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Application Proof of



Foshan Haitian Flavouring and Food Company Ltd.

佛山市海天調味食品股份有限公司

(the “**Company**”)

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

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FOSHAN HAITIAN FLAVOURING AND FOOD COMPANY LTD.

佛山市海天調味食品股份有限公司

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

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to
the [REDACTED] the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED] and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per H Share, plus
brokerage of 1.0%, SFC transaction
levy of 0.0027%, Hong Kong Stock
Exchange trading fee of 0.00565% and
AFRC transaction levy of 0.00015%
(payable in full on [REDACTED] in
Hong Kong dollars and subject to
refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED]



Morgan Stanley

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The [REDACTED], for themselves and on behalf of the [REDACTED], may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong [REDACTED] and/or the indicative [REDACTED] below that is stated in this document (being HK\$[REDACTED] per [REDACTED] to HK\$[REDACTED] per [REDACTED]) at any time prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. In such case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] will be published on the website of our Company at <https://www.haitian-food.com/> and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging [REDACTED] under the [REDACTED]. For further details, see "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

Prior to making an [REDACTED] decision, prospective [REDACTED] 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 events occur prior to 8:00 a.m. on the [REDACTED]. For details, see "[REDACTED]" in this document.

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[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE [REDACTED]

This document is issued by us solely in connection with the Hong Kong [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] 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 purpose of making, 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] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a [REDACTED] and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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	<i>Page</i>
Expected Timetable	ii
Contents	vi
Summary	1
Definitions	16
Glossary of Technical Terms	27

CONTENTS

Forward-Looking Statements	30
Risk Factors	31
Waivers and Exemptions	57
Information about this Document and the [REDACTED]	65
Directors, Supervisors and Parties Involved in the [REDACTED]	70
Corporate Information	75
Industry Overview	78
Regulatory Overview	91
History, Development and Corporate Structure	110
Business	118
Directors, Supervisors and Senior Management	185
Relationship with our Controlling Shareholders	200
Connected Transactions	206
Substantial Shareholders	223
Share Capital	225
Financial Information	228
Future Plans and Use of [REDACTED]	277
[REDACTED]	281
Structure of the [REDACTED]	295
How to Apply for [REDACTED]	307
Appendix I Accountants' Report	I-1
Appendix II Unaudited [REDACTED] Financial Information	II-1
Appendix III Taxation and Foreign Exchange	III-1

CONTENTS

Appendix IV	Summary of Principal Legal and Regulatory Provisions	IV-1
Appendix V	Summary of the Articles of Association	V-1
Appendix VI	Statutory and General Information.	VI-1
Appendix VII	Documents Delivered to the Registrar of Companies and Available on Display.	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire 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.” You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

Our Vision

Flavoring Every Moment (有人煙處有海天).

Our Value

Customer First (用戶至上).

Who We Are

We are China’s leading condiments company with centuries of heritage, driven by innovation, and embrace a global vision. We are dedicated to providing quality, tasty and healthy condiment products serving the seasoning needs of global customers’ home cooking and dining experiences. Our main product categories include soy sauce, oyster sauce, flavored sauce, specialty condiment products and others.

We are the clear leader in China’s condiments industry, ranking among the global top five in terms of revenue in 2023, according to Frost & Sullivan. We ranked first in China’s condiments market in terms of revenue, with a market share over twice that of our closest competitor in 2023. We have stood as the largest condiment company in China for 27 consecutive years in terms of sales volume. Our soy sauce and oyster sauce products consistently hold the number one positions, while our flavored sauce, vinegar, and cooking wine products achieved leading market positions in China, according to the same source.

Specifically, in 2023:

- **Soy Sauce:** Ranked first in both global and China’s markets in terms of revenue, with a market share of 12.6% in China, more than three times that of our closest competitor; in terms of sales volume, we have held the number one position for 27 consecutive years.

SUMMARY

- **Oyster Sauce:** Ranked first in both global and China's markets in terms of revenue, with a market share of 39.4% in China, more than three times that of our closest competitor; in terms of sales volume, we have held the number one position for 11 consecutive years.
- **Flavored Sauce:** Ranked first in China's single-component flavored sauce market in terms of revenue.
- **Vinegar:** Ranked second in China's market in terms of revenue.
- **Cooking Wine:** Ranked first in China's market in terms of revenue.

How We Capture Growth Opportunities

There are promising opportunities for leading condiments companies in China, characterized by extensive market scale, strong consumer loyalty and staple in nature. According to Frost & Sullivan, China's condiments market is expected to maintain steady growth, reaching RMB677.0 billion by 2028, with a CAGR of 7.2% from 2023 to 2028. China's condiments industry presents significant and diverse growth prospects. According to Frost & Sullivan, China's per capita condiments spending was RMB340 in 2023, only approximately one-fifth of that in the United States and one-third of that in Japan. In terms of revenue in 2023, the market share concentration of China's top five players in the condiments industry was 10.9%, substantially lower than 24.0% in the United States and 28.5% in Japan. The industry is witnessing multiple emerging trends, including rising demand for compound flavored, convenience, and healthy products. The penetration into rural regions in China's market and growing demand in overseas markets present significant growth opportunities.

We have built an industry-leading business model that is customer-centric, technology-empowered, and innovation-driven to capture these opportunities and further enhance our competitiveness:

- **Long-term Development Commitment:** We focus on long-term value creation and strengthening our presence in the condiments industry by strategically building market leadership positions in well-established categories and expanding into new categories. From urban to rural markets, from China to overseas markets, we continue to expand our market presence, enrich our offerings, and strengthen our brand assets.
- **Optimized Supply Chain Capabilities:** We are dedicated to providing quality, tasty and healthy products at competitive prices to our customers. Our optimized supply chain capabilities enable us to achieve leading quality, efficiency, and cost advantages. We strive for excellence across every stage of the supply chain. Our production staff has achieved the highest per capita revenue among China's listed condiments companies.

SUMMARY

- **Sales Network with Breadth and Depth:** We developed the broadest sales network coverage in the condiments industry in China, with virtually 100% coverage at the municipal level and nearly 90% coverage at the county level. Our sales force of over two thousand personnel works closely with our professional distributors to deeply penetrate foodservice channels, supermarkets, wholesale markets, specialized channels, e-commerce and community group purchase platforms, providing high-quality service to catering businesses, food processing enterprises and consumers.
- **Established Technological Advantage:** Decades of dedicated efforts in fermentation technology, key production equipment, nutrition, ingredients and formula have established technology barriers, rendering us leading R&D capabilities among Chinese condiments companies. By the end of 2023, our total R&D investment for the past decade had reached RMB5.4 billion, with R&D costs of RMB715.4 million in 2023. As of September 30, 2024, we had over 1,000 patents covering product R&D, strain breeding and big-data fermentation technology.

Leveraging these core capabilities, we continue to seize market opportunities and strengthen our position as a market leader in both global and China's condiments industry. From 2013 to 2023, we were the only company among the global top ten companies in the condiments industry to achieve a double-digit CAGR in revenue. We are committed to further penetrating the domestic market by seizing more diversified market demand and enhancing the breadth and depth of our sales coverage. We also plan to bring our flavors to the world and incorporate global tastes into our portfolio. By doing so, we aim to steadily increase our market share and solidify our leading position.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have driven our success and enable us to seize market opportunities and achieve sustainable growth:

- Global leader and China's largest player in the condiments industry with proven growth and profitability;
- Beloved household products and portfolio that resonate with hundreds of millions of consumers' taste memories;
- Optimized supply chain with industry-leading quality, efficiency and cost advantages;
- Unparalleled nationwide market coverage and penetration through omni-channel sale network;
- Commitment to innovation and technological advancement driving high-quality and sustainable development; and
- Pragmatic and open corporate culture and management team anchoring sustainable development.

SUMMARY

OUR STRATEGIES

We will adhere to the customer-centric principle and carry out the following strategies:

- Excelling in technological leadership, driving value chain collaboration and unlocking greater supply chain advantage;
- Deepening channel penetration and enhancing customer engagement to solidify the competitiveness of our sales network;
- Iterating to enhance quality and efficiency, strengthen product leadership and build organizational excellence; and
- Venturing aboard, implementing localized strategies and driving global growth.

OUR BRAND AND PRODUCTS

“Haday” is a super brand in China’s consumer sector and we have over four hundred years of heritage, we consistently provide quality, tasty and healthy condiment products to our customers. Our longstanding reputation has made “Haday” a household name, trusted by hundreds of millions of customers. In China, we serve nearly 800 million consumer reach points, with a penetration rate of over 80% of households, according to the 2023 Brand Footprint Report by Kantar Worldpanel. We ranked fourth among China’s consumers’ preferred brands and first among China’s condiments brands.

Our comprehensive product portfolio includes soy sauce, oyster sauce, flavored sauce, vinegar, cooking wine, chicken essence, tomato sauce, chili sauce and other specialty condiment products. Through over 1,300 SKUs, we provide our customers with extensive choices for one-stop solutions.

We have successfully incubated a portfolio of beloved household bestsellers. We have seven product series with annual revenue exceeding RMB1 billion, making us the condiments company with the highest number of billion-annual-revenue bestsellers in China. We have 25 product series with annual revenue exceeding RMB100 million, which contributed 75.1% of our revenue generated from product sales in 2023.

SUMMARY

The following table sets forth our key condiment product categories as of September 30, 2024.

