	麦甄选	PRC	Maidelong Commerce	28	56504257	06/12/2031
147. .	麦甄选	PRC	Maidelong Commerce	29	56511180	27/11/2031
148. .	麦甄选	PRC	Maidelong Commerce	30	56511190	27/11/2031
149. .	麦甄选	PRC	Maidelong Commerce	31	56488108	27/11/2031
150. .	麦甄选	PRC	Maidelong Commerce	32	56525953	27/11/2031
151. .	麦甄选	PRC	Maidelong Commerce	33	56488128	27/11/2031
152. .	麦甄选	PRC	Maidelong Commerce	34	56512117	27/11/2031
153. .	麦甄选	PRC	Maidelong Commerce	35	56513207	27/11/2031
154. .	麦福礼	PRC	Maidelong Commerce	9	59516758	13/06/2032
155. .	麦福礼	PRC	Maidelong Commerce	35	59504491	13/06/2032
156. .	麦福礼	PRC	Maidelong Commerce	39	59511831	27/03/2032
157. .	麦福礼	PRC	Maidelong Commerce	40	59499058	27/03/2032
158. .	麦福礼	PRC	Maidelong Commerce	42	59511849	13/06/2032
159. .	麦鲜达	PRC	Maidelong Commerce	9	59508301	06/04/2032
160. .	麦鲜达	PRC	Maidelong Commerce	35	59499795	13/06/2032
161. .	麦鲜达	PRC	Maidelong Commerce	38	59515867	06/04/2032
162. .	麦鲜达	PRC	Maidelong Commerce	39	59525561	06/04/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
163. .	麦鲜达	PRC	Maidelong Commerce	40	59501485	06/04/2032
164. .	麦鲜达	PRC	Maidelong Commerce	42	59521955	06/04/2032
165. .	Transparency Sustainability	PRC	Maidelong Commerce	29	9102918	13/08/2032
166. .	Transparency Sustainability	PRC	Maidelong Commerce	31	9102940	06/02/2032
167. .	Transparency Sustainability	PRC	Maidelong Commerce	32	9102957	06/02/2032
168. .	Transparency Sustainability	PRC	Maidelong Commerce	33	9102971	06/02/2032
169. .	Transparency Sustainability	PRC	Maidelong Commerce	35	9102991	20/02/2032
170. .	Transparency Sustainability	PRC	Maidelong Commerce	40	9103004	06/02/2032
171. .	Transparency Sustainability	PRC	Maidelong Commerce	41	9103013	20/02/2032
172. .	Transparency Sustainability	PRC	Maidelong Commerce	42	9103019	20/02/2032
173. .	Transparency Sustainability	PRC	Maidelong Commerce	44	9107280	20/09/2032
174. .	TS	PRC	Maidelong Commerce	29	9090475	27/06/2032
175. .	TS	PRC	Maidelong Commerce	31	9090545	13/03/2034
176. .	TS	PRC	Maidelong Commerce	32	9090585	13/05/2034
177. .	TS	PRC	Maidelong Commerce	33	9090636	06/02/2032
178. .	TS	PRC	Maidelong Commerce	35	9093840	06/02/2032
179. .	TS	PRC	Maidelong Commerce	40	9093905	06/02/2032
180. .	TS	PRC	Maidelong Commerce	41	9093989	06/02/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
181. .		PRC	Maidelong Commerce	42	9094026	06/02/2032
182. .		PRC	Maidelong Commerce	44	9094096	06/02/2032

(ii) Licensed Trademarks

As of the Latest Practicable Date, Wumei Technology and its associates licensed us trademarks for our use in connection with our ordinary course of business and operations (the "**Licensed Trademarks**"). The Licensed Trademarks include trademarks owned by Wumei Technology and those licensed by MIP METRO GROUP Intellectual Property GmbH & Co. KG ("**MIP**") and Metro AG. MIP and Metro AG has assigned such trademarks to Wumei Technology and is in the process of completing the transfer procedures. During such interval, MIP and Metro AG has granted Wumei Technology a license to use and sublicense such trademarks. The following are Licensed Trademarks which we consider to be material to our business.