Product Category	Product Picture	Number of SKUs
<i>Soy sauce products</i>		243
<i>Oyster sauce products</i>		68
<i>Flavored sauce products</i>		124
<i>Specialty condiment products and others</i>		875

SUMMARY

The following table sets forth a breakdown of our revenue by product category, in absolute amounts and as percentages of our total revenue, for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Product sales								
Soy sauce								
products	13,861,182	54.1	12,637,386	51.5	9,626,407	51.6	10,338,455	50.7
Oyster sauce								
products	4,416,535	17.2	4,251,221	17.3	3,221,510	17.3	3,427,140	16.8
Flavored sauce								
products	2,584,009	10.1	2,427,007	9.9	1,866,380	10.0	2,034,489	10.0
Specialty								
condiment								
products and								
others	2,932,177	11.5	3,499,473	14.2	2,640,451	14.2	3,165,501	15.5
Subtotal	23,793,902	92.9	22,815,087	92.9	17,354,748	93.1	18,965,585	93.0
Others⁽¹⁾	1,815,749	7.1	1,744,225	7.1	1,295,417	6.9	1,433,723	7.0
Total	25,609,652	100.0	24,559,312	100.0	18,650,165	100.0	20,399,308	100.0

Note:

- (1) Others primarily consist of (i) sales of raw materials, packaging materials, by-products and others, (ii) logistics and transportation services and (iii) rental income.

SUMMARY

OUR SALES AND DISTRIBUTION NETWORK

As of September 30, 2024, we have established an extensive nationwide distribution network in China with virtually 100% coverage at the municipal level and nearly 90% coverage at county-level. We proactively and efficiently manage our distribution network to be closer to distributors and points of sales. At the same time, we assign our sales teams to maintain close communication with our distributors to improve their distribution capabilities for building a comprehensive sales management system. We have established and maintained a number of long-term distributor partners, ensuring the delivery of quality products to our customers.

We primarily sell our products through distributors, and through years of effort, we have built an extensive distribution network enabling us to effectively reach a broad customer base. We also conduct direct sales with end-customers, including catering businesses, food processing enterprises, corporate welfare programs and individual consumers via self-operated stores on e-commerce platforms. Our strategic approaches to distribution and direct sales networks not only enhance our market presence but also ensure that our products are reachable to customers across various regions, thereby driving our business growth and increasing market share.

The following table sets forth a breakdown of revenue from product sales by customer type in absolute amounts and as a percentage of our revenue from product sales for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Distributorship	23,384,100	98.3	22,366,817	98.0	17,003,178	98.0	18,497,227	97.5
Direct sales	409,802	1.7	448,270	2.0	351,570	2.0	468,359	2.5
Total	<u>23,793,902</u>	<u>100.0</u>	<u>22,815,087</u>	<u>100.0</u>	<u>17,354,748</u>	<u>100.0</u>	<u>18,965,585</u>	<u>100.0</u>

We have a dedicated sales team responsible for implementing our sales policies, expanding our sales and distribution network, and overseeing all sales and marketing activities, ensuring that our sales strategies are effectively implemented across all channels. Our sales team are also responsible for managing relationships with distributors, monitoring their performance, providing them with necessary support, and conducting thorough market research with distributors to stay ahead of market trends and preferences.

SUMMARY

OUR PRODUCTION

We have established standardized and automated production processes, continually exploring and developing our production techniques to ensure our products remain flavorful and nutritious, staying at the forefront of market trends and customers preferences. The following table sets forth the details of the production capacities, production volume and utilization rates of our production facilities in operation by product categories for the periods indicated, and also see “Business — Our Production — Our Production Bases”:

	Year ended December 31,						Nine months ended September 30,					
	2022			2023			2023			2024		
	Production Capacity	Production Volume	Utilization Rate	Production Capacity	Production Volume	Utilization Rate	Production Capacity	Production Volume	Utilization Rate	Production Capacity	Production Volume	Utilization Rate
	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)
Soy sauce products	2,600	2,469	95	2,650	2,383	90	1,990	1,700	86	2,120	1,809	85
Oyster sauce products	1,000	868	87	1,070	875	82	800	635	79	890	662	74
Flavored sauce products	400	283	71	400	294	73	300	210	70	300	233	78
Specialty condiment products and others	500	437	87	570	404	71	430	306	71	480	341	71
Overall	4,500	4,057	90	4,690	3,956	84	3,520	2,852	81	3,800	3,045	80

As of the Latest Practicable Date, we operated the following four key production bases in China:

- **Guangdong Gaoming Production Base (廣東高明生產基地)**, starting operations in September 2005, produces various condiment products such as soy sauce, oyster sauce, flavored sauce and specialty condiment products.
- **Jiangsu Suqian Production Base (江蘇宿遷生產基地)**, starting operations in March 2016, produces oyster sauce and specialty condiment products.
- **Guangxi Nanning Production Base (廣西南寧生產基地)**, starting operations in March 2022, produces soy sauce and oyster sauce products.
- **Hubei Wuhan Production Base (湖北武漢生產基地)**, starting operations in February 2024, produces oyster sauce and specialty condiment products.

SUMMARY

RESEARCH AND DEVELOPMENT

Technology has always been the cornerstone of our development. We maintain our competitiveness and lead the sustainable development through our technological advantages. As a leader in the condiments industry with extensive experience, expertise, and advanced R&D capabilities, we have actively contributed to the drafting of various national and industrial standards. As of September 30, 2024, we have led or participated in the formation or revision of a total of 49 national, industry and group standards, such as the industrial standard Green Factory Evaluation Requirements for Condiment (QB/T 5978-2024) and the national standards for Soy Sauce (T/GBAS 11-2022) and Oyster Sauce (T/GBAS 12-2022).

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our research and development costs amounted to RMB751.3 million, RMB715.4 million, RMB501.7 million and RMB602.7 million, respectively, representing 2.9%, 2.9%, 2.7% and 3.0% of our revenue for the same periods.

QUALITY CONTROL

We are dedicated to delivering safe and high-quality products to our customers. Our quality control team is responsible for formulating, managing, and supervising our comprehensive quality control system to ensure all products meet our stringent standards. We have established a quality center responsible for overall management of our quality control system. We also have a dedicated food regulations department researching on the latest domestic and international laws and regulations where we sell products in. Our quality control department is divided into several departments across the whole production processes, namely design quality control, procurement quality control, production quality control, service quality control and quality control rating.

OUR CUSTOMERS AND SUPPLIERS

Our customers are mainly distributors, who purchase and distribute our products, and end-customers, including catering businesses, food processing enterprises, corporate welfare programs and individual consumers via self-operated stores on e-commerce platforms. Revenue generated from our five largest customers in each year or period during the Track Record Period was less than 3.0% of our total revenue of the respective year or period.

We cooperate with raw material providers and purchase raw materials from premium production regions to ensure high-quality and stable supplies. The raw materials that we procure for the production of our products are mainly soybean, oyster extracts, sugar and salt. Purchases from our five largest suppliers in each year or period during the Track Record Period was under 25.0% of our total purchases for each respective year or period.

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 [REDACTED] in our [REDACTED]. Some of the major risks we face include: (i) our business and future growth prospects rely on market’s demand for our products, which is affected by changes in customers’ tastes, preferences, and spending habits; (ii) we operate in a highly competitive industry; (iii) our success depends on market recognition of our brand, and any negative publicity concerning our brand or reputation, regardless of whether it is without merit or immaterial, could adversely affect our business and financial performance; (iv) we generate a vast majority of revenue from our distributors and rely on our distribution network and other sales channels to promote and sell our products; and (v) any adverse publicity involving our distributors, suppliers and other service providers, or the condiments industry in general, could adversely affect our business and financial performance.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our historical financial information for the periods or as of the dates indicated. 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." Our historical financial information was prepared in accordance with IFRS.

Key Items of the Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	25,609,652	24,559,312	18,650,165	20,399,308
Cost of sales	(16,679,019)	(16,222,544)	(12,183,194)	(13,058,814)
Gross profit	8,930,633	8,336,768	6,466,971	7,340,494
Other revenue	894,358	748,533	437,082	501,635
Other net income	151,254	225,143	183,322	171,277
Selling and marketing expenses	(1,378,054)	(1,305,747)	(1,016,114)	(1,198,151)
Administrative expenses	(449,008)	(534,411)	(373,673)	(417,599)
Research and development costs	(751,339)	(715,418)	(501,708)	(602,739)
(Provision for)/reversal of expected credit losses on trade and other receivables.	(2,592)	(203)	2,029	(1,584)
Provision for impairment losses	(16,551)	(3,739)	–	(97,555)
Profit from operations	7,378,701	6,750,926	5,197,909	5,695,778
Finance costs	(14,496)	(11,888)	(9,913)	(20,866)
Profit before taxation	7,364,205	6,739,038	5,187,996	5,674,912
Income tax	(1,161,039)	(1,096,851)	(849,116)	(846,038)
Profit for the year/period . . .	6,203,166	5,642,187	4,338,880	4,828,874
Attributable to:				
Equity shareholders of the Company	6,197,717	5,626,625	4,328,680	4,814,904
Non-controlling interests	5,449	15,562	10,200	13,970
Profit for the year/period . . .	6,203,166	5,642,187	4,338,880	4,828,874

SUMMARY

Selected Items from the Consolidated Statements of Financial Position

The following table sets forth summary information of our consolidated statements of financial position as of the dates indicated, which has been extracted from our historical financial information included in Appendix I to this document.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Total current assets	26,973,588	30,774,419	28,153,491
Total non-current assets	7,085,587	7,649,098	7,854,647
Total assets	34,059,175	38,423,517	36,008,138
Total current liabilities	6,719,291	8,936,237	5,723,511
Total non-current liabilities	455,405	454,304	403,708
Total liabilities	7,174,696	9,390,541	6,127,219
Net current assets	20,254,297	21,838,182	22,429,980
NET ASSETS	26,884,479	29,032,976	29,880,919
CAPITAL AND RESERVES			
Share capital	4,633,834	5,560,601	5,560,601
Treasury shares	–	(249,998)	(563,740)
Reserves	21,763,843	23,220,009	24,375,288
Total equity attributable to equity shareholders of the Company	26,397,677	28,530,612	29,372,149
Non-controlling interests	486,802	502,364	508,770
TOTAL EQUITY	26,884,479	29,032,976	29,880,919

Our net current assets increased by 7.8% from RMB20,254.3 million as of December 31, 2022 to RMB21,838.2 million as of December 31, 2023, primarily due to an increase in cash and cash equivalents of RMB3,689.0 million, partially offset by (i) an increase in contract liabilities of RMB1,578.9 million, (ii) a decrease in other financial assets at FVPL of RMB240.7 million, and (iii) a decrease in term deposits and certificates of deposits of RMB209.7 million.

Our net current assets increased by 2.7% from RMB21,838.2 million as of December 31, 2023 to RMB22,430.0 million as of September 30, 2024, primarily due to (i) a decrease in contract liabilities of RMB2,845.9 million, (ii) an increase in term deposits and certificates of deposits of RMB2,833.6 million, and (iii) an increase in other financial assets at FVPL of RMB1,449.2 million, partially offset by a decrease in cash and cash equivalents of RMB5,986.9 million.

SUMMARY

Our net assets increased by 8.0% from RMB26,884.5 million as of December 31, 2022 to RMB29,033.0 million as of December 31, 2023, primarily due to the profit for the year of RMB5,642.2 million, partially offset by the dividends approved and paid in respect of the previous year of RMB3,243.7 million in 2023.

Our net assets increased by 2.9% from RMB29,033.0 million as of December 31, 2023 to RMB29,880.9 million as of September 30, 2024, primarily due to the profit for the period of RMB4,828.9 million, partially offset by the dividends approved and paid in respect of the previous year of RMB3,660.4 million in the nine months ended September 30, 2024.

Summary of the Consolidated Cash Flow Statements

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

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash generated from operating activities	3,830,314	7,355,651	3,456,158	2,752,550
Net cash used in investing activities	(4,658,528)	(820,002)	(612,756)	(4,770,466)
Net cash used in financing activities	(4,017,763)	(2,850,630)	(2,010,668)	(3,968,949)
Cash and cash equivalents at the beginning of year/period	14,000,798	9,152,035	9,152,035	12,841,080
Effect of foreign exchange rate changes	(2,786)	4,026	–	(13)
Cash and cash equivalents at the end of year/period	9,152,035	12,841,080	9,984,769	6,854,202

Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated/as of the dates indicated:

	As of/For the Year ended December 31,		As of/For the Nine Months ended September 30,
	2022	2023	2024
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
Net profit margin	24.2%	23.0%	23.7%
Current ratio	4.0	3.4	4.9
Return on equity	24.9%	20.5%	22.2%
Debt-to-asset ratio	21.1%	24.4%	17.0%

SUMMARY

See “Financial Information — Key Financial Ratios” for calculation of the above financial ratios.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since September 30, 2024 and there has been no event since September 30, 2024 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE

Our Company has been listed on the Shanghai Stock Exchange since 2014. Our Directors confirmed that, as of the Latest Practicable Date, we had no instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Our PRC Legal Advisor advised us that during the Track Record Period and until the Latest Practicable Date, we have not been subject to any substantial administrative penalties or regulatory measures imposed by PRC securities regulatory authorities and we have complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would cause them to cast doubt on our Directors’ confirmation with regard to the compliance record of the Company on the Shanghai Stock Exchange in any material respect.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the total issued share capital of our Company was directly and indirectly (through Foshan Haipeng) held as to approximately 58.38% by Guangdong Haitian, in which the Concert Party Group held approximately 73.59% interest. The Concert Party Group is also directly interested in the total issued share capital of the Company as to approximately 13.75% in aggregate (with Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao having approximately 9.57%, 3.17%, 0.61%, 0.21%, 0.16% and 0.03% interest in the total issued share capital of our Company, respectively). Together with Guangdong Haitian’s interest in our Company, the Concert Party Group is interested in the total issued share capital of our Company as to approximately 72.12% in aggregate.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Guangdong Haitian and the Concert Party Group will, directly and indirectly and by virtue of the Concert Party Agreement, be interested in the total issued share capital of our Company as to approximately [REDACTED]%. Accordingly, Guangdong Haitian, Foshan Haipeng and the Concert Party Group will be regarded as a group of Controlling Shareholders upon [REDACTED].

SUMMARY

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are newly issued in the [REDACTED], (ii) the [REDACTED] for the [REDACTED] are not exercised, and (iii) [REDACTED] Shares are issued and outstanding following the completion of the [REDACTED]:

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

Notes:

- (1) The calculation of market [REDACTED] of our Shares is based on [REDACTED] H Shares expected to be issued and [REDACTED] A Shares in issue (representing in aggregate [REDACTED] Shares expected to be in issue) immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). For details, see “Share Capital — Upon Completion of the [REDACTED]” in this document.
- (2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this document and on the basis that [REDACTED] Shares were in issue (excluding [REDACTED] treasury Shares), assuming that the [REDACTED] had been completed on [REDACTED] but does not take into account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the [REDACTED].
- (3) No [REDACTED] has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets per Share to reflect any [REDACTED] results or other transactions of our Group entered into subsequent to [REDACTED].

For the calculation of the unaudited [REDACTED] adjusted consolidated net tangible assets per Share, see the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this document.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), 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. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the following purposes:

SUMMARY

- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for product development, as well as R&D of cutting-edge technologies and process upgrades.
- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for expansion of production capacity, adoption of new technologies and digitization upgrades of our supply chain.
- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for enhancing our global presence by establishing our global brand image, expanding sales channels and enhancing overseas supply chain capabilities.
- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for strengthening our sales network and enhancing its penetration capabilities.
- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for working capital and general corporate purposes.

See “Future Plans and Use of [REDACTED].”

DIVIDENDS AND DIVIDEND POLICY

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. Pursuant to our Articles of Association, our annual cash dividends shall not be less than 20% of the distributable profit realized in the current year. In 2022 and 2023 and the nine months ended September 30, 2024, we paid dividends of RMB3,201.6 million, RMB3,243.7 million and RMB3,660.4 million, respectively.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately RMB[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and no exercise of the [REDACTED]), representing [REDACTED]% of the gross [REDACTED] (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised) of the [REDACTED]. We expect to incur [REDACTED] expenses of approximately RMB[REDACTED], of which approximately RMB[REDACTED] is expected to be recognized in the consolidated statements of profit or loss as administrative expenses and approximately RMB[REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. By nature, our [REDACTED] expenses are composed of (i) [REDACTED] of approximately RMB[REDACTED] and (ii) [REDACTED] expenses of approximately RMB[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED] and other fees and expenses of approximately RMB[REDACTED].

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

“A Share(s)”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
“Accountants’ Report”	the Accountants’ report of our Company issued by the Reporting Accountants as set out in “Appendix I — Accountants’ Report” of this document
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on December 30, 2024 with effect from the [REDACTED], a summary of which is set out in Appendix V to this document
“Audit Committee”	the audit committee of our Company, the details of which are described in “Corporate Information” in this document
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[REDACTED]

“CCTV”	China Central Television (中國中央電視台)
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DEFINITIONS

“China” or the “PRC”	The People’s Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to “China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“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”, “our Company” or “the Company”	Foshan Haitian Flavouring and Food Company Ltd. (佛山市海天調味食品股份有限公司), a PRC company established on April 8, 2000, the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 603288)
“Compliance Advisor”	Somerley Capital Limited
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Guangdong Haitian, Foshan Haipeng, Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Experts”	the experts set out in “Appendix VI — Statutory and General Information — E. Other Information — 4. Qualifications of Experts” of this document
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

DEFINITIONS

[REDACTED]

“Foshan Haipeng” Foshan Haipeng Trade Development Co., Ltd. (佛山市海鵬貿易發展有限公司), a limited liability company established under the laws of the PRC on August 28, 2007, being a wholly-owned subsidiary of Guangdong Haitian and one of our Controlling Shareholders

[REDACTED]

“Group,” “our Group,” “the Group,” “we,” “us” or “our” the Company and its subsidiaries

“Guangdong Haitian” Guangdong Haitian Group Co., Ltd. (廣東海天集團股份有限公司), a joint stock limited company established under the laws of the PRC on March 6, 2000, being one of our Controlling Shareholders

“Guide” Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time

“Haitian Commercial Factoring” Guangdong Haitian Commercial Factoring Co., Ltd. (廣東海天商業保理有限公司), a limited liability company established under the laws of the PRC on April 27, 2021, being a wholly-owned subsidiary of Guangdong Haitian

[REDACTED]

DEFINITIONS

[REDACTED]

“HK\$” or “HKD” or “Hong Kong dollars” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the People’s Republic of China

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange” The Stock Exchange of Hong Kong Limited

DEFINITIONS

[REDACTED]

"IFRS"	IFRS Accounting Standards issued by the International Accounting Standards Board
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules) of the Company

[REDACTED]

DEFINITIONS

[REDACTED]

“Jiaxing Haitian Small Loan” Jiaxing Haitian Small Loan Company Limited (嘉興海天小額貸款有限公司), a limited liability company established under the laws of the PRC on August 31, 2023, being a subsidiary held as to 80% equity interest by Guangdong Haitian