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
1. . .	麦德龙	PRC	MIP	1	1014092	27/05/2027
2. . .	麦德龙	PRC	MIP	2	964391	20/03/2027
3. . .	麦德龙	PRC	MIP	3	948522	20/02/2027
4. . .	麦德龙	PRC	Wumei Technology	4	948496	20/02/2027
5. . .	麦德龙	PRC	MIP	5	978609	13/04/2027
6. . .	麦德龙	PRC	MIP	6	971354	27/03/2027
7. . .	麦德龙	PRC	MIP	7	950274	20/02/2027
8. . .	麦德龙	PRC	MIP	8	946292	13/02/2027

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
9. . .	麦德龙	PRC	MIP	9	966625	20/03/2027
10. .	麦德龙	PRC	MIP	9	1125272	06/11/2027
11. . .	麦德龙	PRC	MIP	9	1016768	27/05/2027
12. .	麦德龙	PRC	MIP	10	943006	06/02/2027
13. .	麦德龙	PRC	MIP	11	970808	27/03/2027
14. .	麦德龙	PRC	MIP	12	947236	13/02/2027
15. .	麦德龙	PRC	Wumei Technology	13	943288	06/02/2027
16. .	麦德龙	PRC	MIP	14	952414	27/03/2027
17. .	麦德龙	PRC	Wumei Technology	15	944706	13/02/2027
18. .	麦德龙	PRC	MIP	16	1008360	20/05/2027
19. .	麦德龙	PRC	MIP	17	948117	20/02/2027
20. .	麦德龙	PRC	MIP	18	928204	13/01/2027
21. .	麦德龙	PRC	MIP	19	984948	20/04/2027

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
22. .	麦德龙	PRC	MIP	20	953723	06/03/2027
23. .	麦德龙	PRC	MIP	21	960835	13/03/2027
24. .	麦德龙	PRC	Wumei Technology	22	949754	20/02/2027
25. .	麦德龙	PRC	MIP	23	949849	20/02/2027
26. .	麦德龙	PRC	MIP	24	968847	27/03/2027
27. .	麦德龙	PRC	MIP	25	957324	06/03/2027
28. .	麦德龙	PRC	MIP	26	948882	20/02/2027
29. .	麦德龙	PRC	MIP	27	956900	06/03/2027
30. .	麦德龙	PRC	MIP	28	945004	13/02/2027
31. .	麦德龙	PRC	MIP	29	947445	13/02/2027
32. .	麦德龙	PRC	MIP	30	981315	13/04/2027
33. .	麦德龙	PRC	MIP	29	981315	13/04/2027
34. .	麦德龙	PRC	MIP	31	943311	06/02/2027
35. .	麦德龙	PRC	MIP	32	950013	20/02/2027

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
36.	麦德龙	PRC	MIP	33	1269564	27/04/2029
37.	麦德龙	PRC	MIP	34	951291	20/02/2027
38.	麦德龙	PRC	MIP	36	959912	06/03/2027
39.	麦德龍	PRC	MIP	36	6444305	27/03/2030
40.	麦德龍	PRC	MIP	37	6444304	27/03/2030
41.	麦德龙	PRC	MIP	38	955908	06/03/2027
42.	麦德龍	PRC	MIP	38	6444301	27/03/2030
43.	麦德龙	PRC	MIP	39	943648	06/02/2027
44.	麦德龍	PRC	MIP	39	6444300	13/07/2030
45.	麦德龍	PRC	MIP	40	6444317	27/03/2030
46.	麦德龙	PRC	MIP	40	963959	13/03/2027
47.	麦德龙	PRC	MIP	41	955690	06/03/2027
48.	麦德龍	PRC	MIP	41	1985317	06/04/2023
49.	麦德龍	PRC	MIP	41	6444316	13/07/2030
50.	麦德龍	PRC	MIP	42	6444313	13/07/2030
51.	麦德龙	PRC	MIP	42	963766	13/03/2027
52.	麦德龍	PRC	MIP	43	6444312	20/07/2030