[REDACTED]

“Joint Sponsors” the joint sponsors as named in “Directors, Supervisors and Parties Involved in the [REDACTED]” of this document

“Latest Practicable Date” January 5, 2025, being the latest practicable date for ascertaining certain information in this document before its publication

[REDACTED]

“Listing Committee” the Listing Committee of the Hong Kong Stock Exchange

[REDACTED]

DEFINITIONS

“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“MOF”	the Ministry of Finance of the People’s Republic of China (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)
“Mr. Chen”	Mr. Chen Junyang (陳軍陽), one of our Controlling Shareholders
“Mr. Guan”	Mr. Guan Jianghua (管江華), our executive Director, president and one of our Controlling Shareholders
“Mr. Liao”	Mr. Liao Changhui (廖長輝), our executive Director and one of our Controlling Shareholders
“Mr. Pang”	Mr. Pang Kang (龐康), one of our Controlling Shareholders
“Mr. Wen”	Mr. Wen Zhizhou (文志州), our executive Director and one of our Controlling Shareholders
“Ms. Cheng”	Ms. Cheng Xue (程雪), our executive Director, chairwoman of our Board and one of our Controlling Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of our Company, the details of which are described in “Corporate Information” in this document

DEFINITIONS

[REDACTED]

“Ordinary Shares” or “Shares” ordinary shares in the share capital of the Company

[REDACTED]

“PBOC” the People’s Bank of China (中國人民銀行), the central bank of the PRC

“PRC Legal Advisor” Jingtian & Gongcheng, the PRC legal advisor to our Company

DEFINITIONS

[REDACTED]

“Regulation S”	Regulation S under the Securities Act
“Remuneration and Evaluation Committee”	the remuneration and evaluation committee of our Company, the details of which are described in “Corporate Information” in this document
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A of the Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”, or formerly known as “SAIC”	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 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)
“Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“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
“Shareholder(s)”	holder(s) of our Shares

DEFINITIONS

[REDACTED]

“STA”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“State Council”	the PRC State Council (中華人民共和國國務院)
“Strategy and Sustainability Committee”	the strategy and sustainability committee of our Company, the details of which are described in “Corporate Information” in this document
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“Supervisor(s)”	member(s) of Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“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
“Track Record Period”	the period comprising the two years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024

[REDACTED]

“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Investment Company Act”	the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder
“U.S. Persons”	the U.S. persons as defined in Regulation S under the Securities Act
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“Vinegar Group”	Haitian Vinegar Industry Group Limited (海天醋業集團有限公司), a limited liability company established under the laws of the PRC on March 25, 2014, formerly known as Foshan Haitian (Jiangsu) Flavouring Food Co., Ltd (佛山市海天(江蘇)調味食品有限公司), being a wholly-owned subsidiary of the Company

In this document, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong 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 the 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.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“AI”	artificial intelligence
“billion-annual-revenue”	with annual revenue over RMB1 billion
“BRC”	brand reputation through compliance, a globally recognized standard for ensuring food safety, quality and operational criteria in the supply chain
“CAGR”	compound annual growth rate
“Central Region”	our sales region, consisting of Anhui Province, Jiangxi Province, Henan Province and other sales regions for purposes of this document
“COVID-19”	outbreaks of coronavirus disease 2019, an infectious disease caused by the recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2, SARS-CoV-2)
“Eastern Region”	our sales region, consisting of Shanghai, Jiangsu Province, Zhejiang Province and other sales regions for purposes of this document
“ERP system”	enterprise resource planning system
“FSSC 22000”	FSSC22000 food safety management system, an internationally accepted system that contains a complete certification scheme and provides a certification model for the whole food supply chain
“g”	gram
“HACCP”	a quality management system which identifies and evaluates points during production in order to set up measures and control hazards to ensure product safety

GLOSSARY OF TECHNICAL TERMS

“INS system”	intelligent near-infrared spectroscopy analysis system
“ISO22000”	ISO22000 food safety management system, an internationally accepted food safety management system implemented by the International Organization for Standardization
“ISO9001”	ISO9001 quality management system, an internationally accepted quality management system implemented by the International Organization for Standardization
“IT”	information technology
“kg”	kilogram, equals to 1,000 grams
“koji”	a substance used as a fermentation starter
“L” or “litre”	a metric unit of liquid volume capacity, equals to 1,000 mL
“mL” or “milliliter”	a metric unit of liquid volume capacity, equals to one-thousandth of a litre
“Non-GMO”	non-genetically modified organisms, which have not been altered using genetic engineering techniques
“Northern Region”	our sales region, consisting of Shandong Province, Hebei Province, Jilin Province and other sales regions
“PLM system”	product lifecycle management system
“Province”	a province or, where the context requires, a provincial level autonomous region or a provincial-level city under the direct supervision of the central government of the PRC
“PV”	a method of converting solar energy into direct current electricity using semiconducting materials that exhibit the photovoltaic effect, a phenomenon commonly studied in physics, photochemistry and electrochemistry
“R&D”	research and development

GLOSSARY OF TECHNICAL TERMS

“Sanjiang Plain”	a plain located in Northeast China with thick and fertile soil and extensive amounts of arable land
“SKU”	stock keeping unit for our Company’s inventory management, reflecting a distinct type of product which is distinguished from other product types by its technique and attributes
“Southern Region”	our sales region, consisting of Guangdong Province, Guangxi Province, Hainan Province and other sales regions for purposes of this document
“sq.m.”	square meter, a unit of area measurement in the metric system
“SRM system”	supplier relationship management system
“ton” or “tons”	metric ton or metric tons, 1,000 kilograms equal to 1 ton
“UHT”	ultra high temperature
“Western Region”	our sales region, consisting of Yunnan Province, Sichuan Province, Ningxia Province and other sales regions for purposes of this document

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements relating to our Company, our subsidiaries and consolidated affiliated entities that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks, uncertainties and other factors facing our Group which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- changes in the macro environment, regional and global economy, as well as industry trends related to our operations;
- our ability to successfully implement our business plans, strategies, objectives and goals;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- changes in our customers' demands and expectations;
- changes in the competitive landscape of the industries where we operate;
- our ability to protect our reputation and brand image, as well as trademarks, technologies, know-how, patents and other intellectual property rights;
- changes in local economic and political conditions and changes in compliance with international laws and regulations in the countries and regions where we operate; and
- developments in technology and our ability to successfully keep up with technological advancement.

RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The [REDACTED] of our Shares could decrease due to any of these risks, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements."

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth prospects rely on market's demand for our products, which is affected by changes in customers' tastes, preferences, and spending habits.

Our business performance is affected by changes in customers' tastes, preferences and spending habits, and our success depends on our ability to continually offer new products that satisfy changing market demand. The demand for condiment products continually evolves due to various factors, including changes in lifestyles, diversified use scenarios and consumption patterns, changing demographics, social trends, concerns or perceptions regarding food safety and healthy eating, and the economic environment. Such factors are beyond our control and may change from time to time. With the trend of urbanization and the increase of disposable income per capita, the demand for condiment products has been continually growing in recent years. Besides, with the continually growing awareness in respect of healthy eating, certain condiment products with health-conscious concept have gained increasing attention and market popularity. Failure to respond to such changes and to continually upgrade existing products and develop new products could impact our business and financial performance.

Despite that we continually upgrade existing products and endeavor to develop and launch new products that cater to the changing market, we cannot guarantee that our product portfolio will always lead or capture market trends. If we do not effectively anticipate and respond to the changing market trends and customers' preferences, our sales and growth could be adversely affected. There are also inherent risks associated with new products, including uncertainties about market acceptance of newly launched products or potential impacts on our existing product offerings. We may need to increase expenditure for new product development.

RISK FACTORS

We operate in a highly competitive industry.

We operate in the condiments industry, which is and will continue to be highly competitive with respect to brand recognition, product quality, price and innovation. There is also the possibility of consolidation trends within the condiments industry, including the integration of upstream and downstream operations or alliances among competitors, which could allow our competitors to gain substantial market share. Furthermore, new competitors may emerge from time to time, which may further intensify competition. Any of these factors could adversely affect our market share, business and financial performance.

Our effective operation depends on several factors, including our ability to enhance existing products, develop and launch new offerings, successfully maintain and expand our sales and distribution network and to improve our production capacity and operational efficiency. Failure to compete successfully may materially and adversely affect our market share, business growth and profitability. Moreover, competition could compel our competitors to significantly increase their advertising and promotional efforts or to engage in more aggressive pricing strategies. We cannot assure you that our marketing and pricing initiatives will be sufficient to compete effectively with our competitors. Intensified competition may require us to continually raise our selling and marketing expenses and may limit our discretion on pricing strategy, which may be adverse to our results of operations and thus affect our profitability. If we are unable to sustain our brand's presence in existing markets or effectively compete in new markets, our market share, profit margins and revenue growth may be materially and adversely affected.

Our success depends on market recognition of our brand. Any negative publicity concerning our brand or reputation, regardless of whether it is without merit or immaterial, could adversely affect our business and financial performance.

Our business performance depends on the awareness, recognition, popularity and reputation of our brand. We have successfully built our brand, which we believe is critical to our continued success and growth. To sustain and expand our customer base, it is crucial to maintain and enhance the awareness, recognition and reputation of our brand. This will incentivize ongoing customer purchases and, in turn, will facilitate our business growth and consolidate our market position.