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
53.	麦法龍	PRC	MIP	44	6444309	20/07/2030
54.	麦法龍	PRC	MIP	45	6444447	13/04/2030
55.	宜客	PRC	MIP	3	7846674	13/12/2030
56.	宜客	PRC	MIP	4	7846673	13/01/2031
57.	宜客	PRC	MIP	6	7846672	06/02/2031
58.	宜客	PRC	MIP	8	7846671	20/06/2031
59.	宜客	PRC	Wumei Technology	9	7846670	06/03/2031
60.	宜客	PRC	Wumei Technology	11	7846669	27/03/2031
61.	宜客	PRC	MIP	16	7846668	06/02/2031
62.	宜客	PRC	MIP	21	7846667	06/02/2031
63.	宜客	PRC	MIP	29	7846666	06/06/2026
64.	宜客	PRC	MIP	30	7846665	06/10/2025
65.	宜客	PRC	MIP	31	7846652	13/03/2031
66.	宜客	PRC	MIP	32	7846651	06/03/2026
67.	宜客	PRC	Wumei Technology	33	7846650	06/12/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
68. .		PRC	MIP	29	16862236	06/07/2026
69. .		PRC	MIP	29	9395768	20/08/2025
70. .		PRC	MIP	30	9395767	20/07/2032
71. .		PRC	MIP	31	9395766	13/05/2032
72. .		PRC	MIP	32	9395765	20/07/2032
73. .		PRC	MIP	35	9395764	13/06/2032
74. .		PRC	MIP	40	9395763	13/06/2032
75. .		PRC	MIP	41	9395762	13/06/2032
76. .		PRC	MIP	42	9395761	13/06/2032
77. .		PRC	MIP	44	9395760	13/06/2032

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
78. .	STAR FARM 麦咨达	PRC	MIP	29	7831251	13/08/2024
79. .	STAR FARM 麦咨达	PRC	MIP	30	7831250	13/04/2031
80. .	STAR FARM 麦咨达	PRC	MIP	31	7831249	20/04/2031
81. .	STAR FARM 麦咨达	PRC	MIP	32	7831248	13/04/2031
82. .	STAR FARM 麦咨达	PRC	MIP	35	7831247	20/02/2031
83. .	STAR FARM 麦咨达	PRC	MIP	40	7831246	20/04/2031
84. .	STAR FARM 麦咨达	PRC	MIP	41	7831245	27/01/2031
85. .	STAR FARM 麦咨达	PRC	MIP	42	7831244	27/01/2031
86. .	STAR FARM 麦咨达	PRC	MIP	44	7831243	06/05/2031
87. .	STAR FARM 麦咨达	PRC	MIP	29	6596545	06/08/2024
88. .	STAR FARM 麦咨达	PRC	MIP	30	6596544	27/03/2030
89. .	STAR FARM 麦咨达	PRC	MIP	31	6596543	06/02/2030

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/yy)
90. .	STAR FARM 麦咨达	PRC	MIP	32	6596542	27/03/2030
91. .	STAR FARM 麦咨达	PRC	MIP	35	6596541	13/08/2030
92. .	STAR FARM 麦咨达	PRC	MIP	40	6596540	27/03/2030
93. .	STAR FARM 麦咨达	PRC	MIP	41	6596539	06/10/2030
94. .	STAR FARM 麦咨达	PRC	MIP	42	6596555	13/08/2030
95. .	STAR FARM 麦咨达	PRC	MIP	44	6596554	20/12/2031

(b) Copyrights

As at the Latest Practicable Date, we had registered the following registered copyrights which we consider to be material to our business:

(i) Software Copyrights

No.	Copyright	Place of Registration	Registered owner	Registration Number	Registration Date
1. . . .	Maidelong App Platform V4.9.0	PRC	Maidelong Commerce	2020SR1548646	November 5, 2020

(ii) Copyrights

No.	Copyright	Place of Registration	Registered owner	Registration Number	Registration Date
1. . . .	麥麥熊(一)	PRC	Maidelong Commerce	國作登字-2022-F-10016476	January 24, 2022
2. . . .	麥麥熊(二)	PRC	Maidelong Commerce	國作登字-2022-F-10016475	January 24, 2022
3. . . .	麥德龍會員店標識	PRC	Maidelong Commerce	國作登字-2021-F-00274585	November 29, 2021
4. . . .	麥德龍微笑精靈"小麥"卡通形象設計	PRC	Maidelong Commerce	國作登字-2021-F-00175153	August 3, 2021
5. . . .	麥德龍微小精靈"小麥"icon設計	PRC	Maidelong Commerce	國作登字-2021-F-00175154	August 3, 2021

(c) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patent	Patentee	Place of registration	Patent Number	Application Date	Announcement/ Issue Date
1. .	擺件	Maidelong Commerce	PRC	ZL202130781666.6	November 26, 2021	March 11, 2022
2. .	擺件	Maidelong Commerce	PRC	ZL202130782012.5	November 26, 2021	March 11, 2022