However, our brand could be harmed by ineffective customer service, customer complaint and product liability. Negative publicity or media reports, including defamation, regardless of their merit or significance, could materially and adversely affect customers' recognition and trust in our products. Claims regarding product, environmental impact and the sustainability of our operations, even if false or unfounded, could tarnish our brand image and might cause customers to choose alternative products. Furthermore, our brand image or customers' perceptions of product quality and food safety could be adversely affected by litigation, unfavorable reports by third parties (such as customer organizations) in the media, studies in general and regulatory or other governmental inquiries, and proposed or new legislation on

RISK FACTORS

related products. Negative postings or comments on social media or networking websites about our Company or our brand, even if inaccurate or malicious, could generate negative publicity that might damage our reputation.

We generate a vast majority of revenue from our distributors and rely on our distribution network and other sales channels to promote and sell our products.

We rely on our distribution network to ensure smooth deliveries of our products to customers. As of September 30, 2024, our extensive distribution network consisted of 6,722 distributors. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our sales to distributors amounted to RMB23,384.1 million, RMB22,366.8 million, RMB17,003.2 million and RMB18,497.2 million, respectively. See “Business — Our Sales and Distribution Network — Distributorship.”

Our success relies on effective management and coordination of our distribution network. If our distributors fail to market and sell our products effectively, our market reputation and ability to grow our business may be adversely affected. In addition, we may not be successful in managing our distributors’ sales activities, nor may we be successful in identifying or preventing any non-compliance with the terms of our and/or existing distribution agreements by any of our distributors. We designate distribution regions and/or channels for each distributor under the terms of our distribution agreements and establish effective communication with our distributors to avoid market cannibalization. See “Business — Our Sales and Distribution Network — Distributorship.” However, we may not always be able to effectively manage and control our distributors’ sales activities. If any distributor does not comply with the terms of our distribution agreements, such as expanding their sales regions and/or channels without authorization, our relationships with other distributors could be negatively impacted.

In addition, we need to effectively expand our distribution and sales network to facilitate stable and continual business growth. Any failure to effectively manage and maintain the existing distributor network or to expand our distribution network and other sales channels could adversely affect our business and financial performance. Our ability to expand distribution coverage is also affected by changes in the relevant regulatory requirements and competitive landscape, and customers’ tastes, preferences and spending habits. Failure to effectively respond to such changes may result in an adverse effect on our business and prospects.

In addition, our direct sales customers mainly include catering businesses, food processing enterprises, corporate welfare programs and individual consumers via self-operated stores on e-commerce platforms. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, the revenue generated from direct sales amounted to RMB409.8 million, RMB448.3 million, RMB351.6 million, and RMB468.4 million, respectively. Failure to maintain business relationships with our direct sales customers or failure to develop relationships with new direct sales customers could adversely affect our brand, business and financial performance.

RISK FACTORS

Any adverse publicity involving our distributors, suppliers and other service providers, or the condiments industry in general, could adversely affect our business and financial performance.

Any claims regarding our distributors, suppliers of raw materials and packaging materials, even if false or unfounded may cause customers to choose alternative products. Negative public opinion, studies or allegations about the health impacts of our raw materials or packaging materials, whether unfounded or not, could lead to a detrimental shift in customers' perception of our products, all of which may decrease demand for our products and reduce our market appeal. The demand for our products could also significantly diminish if we or our distributors, suppliers, logistics service providers or customers themselves fail to preserve the quality of our products, or act or are perceived to act in an unethical, illegal or socially irresponsible manner. Furthermore, any unfavorable attention directed at the condiments industry in general, whether aimed specifically at us or not, may lead to a negative perception of our brand, thereby influencing customers' demand for our products and materially impacting our business and financial performance.

Any price fluctuations, quality change, shortage or other risks associated with raw materials and packaging materials could adversely affect our business and financial performance.

We depend on a stable and sufficient supply of high-quality raw materials and packaging materials. It is crucial for our business to procure raw materials and packaging materials at competitive prices in a timely manner. We need a consistent and sufficient supply of raw materials and packaging materials for our production. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, the cost of raw materials and packaging materials amounted to RMB12,554.8 million, RMB12,208.7 million, RMB9,194.9 million and RMB9,746.3 million, respectively. The prices of key raw materials and packaging materials are subject to volatility due to market supply and demand, climate, environmental conditions, commodity price fluctuations, currency fluctuations, changes in governmental policies and natural disasters.

Despite that we have maintained a stable relationship with our suppliers and been able to obtain sufficient supply of raw materials and packaging materials, we can give no assurance that we will not encounter raw materials and packaging materials shortages or substantial procurement cost hikes if a significant number of our suppliers for any given raw material or packaging material are unable or unwilling to meet our needs. Suppliers may fail to deliver these materials for various reasons, including natural disasters, manufacturing issues, epidemics, crop failures, strikes, transportation disruptions or regulatory changes, as well as financial difficulties such as bankruptcy. These materials are also subject to price fluctuations driven by external market changes, supply and demand dynamics, logistics costs, our bargaining power with suppliers, inflation and government policies. Consequently, our production and costs are heavily influenced by our ability to maintain stable and sufficient raw materials and packaging materials supplies at competitive prices.

RISK FACTORS

Our procurement team formulates plans on an annual basis with reference to sales projections and the anticipated price fluctuation of raw materials and packaging materials. We monitor and adjust our procurement plans with regard to orders we have received, the market demand for our products, and the price trend of raw materials in a timely manner. If we cannot secure raw materials and packaging materials in expected quantities, quality, or at acceptable prices, our production, product quality and profit margins could be affected, and we cannot guarantee that we will be able to include these costs in the selling prices of our products in a timely manner, if at all, which could adversely affect our business and financial performance.

Product quality and food safety issues related to our products, or concerns about the safety and quality of our products, may adversely affect our business and financial performance.

Our ability to maintain an effective quality control system is essential to the success of our business. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any material product liability claims or product recall incidents. Any product defects, product contamination, and other product quality or food safety issues could lead to liability claims, product recalls, damage to our reputation, or penalties from regulatory authorities, all of which may adversely affect our business and financial performance.

Additionally, we may face actual or perceived failures, to meet our food safety standards, for reasons such as allegations regarding product defects or production defects that arise from our raw materials and packaging materials suppliers, even if some issues are not our fault in the first instance. Such issues could cause significant disruptions, including costly production delays, product recalls, market withdrawals and negative publicity. This may also lead to the destruction of inventory, loss of sales due to product unavailability, fines from regulatory agencies, and higher-than-expected return rates. We may also need to engage in negotiations or litigation with our raw material and packaging material suppliers and customers regarding losses stemming from product defects or production defects. Such legal proceedings could incur substantial costs, further affecting our reputation, business and financial performance. Even if we prevail in any related litigation, we might struggle to enforce the judgments and remedies granted by the court. Furthermore, these remedies may fall short in compensating us for our actual or expected losses, whether they are tangible or intangible. Any of these events could damage the goodwill linked to our brand, which might adversely affect our business, reputation and long-term financial performance.

RISK FACTORS

Our business may be adversely affected by delays in the construction of our new production bases or insufficient supply of utilities.

As of September 30, 2024, we owned and operated a number of production bases in China, mainly located in Guangdong Province, Jiangsu Province, Guangxi Province and Hubei Province. We continually maintain our existing production facilities and bases, expand production capacity through upgrading our existing facilities and bases, purchase new equipment and establish new production bases, and improve production technologies, to ensure smooth operation and drive our business growth. We may face risks in the construction of production bases, such as labor shortages, delays in the supply of construction materials and equipment, cost overruns, natural disasters, accidents, or other unforeseen events. The delay in construction could incur additional costs and affect our business expansion plan.

Moreover, our production and operations rely on a consistent and sufficient supply of utilities, including electricity, water, and gas. Any disruptions in the supply of electricity, water, or gas could halt our production and potentially lead to the loss of our products. This, in turn, could impair our ability to meet sales orders and negatively affect our business operations. Any mechanical failures or even mechanical maintenance could disrupt our production process and lead to additional costs for repairs or replacements. There is no guarantee that we could always maintain the efficient operation of our production. Any such disruptions could adversely affect our business and financial performance. Events such as stoppages, fires, earthquakes, natural disasters, pandemics, extreme weather conditions, force majeure or other calamities at or near our facilities could significantly disrupt our operations. Any failure to implement adequate measures to mitigate the impact caused by these unforeseen events, or to effectively respond to such events, could harm our business, financial stability, and operational results.

We may not be able to accurately track our distributors' sales and inventory levels of our products, which could cause us to predict sales trends incorrectly. Our financial performance relies on our ability to timely and effectively manage our inventory.

We implement a set of management measures to track our distributors' sales, and we require them to report to us regularly. We have developed an information system, namely the Xiaokang Maimai platform, through which we can monitor the inventory and sales data of our distributors. However, we still rely on distributors to voluntarily provide us with this information on that platform on a regular basis. Our distributors may not always be able or willing to provide us with accurate and precise information in relation to their sales and inventory levels of our products in a timely manner. As a result, our ability to accurately track our distributors' sales and the inventory levels of our products may be limited. Our sales to distributors may not be reflective of actual sales to our customers, and we may not be able to timely collect sufficient information and data regarding market demand for our products. Failure to accurately track the sales and inventory levels of our distributors and timely gather market information may cause us to incorrectly predict sales trends and affect our ability to quickly adjust our marketing and product strategies to respond to market changes.