3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1	emdl.cn	Maidelong Commerce	March 31, 2025
2	maidelong.biz	Maidelong Commerce	February 9, 2025
3	maidelong.cn	Maidelong Commerce	September 21, 2029
4	maidelong.com	Maidelong Commerce	July 29, 2030
5	mdlcg.cn	Maidelong Commerce	July 7, 2030
6	mdlcg.com.cn	Maidelong Commerce	July 8, 2030
7	mdlcg.com	Maidelong Commerce	July 7, 2030
8	mdlcs.cn	Maidelong Commerce	February 9, 2025
9	mdlong.cn	Maidelong Commerce	September 9, 2024
10 . . .	mdlong.com.cn	Maidelong Commerce	September 9, 2024
11 . . .	mdlong.net	Maidelong Commerce	September 9, 2024
12 . . .	mdlwm.cn	Maidelong Commerce	July 7, 2030
13 . . .	mdlwm.com.cn	Maidelong Commerce	July 8, 2030

No.	Domain Name	Registered Owner	Expiry Date
14 . . .	mdlwm.com	Maidelong Commerce	July 7, 2030
15 . . .	mdlzg.cn	Maidelong Commerce	June 26, 2030
16 . . .	mdlzg.com.cn	Maidelong Commerce	June 26, 2030
17 . . .	mdlzg.com	Maidelong Commerce	June 26, 2030
18 . . .	metromall.cn	Maidelong Commerce	December 8, 2024
19 . . .	metromall.mobi	Maidelong Commerce	December 8, 2024
20 . . .	metrowechat.com	Maidelong Commerce	May 20, 2028
21 . . .	metromall.com.cn	Maidelong Commerce	December 8, 2024
22 . . .	麥德龍官方商城.com	Maidelong Commerce	March 13, 2025
23 . . .	麥德龍官方網上商城.com	Maidelong Commerce	March 13, 2025
24 . . .	麥德龍商城.com	Maidelong Commerce	March 13, 2025
25 . . .	starfarm.com.cn	Star Farm Shanghai	December 5, 2032
26 . . .	dmallmax.com	Dmall Extreme	September 20, 2024

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Director

Our executive Director, namely Mr. XU Shaochuan, [has entered into] a service contract with our Company. Pursuant to this agreement, he agreed to act as executive Director for an initial term of three years with effect from the date the appointment is approved by the Board until the third annual general meeting of our Company since the [**REDACTED**] (whichever is sooner). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of our Company's remuneration policy is described in section headed "Directors and Senior Management — Remuneration and Compensation of Directors and Senior Management."

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors has [entered into] an appointment letter with our Company. The initial term for their appointment letters shall commence from the date of their appointments and shall continue for three years after or until the third annual general meeting of our Company since the [**REDACTED**], whichever is sooner (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Our non-executive Directors are not entitled to receive annual salaries in their capacities as non-executive Directors under their respective service contracts.

Each of the independent non-executive Directors has [entered into] an appointment letter with our Company. The initial term for their appointment letters shall be three years from the date of this Document or until the third annual general meeting of our Company since the [**REDACTED**], whichever is sooner (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

(a) Saved as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) During the three years ended December 31, 2023, the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to our Directors were RMB1.18 million, RMB1.02 million and RMB1 million. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this Document.

(c) Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the year ending December 31, 2024, is expected to be approximately RMB1.64 million.

(d) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

(e) Saved as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. Disclosure of interests

(a) Interests and short positions of our Directors or Chief Executives in the share capital of our Company and its associated corporations following completion of the [REDACTED]

Immediately following completion of the [**REDACTED**] (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]), the interests or short positions of our Directors and chief executives in our Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of Director or chief executive	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately following the completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised)	Approximate percentage of interest in our Company immediately following the Share Subdivision and the completion of the [REDACTED] (assuming the [REDACTED] is fully exercised)
Mr. ZHANG Bin[(1)]	Interest in controlled corporations	70,446,560	[**REDACTED**]%	[**REDACTED**]%
Mr. MENG Liang[(2)]	Interest in controlled corporations	322,061,200	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) Immediately before the [**REDACTED**], New Trading Commercial Limited and Sunrise Business Limited held 32,417,100 and 38,029,460 Shares in our Company, respectively. Each of New Trading Commercial Limited and Sunrise Business Limited was wholly owned by Ultron Age Inc., which was in turn wholly owned by Mr. ZHANG Bin. As such, each of Ultron Age Inc. and Mr. ZHANG Bin is deemed to be interested in the 32,417,100 and 38,029,460 Shares held by New Trading Commercial Limited and Sunrise Business Limited under the SFO.

(2) Immediately before the [**REDACTED**], Rising Vista Holding (Cayman) Limited held 322,061,200 Shares in our Company. Rising Vista Holding (Cayman) Limited was controlled by several funds that are ultimately managed by Ascendent Capital Partners II GP Limited and Ascendent Capital Partners III GP Limited, each of which is ultimately beneficially owned by Mr. MENG Liang. As such, each of Ascendent Capital Partners II GP Limited, Ascendent Capital Partners III GP Limited and Mr. MENG Liang is deemed to be interested in the 322,061,200 Shares held by Rising Vista Holding (Cayman) Limited under the SFO.

(ii) Interest in associated corporations

Save as set out above, the Directors are not aware of any of our Directors or chief executives who will, immediately following completion of the [**REDACTED**], has any interests and/or short positions in the Shares, underlying shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the [**REDACTED**], having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see the section headed "Substantial Shareholders."

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in this Document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of our Group;

(b) none of the Directors or the experts named in the paragraph headed "— F. Other Information — 4. Consents of Experts" in this section is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;

(c) none of the Directors or the experts named in the paragraph headed "— F. Other Information — 4. Consents of Experts" in this section has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this Document;

(e) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;

(f) saved as disclosed in this Document, none of the Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group;

(g) taking no account of any Shares which may be taken up under the [**REDACTED**], so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the [**REDACTED**], have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(h) none of the Directors or chief executive of our Company has any interests or short positions in our Shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once our Shares are listed thereon.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this Document and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue, our Shares to be issued pursuant to the [**REDACTED**] (including any Shares which may fall to be issued pursuant to the exercise of the [**REDACTED**]).

Each of the Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors' fee in relation to the [**REDACTED**] is US$1 million, which was payable by the Company to the Joint Sponsors as of the Latest Practicable Date.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this Document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
UBS Securities Hong Kong Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO
China Merchants Securities (HK) Co., Limited	A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
KPMG	Certified Public Accountants, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Jingtian & Gongcheng	Legal advisor as to PRC laws
Grandall Law Firm (Beijing)	Legal advisor as to PRC data compliance law
Harney Westwood & Riegels	Legal advisor as to Cayman Islands laws
Frost & Sullivan Limited	Industry consultant
Cushman & Wakefield Limited	Independent Property Valuer

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance subscribe for securities in any member of our Group.

5. Binding Effect

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this Document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

If there is any inconsistency between this Document and its Chinese translation, this Document shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this Document and their English translations, the Chinese names shall prevail.

7. Compliance Adviser

Our Company has appointed Somerley Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

8. Preliminary Expenses

We have not incurred any material preliminary expenses.

9. No Material Adverse Change

The Directors confirm that there has been no material change in our financial or [**REDACTED**] position since December 31, 2023.

10. Miscellaneous

(a) Save as disclosed in this Document, within the two years immediately preceding the date of this Document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this Document:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "B. Further Information about our Business — 1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this Document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this Document within the two years immediately preceding the date of this Document.

(e) Save as disclosed in this Document, no equity or debt securities of any company within our Group is presently [**REDACTED**] on any stock exchange or [**REDACTED**] on any [**REDACTED**] system nor is any [**REDACTED**] or permission to [**REDACTED**] being or proposed to be sought.

(f) Save as disclosed in this Document, our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

(h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Document.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this Document; and

(b) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 4. Consents of Experts" in Appendix V to this Document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.mdlwholesale.com** during a period of 14 days from the date of this Document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this document;

(c) the report on the unaudited [**REDACTED**] financial information from KPMG, the text of which is set out in Appendix II to this document;

(d) the audited financial statements of the Food and FMCG Distribution Business for the three years ended December 31, 2021, 2022 and 2023;

(e) the legal opinions issued by Jingtian & Gongcheng, our PRC legal advisor, in respect of certain general corporate matters and the property interests of the Group;

(f) the letter of advice issued by Harney Westwood & Riegels, our Cayman legal adviser, in respect of certain of the Cayman Companies Act referred to in Appendix III to this document;

(g) the Cayman Companies Act;

(h) the report issued by Frost & Sullivan Limited, the summary of which is set forth in the section headed "Industry Overview" in this Document;

(i) the valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix IV to this Document;

(j) the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this document;

(k) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 4. Consents of Experts" in Appendix V to this document; and

(l) the service contracts and letters of appointment entered into between our Company and each of the Directors referred to in "Statutory and General Information — C. Further Information about our Directors — 1. Particulars of Directors' service contracts and appointment letters" in Appendix V to this Document.