RISK FACTORS

It may be difficult to accurately forecast demand and determine appropriate levels of inventory we maintain. Any change in customer demand for our products or the occurrences of force majeure events may have an adverse impact on our product sales, which may in turn lead to declines in inventory value or inventory write-offs. In the case of overestimation of customer demand, we may be subject to overstocking, resale of the inventories on less favorable terms, or even write-downs of inventories. In the case of underestimation of customer demand, we may not be able to maximize our revenue. In addition, if we are required to lower sale prices in order to reduce inventory levels, our profit margins might be negatively affected. Any of the above may materially and adversely affect our business and financial performance.

We are subject to various risks relating to the Third-Party Payment Arrangements.

During the Track Record Period, some of our customers settled payments with us through accounts belonging to parties other than the contractual counterparties under the corresponding sales and purchase agreements or relevant parties who assumed unlimited personal liabilities for the payment obligations thereunder. We have been managing and rectifying the Third-Party Payment Arrangements. See "Business — Our Customers — Third-Party Payment Arrangements." We faced various risks related to these Third-Party Payment Arrangements during the Track Record Period, including: (i) third-party payers who are not contractually obligated debtors may seek to reclaim funds from us, despite our having typically entered into the Undertaking Letters with relevant customers and third-party payers; (ii) potential risks arising from our limited understanding of the source and use of funds by third-party payers; and (iii) claims that may be made by the liquidators of third-party payers. If any claims are made by third-party payers or their liquidators, or if any legal proceedings are initiated or brought against us regarding any third-party payments, we may need to allocate additional financial and management resources to address these claims or legal proceedings, which could adversely affect our business and financial performance.

Our ability to protect our intellectual property rights may affect our operation.

We believe that our trademarks, patents, copyrights, domain names, trade secrets and other intellectual property are crucial to our success. At present, we have been granted a number of trademark registrations and patents covering our brand and products, and have filed several applications seeking to protect newly developed trademarks and patents.

We may face the risk of intellectual property infringement by third parties. There can be no assurance that there will be no unauthorized use of our intellectual property rights in the market. Infringers may produce similar products using our intellectual property without our authorization. However, it is often difficult to detect or effectively prevent such incidents in a timely manner. The occurrence of such events may adversely affect our sales and brands. Our brand and reputation are critical to our profitability and competitiveness, and any damage thereof could adversely affect our business and financial performance.

RISK FACTORS

Moreover, our measures to enforce or defend our intellectual property may not always be successful. We may initiate legal proceedings against third-party infringement to protect our intellectual property rights, which could incur significant costs and time, and the outcome may be uncertain. If we fail to adequately protect or safeguard our intellectual property, our business, financial condition, operating results and prospects may be adversely affected.

At the same time, we face the risk of claims for intellectual property infringement or misappropriation by third parties in the course of our operations. Defending against any such claims could be costly and time-consuming, and any adverse judgment could expose us to liability, thereby disrupting our business operations, damaging our reputation and brands, and adversely affecting our business and financial performance.

The execution of our investment, maintenance or upgrades related to production equipment, facilities, technologies and other operational aspects may not always be carried out successfully.

We continually maintain our existing production facilities and aim to optimize our production capacity by upgrading existing equipment and facilities, purchasing new facilities and improving production techniques. As our business grows we may need to expand our production capacity through various measures, including constructing new production bases and expanding existing ones. See "Business — Our Production — Production Expansion Plan."

We anticipate that we will continuously make efforts to upgrade our facilities and production bases. If these upgrade plans are not successfully implemented it could have an adverse impact on our business growth. Our new production bases may not commence production in time, and our production expansion plan may not be successful. Several factors may delay our expansion plans and increase our costs, including: (i) failure to obtain regulatory approvals, permits or licenses from the relevant government authorities in a timely manner; (ii) shortage, late delivery or increased prices of building materials and production equipment, as well as various other factors affecting construction progress, resulting in delay in the construction of the new production bases; and (iii) technological changes, capacity expansion or other changes to our plans for our new production bases necessitated by changes in market conditions.

If market demand declines in the future, or if the upgrade plans do not generate the expected returns on investment, our financial condition may be adversely affected.

RISK FACTORS

Our R&D requires long-term and substantial investments, which may incur significant expenses without necessarily generating the expected outcomes.

We continually invest in R&D to develop new products and techniques and to improve existing production technologies and techniques to maintain our competitiveness and support the further expansion of our business. Our R&D team seeks to improve our products' formulas, launch new products, upgrade our existing production techniques and develop new technologies. Such R&D efforts may incur significant expenses, and our efforts in these areas may not be as effective as expected in the near future. In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our R&D costs amounted to RMB751.3 million, RMB715.4 million, RMB501.7 million and RMB602.7 million, respectively.

Our existing and future R&D activities may not be successful, or our new technologies or products may not be favored by customers. As market trends and customer tastes, preferences and consumption habits evolve, we cannot guarantee that our investments in R&D will always yield the expected results, or any results at all. If we fail to achieve the expected results, it may adversely affect our business and financial performance.

We may incur significant expenses in connection with our selling and marketing activities, and the results of such activities may not be as effective as expected.

We continually invest in selling and marketing activities to raise recognition of our brand. We utilize tailored and creative selling and marketing activities such as advertising placements, live streaming and onsite events. All these initiatives may incur substantial costs and expenses. We incurred selling and marketing expenses of RMB1,378.1 million, RMB1,305.7 million, RMB1,016.1 million and RMB1,198.2 million, respectively, in 2022, 2023 and the nine months ended September 30, 2023 and 2024. We expect to continue investing in selling and marketing to further enhance our market recognition and customer awareness. However, we cannot assure you that we will achieve the expected results of such activities, nor can we assure you that we will effectively retain existing customers or attract new customers. Our selling and marketing activities require support from relevant professionals. If we fail to hire, train and retain our dedicated sales and marketing personnel, or if our new sales and marketing personnel fail to meet expected performance levels, we may not be able to execute our selling and marketing strategies or achieve our goals.

Moreover, marketing conditions and trends in the condiments industry are continually evolving, requiring us to constantly optimize our selling and marketing strategies and try new methods to keep up with evolving market trends and customer preferences. If our selling and marketing activities do not meet our expectations or fail to conduct in a cost-effective approach, it may negatively impact our business and financial performance.

RISK FACTORS

We plan to expand our presence in overseas markets and thus bear the risks associated with sales in those overseas markets.

We have been continually advancing our international presence and selling our products in overseas markets. Development and expansion in the overseas markets have been part of our long-term strategy. Our sales activities and expansion plans in overseas markets are subject to certain risks relating to specific regions, including:

- economic and political conditions;
- different tax rates, and import and export licensing requirements;
- fluctuations in foreign currencies' exchange rates;
- costs associated with understanding local market trends;
- difficulties and costs associated with obtaining or maintaining intellectual property rights in different regions;
- difficulties and costs associated with complying with, and enforcing remedies under a wide variety of complex domestic and international laws, treaties and regulations; and
- changes in international trade policies and regulations, including economic sanctions, export controls, import restrictions and the imposition of tariffs and other trade barriers.

If our third-party service providers do not satisfactorily fulfill their commitments and responsibilities, our business and financial performance could be adversely affected.

In conducting our business, we rely on certain services provided by third parties to support various aspects of our operations, such as logistics service providers and marketing service providers. These third parties face risks similar to ours, such as business interruption, system failure and human error, risks related to cybersecurity and data protection, as well as their own legal, regulatory and market risks. Our third-party service providers may not be able to fulfill their respective commitments and responsibilities in a timely manner and in accordance with the terms agreed with us or applicable laws and regulations.

RISK FACTORS

Additionally, we may not be able to control the business operations or governance and compliance systems, business practices, and operating procedures of our third-party service providers. If we are unable to effectively manage our relationships with third-party service providers, or if our third-party service providers fail to satisfactorily fulfill their commitments and responsibilities for any reason, our business, operating results and financial condition will be affected. There can be no assurance that we can continue or extend relationships with our current third-party service providers on terms acceptable to us, or that we will be able to establish relationships with new third-party service providers to ensure accurate, timely and cost-efficient delivery of such services. When existing contracts with third-party service providers expire, we may not be able to renew them on terms favorable to us or find suitable replacements in a timely manner, which could adversely affect our business and financial performance.

Our business performance largely relies on our dedicated management team and other key personnel. If we are unable to retain them and cannot timely find appropriate candidates to replace them, our business may be adversely affected.

Our business performance is dependent, to a significant extent, on the continuing efforts of our dedicated management team and other key individuals with industry expertise, technical skills or experience in the industry. Our future success depends on the continuing services of our key personnel to successfully implement our business strategy. If our key personnel are unable to work together successfully, or if our key personnel are unable to effectively implement our business strategy, our business may not grow at the pace expected. If any key personnel are unable or unwilling to continue in their present positions and we may not be able to locate suitable or qualified replacements, our results of operations may be materially and adversely affected. In addition, if any of our key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how. Any failure to attract, retain and motivate such key personnel may harm our business performance and result in a loss of business.

Furthermore, our ability to continually produce high-quality products partly depends on skilled employees who are familiar with and proficient in our production techniques and R&D personnel who keep us abreast of cutting-edge technologies and developments in the market. We also rely on sales personnel to effectively manage our sales and distribution network. As our business expands, we may not be able to retain these skilled production and sales personnel at a reasonable cost, which could significantly and adversely affect our business and financial performance.

RISK FACTORS

We may face risks relating to labor relations, labor disputes, labor shortages and increases in labor costs.

Our success depends on our ability to hire, train, retain and motivate our employees. Any deterioration in labor relations with our employees could lead to labor disputes, which may disrupt our production and operations, adversely affecting our business and financial performance. Despite our efforts to provide a safe working environment to avoid occupational injuries, we may still face liability claims, negative publicity and government investigations or interventions related to workplace safety or employee injuries. Such incidents could result in a deterioration of our labor relations with employees and damage our reputation. Additionally, with the growth of the economy, average wages of our employees are expected to increase. Any significant increase in labor costs could adversely affect our profitability, business and financial performance.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in the PRC, and the relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments, employers who fail to make adequate payments as required may be subject to late payment fees, fines and/or other penalties. During the Track Record Period and up to the Latest Practicable Date, we had not received any material administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. There can be no assurance that any new laws and regulations will not require us to settle any outstanding amount within a specified time limit, which may adversely affect our results of operations and financial condition.

If any fraud, bribery or other misconduct is committed by our employees, suppliers, customers or other third parties, we may be subject to economic losses and reputational damage.

We may face fraud, bribery or other misconduct committed by employees, suppliers, customers or other third parties, which could lead to financial losses and penalties from government authorities. Although we have designed internal control procedures to monitor operations and ensure overall compliance, these procedures may not be able to promptly identify all non-compliance, suspicious transactions, fraud, corruption, bribery or other misconduct, nor prevent or stop such occurrences. Our risk management systems and internal control capabilities are limited by the information and risk management tools and technologies available to us. Our ability to implement and maintain strict internal controls may be affected by the continual expansion of our business scale. Any misconduct by third parties that harms our interests could result in negative publicity, damage our reputation and lead to litigation and other legal proceedings, as well as administrative or criminal penalties, thereby adversely affecting our business and financial performance.

RISK FACTORS

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

Our revenue decreased by 4.1% from RMB25,609.7 million in 2022 to RMB24,559.3 million in 2023. Our revenue subsequently increased by 9.4% from RMB18,650.2 million in the nine months ended September 30, 2023 to RMB20,399.3 million in the nine months ended September 30, 2024. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we recorded net profits of RMB6,203.2 million, RMB5,642.2 million, RMB4,338.9 million and RMB4,828.9 million, respectively, and our net profit margin was 24.2%, 23.0%, 23.3% and 23.7%, respectively, in the same periods. We may be unable to sustain the same level of results of operations and financial performance, or our revenue, gross profit and net profit may decline for reasons such as decreased customer demand for our products, cost fluctuations of input materials, supply chain disruptions, increased competition in the industry, or damage to our reputation or brand image. We may also encounter unforeseen difficulties in operations. Failure to address these risks and challenges may affect our business and financial performance. You should therefore not rely on our historical results of operations as indication of our future performance.

Our insurance coverage may be insufficient to cover all potential liabilities or losses.

We maintain insurance policies to cover potential product liabilities and potential safety issues related to our production. In addition, we have purchased several property-related insurance policies covering our fixed assets and inventories. See “Business — Insurance.” Our insurance policies may not provide adequate coverage for all the risks connected 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, which could have a material and adverse effect our business, results of operations and financial condition.

Failures or security breaches of our information technology systems could affect our business.

Information technology is an important part of our business operations, and we increasingly rely on our information technology systems to monitor and manage all aspects of our business including procurement, production, quality control, warehousing and logistics, sales and distribution, and marketing. Our information technology systems may be vulnerable to a variety of interruptions, including natural disasters, telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorized access attempts and other security breaches. The technology security initiatives and disaster recovery plans we have implemented to address these may not be adequate. Any significant failure of our systems, including failures that prevent our systems from functioning as intended could cause transaction errors, processing inefficiencies and loss of customers and sales, resulting in a negative impact on our operations or business reputation.

RISK FACTORS

We process customers' personal information in our daily operations, but only to the extent necessary for the sale and delivery of our products and services in conformity with the relevant laws and regulations. The laws and regulations regarding privacy and data protection are generally complex and evolving. If we are unable to comply with the applicable data protection and information security laws, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, impair our brand image and could subject us to significant legal, financial and operational consequences. If our network security is compromised, and such information is stolen or obtained by unauthorized persons or used inappropriately, we may be subject to litigation and other proceedings brought by customers and relevant authorities. Any such proceedings could divert our management's attention, result in significant financial losses and expenses, and negatively affect customers' perception of our brand.

We face risks related to health epidemics and other outbreaks, and events such as wars and acts of terrorism, which could significantly disrupt our operations.

Our business is subject to risks related to outbreaks of a widespread health epidemic such as avian influenza, swine influenza, severe acute respiratory syndrome (SARS), Middle East respiratory syndrome coronavirus (MERS-CoV), or COVID-19, or other events such as war, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of any of the foregoing events may harm the global and regional economy in general, disrupt the condiments industry and our operations, and have an adverse effect on our business, results of operations and financial condition.

Our business and financial performance may be adversely affected by the uncertainties around economic conditions, or a downturn in disposable income per capita.

As some of the most commonly used products in daily food consumption, the demand for our products is stable, and of strong anti-cyclical characteristics. However, our business could be affected by the overall economic conditions and disposable income level of the public. Any adverse development in the global economy, whether as a result of a recession, credit and capital markets volatility, economic or financial crises, public health incidents or otherwise, may cause market demand for our products to decrease, or force us to reduce the price of our products. Our success also depends, to a significant extent, on disposable income per capita, which is influenced by general economic conditions. Accordingly, we may experience declines in sales during economic downturns or prolonged periods of high unemployment. Any material decline in the amount of discretionary spending of the residents of the places where our products are primarily sold may have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Expansion and acquisitions of or investments in businesses, products, technologies or production capacity could subject us to risks and uncertainties.

We plan to continually and actively seek strategic opportunities for acquisitions of or investments in businesses, products, technologies or production capacity that we believe would benefit our product development, R&D capabilities, technologies and distribution network. We may not be able to successfully execute our expansion and acquisition plans, and complete the relevant transactions as expected.

Our ability to grow through acquisitions and investments depends upon our ability to identify and integrate suitable targets and to obtain necessary financing on reasonable terms. In particular, acquisitions may involve significant risks and uncertainties, including but not limited to: (i) difficulties in integrating acquired companies, personnel, equipment, facilities or products, as applicable, into our business to realize the benefits and synergies of acquisitions and investments; (ii) diversion of our management’s time and attention from other business concerns; (iii) higher costs of integration than anticipated; and/or (iv) difficulties in retaining key employees of acquired businesses.

Meanwhile, we may be unable to achieve the anticipated effects or returns from our investments and recover such investments in time. An acquisition could also impair our results of operations by causing us to incur debt or amortize acquired intangible assets. We may also discover deficiencies in internal controls, data adequacy, integrity and security, service quality, regulatory compliance and liabilities in acquired businesses which we did not uncover prior to such acquisitions. Consequently, we may be subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses or products, or unexpected penalties, lawsuits or liabilities in connection with such businesses or products could adversely affect our business and financial performance.

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

As of December 31, 2022, 2023 and September 30, 2024, we had contract liabilities of RMB2,948.1 million, RMB4,527.0 million and RMB1,681.1 million, respectively. Our contract liabilities represent advance payments made by customers while the underlying goods are yet to be provided. See “Financial Information — Discussion of Key Items of Consolidated 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 relationships with customers to deteriorate, which may in turn adversely affect our business and results of operations.

RISK FACTORS

We received government grants and preferential tax treatment during the Track Record Period, and any discontinuation of government grants or preferential tax treatment or any change in the relevant policies may adversely affect our results of operations and financial performance.

During the Track Record Period, we received certain government grants and preferential tax treatment according to relevant policies. During the Track Record Period, government grants mainly included subsidies in relation to our contributions to the local economy. See “Financial Information — Description of Major Components of Our Results of Operations — Other Revenue.” Meanwhile, certain subsidiaries of the Company were eligible for certain preferential corporate income tax rates and tax concessions during the Track Record Period. Government grants are recognized when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. The government grants we received during the Track Record Period represented various forms of incentives and subsidies granted to our Group by local government authorities in the PRC. These government grants were mainly non-recurring in nature, and the amounts of these grants were subject to the discretion of local governments. We cannot guarantee that we will receive such government grants and preferential tax treatment in the future, and our financial condition and results of operations may be adversely affected if we fail to obtain such government grants in the future.

Our business model involves substantial capital expenditures, which may not generate returns or achieve intended economic benefits in the short term.

Our business model involves substantial capital expenditures, including payment for purchase of property, plant and equipment, right-of-use assets and intangible assets in connection with the growth of our business. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our capital expenditures amounted to RMB1,517.9 million, RMB1,924.2 million, RMB1,432.2 million and RMB1,195.1 million, respectively. Substantial capital expenditures are associated with certain inherent risks. The amount and timing of capital expenditures depend on various factors, including, among other things, the projected growth in our sales volume. We must estimate our sales volume and the corresponding requirements for production infrastructure, and make capital commitments for production expansion plans based on these projections years before they are actually needed. Missing our projections could result in too much or too little capacity relative to our sales volume. Overcapacity could lead to a negative impact on our profit margins, while under-capacity could limit our business growth. As a result, we may lose market share or business opportunities to our competitors, and our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

RISKS RELATED TO THE LOCAL LAWS AND REGULATIONS OF THE JURISDICTIONS WHERE WE CONDUCT BUSINESS

We may need to devote additional efforts and resources to ensure our compliance with relevant laws or regulations, including current or new laws and governmental regulations relating to the condiments industry, and to obtain or maintain required government permits, licenses and approvals for our business or renewals thereof in a timely manner.

Our business is subject to various compliance and operational requirements under applicable laws and regulations. Complying with laws, rules and regulations may require investments of various related resources, and any material non-compliance may expose us to liability or penalty. In case of any material non-compliance, we may have to incur significant expenses and divert substantial management time to rectifying such non-compliance incidents. We may also experience adverse publicity arising from such non-compliance with government regulations that could negatively impact our brand.

In addition, some of these approvals, permits, licenses and certificates are subject to periodic renewal and reassessment by the relevant authorities, and the standards of such renewal and reassessment may change in the future. While we undertake to apply for the renewal and reassessment of these approvals, permits, licenses and certificates when required by applicable laws and regulations, we cannot guarantee that we will be able to successfully maintain or renew existing permits, licenses or any other regulatory approvals or obtain permits, licenses or other approvals needed for the operation of our business in the future on a timely basis. If we fail to obtain the necessary renewals or otherwise fail to maintain all approvals, licenses, permits and certificates required to carry out our business at any time, our business could be severely disrupted, which could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that the government authorities with jurisdiction over our business activities will not revoke or significantly alter our licenses, permits or approvals or that our licenses, permits or approvals will not be challenged or impugned in the future.

Changes to the existing regulatory regime relating to the sectors where we operate our business may limit our ability to provide product offerings, thereby materially and adversely affecting our business, financial condition and results of operations.

The operations of our business are subject to various laws, rules and regulations at the regional and national levels of the condiments industry in China. See "Regulatory Overview — Food Safety and Production." New laws, rules or regulations and revisions to any existing laws, rules 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. We may need to devote additional efforts and resources to ensure our compliance with relevant laws, rules and regulations due to changes in any applicable laws, rules and regulations that might be beyond our control.

RISK FACTORS

In recent years, the PRC government has, on many occasions, promoted the development of food and condiment product safety. 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 additional oversight and regulatory compliance. 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 evolving regulatory environment swiftly enough or in a cost-efficient manner, failure of which may adversely affect our operations and lead to substantial compliance costs. Meanwhile, we may need to implement changes in our facilities, equipment, personnel or services to comply with the latest laws and regulations, and such may increase our capital expenditures and operating expenses, thereby adversely affecting our business, financial condition and results of operations.

We are subject to complex and evolving ESG requirements, which require us to devote substantial time and resources for compliance and could adversely affect our business and financial performance.

There is an increasing focus on corporate responsibility and a number of regulations and requirements on ESG performance pose reputational, regulatory and other risks to us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint and maintain environmentally friendly business operations. The process of developing new production technologies and enhancing existing production technologies to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that do not prove to be commercially successful in the time frames expected, or at all. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could adversely affect our competitiveness in the relevant market.

Compliance with these ESG requirements and regulations requires additional investments of resources, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of licenses to operate certain facilities and other sanctions, interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business and financial performance. If we are unable to satisfy such new criteria or are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to invest in our competitors. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity, and our business operations could be adversely impacted.

RISK FACTORS

We may be subject to litigation and other legal proceedings and may not always be successful in defending ourselves against such claims or legal proceedings.

We may be involved in litigation and other legal proceedings during the ordinary course of business operations such as product liability, labor disputes, contract disputes or intellectual property disputes that may adversely affect our financial condition. These actions could also expose us to adverse publicity, which might adversely affect our brand, reputation and customers' preference for our products. If we become a party in any litigation or other legal proceedings in the future, the outcome of these types of legal proceedings could be uncertain and lead to legal expenses and might result in settlements or outcomes that adversely affect our results of operations and financial condition.

Policies and regulations regarding foreign currency conversion may impact our foreign exchange transactions, including dividend payments to holders of our Shares and our ability to finance in foreign currencies.

The conversion of RMB into foreign currencies should be in compliance with relevant laws and regulations. We receive substantially all of our revenue in RMB, and undertake certain transactions denominated in foreign currencies. Under 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 approval of the SAFE by complying with certain procedural requirements. However, the laws, regulations and governmental policies regarding currency conversion are generally complex and developing. If we cannot obtain sufficient foreign currencies to satisfy our foreign currency demands via the foreign exchange regulation system, we may not be able to pay dividends in foreign currencies to our Shareholders. Foreign exchange transactions under our capital account are subject to the relevant foreign exchange regulations and policies and may need approval from the SAFE or its local branches. These regulations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

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

We are a company incorporated under the laws of the PRC, and nearly all of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. 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 the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行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

RISK FACTORS

believe that your rights have been infringed under the applicable securities laws or other laws. 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.

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.

Filing with the CSRC may be required in connection with our capital raising activities, and we cannot predict whether we will be able to complete such filing.

On February 17, 2023, the CSRC released the Trial Administrative Measures for 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 “**Overseas Listing Trial Measures**”) and five relevant guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, file the required documents with the CSRC within three business days after its application for overseas listing is submitted. For details, see “Regulatory Overview — Securities Law and Overseas Offering and Listing of Shares.”

We are required to comply with the filing procedures of the CSRC within a specific time limit as required by the Overseas Listing Trial Measures, the failure of which may restrict our ability to complete the proposed [REDACTED]. We may be subject to approval, filing or other requirements by other PRC government authorities under the PRC laws in the future. Any failure to complete the relevant procedures may have an adverse effect on our capital raising activities.

We are a mainland China enterprise and we are subject to mainland China tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to mainland China income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between mainland China and a non-mainland China investor’s jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China but the relevant income is not effectively connected

RISK FACTORS

with such establishment or place of business. Any gains realized on the transfer of Shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a 20% mainland China withholding tax rate, and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption under applicable tax treaties and laws in mainland China. Pursuant to the Notice on the Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發 [1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to the individual income tax of mainland China at a withholding tax rate of 10%, depends on whether there are tax arrangements between the jurisdictions where the individual holders reside, as well as the tax arrangements between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us.

If mainland China income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-mainland China resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of mainland China and Hong Kong.

As we are listed on the Shanghai Stock Exchange and will be [REDACTED] on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in complying with both sets of listing rules in the two jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [REDACTED] the Stock Exchange. Under current laws and regulations of mainland China, without approval from the relevant regulatory authorities, our H Shares and

RISK FACTORS

A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. The H Share and A Share markets have different trading characteristics with divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating your investment decision regarding our H Shares.

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and maintain following completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, and may not be an indication of the market price of our H Shares following completion of the [REDACTED]. If an active public market for our H Shares does not develop following completion of the [REDACTED], the market price and liquidity of our H Shares may be materially and adversely affected.

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions for securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, the shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and the price of our H Shares may change that is not directly related to our performance.

RISK FACTORS

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The market price of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, especially by our Directors, executive officers and Controlling Shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. Furthermore, we may issue Shares pursuant to any existing or future share option incentive schemes, which would further dilute our Shareholders' interests in our Company. New shares or share-linked securities issued by us may also confer rights and privileges that take priority over those conferred by our H Shares. Certain amounts of the Shares controlled by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which our Shares [REDACTED] on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of substantial amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sales of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the market price of our Shares. In addition, while investors subscribing shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares they subscribed, they may have existing arrangements or agreements to dispose of part or all of the H Shares they hold immediately or within a certain period following completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or at any time or period after the [REDACTED]. Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares, and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

The interests of our Controlling Shareholders may not be aligned with the interests of other Shareholders.

Immediately following completion of the [REDACTED] and assuming the [REDACTED] and the [REDACTED] are not exercised, our Controlling Shareholders will hold approximately [REDACTED]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares in the course of a sale of our Company and might reduce the price of our H Shares. The aforementioned potential events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the

RISK FACTORS

interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

We protect our Shareholders’ interest by ensuring a consistent dividend policy. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of mainland China, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including, but not limited to, our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to approval at the general meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of mainland China. See “Financial Information — Dividends and Dividend Policy.” No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of mainland China, 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 provisions. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenditure such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in mainland China. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on the regulatory requirements of the securities authorities, industry standards and market practices in mainland China, which are different from those applicable to the [REDACTED]. The presentation of financial and

RISK FACTORS

operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters. The words “aim,” “anticipate,” “believe,” “could,” “predict,” “potential,” “continue,” “expect,” “intend,” “may,” “might,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Consequently, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on them.

Certain facts, forecasts and other statistics in this document are derived from various publicly available official sources and independent third-party sources, including the industry experts reports.

This document, particularly the section headed “Industry Overview” contains information and statistics relating to the condiments industry in China and globally, as well as other economic data. Such information and statistics are derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate, and we have taken reasonable care in extracting and reproducing such information. However, the information derived from official government sources has not been independently verified by us, any of the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective affiliates or advisors, and no representation is given as to its accuracy. Collection methods of such information may be ineffective, or there may be discrepancies between published information and market practice, which may result in the

RISK FACTORS

statistics being inaccurate or not comparable to statistics produced for other economies. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage regarding us, our Shares or the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our Shares and the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding the [REDACTED] and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

WAIVERS AND EXEMPTIONS

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

Rules	Subject matter
Rules 8.12 and 19A.15 of the Listing Rules	Management presence in Hong Kong
Rules 3.28 and 8.17 of the Listing Rules . . .	Appointment of joint company secretaries
Chapter 14A of the Listing Rules	Continuing connected transactions
[REDACTED]	[REDACTED]
Paragraph 26 of Appendix D1A to the Listing Rules	Particulars of any alterations in the capital of any member of our Group
[REDACTED]	[REDACTED]

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that requirement in Rule 8.12 may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

Our principal business operations are primarily located, managed, and conducted in the PRC and will continue to be based in the PRC, and our Company's head office is located in Foshan, Guangdong Province, the PRC. Our executive Directors and senior management members ordinarily reside in the PRC and play important roles in our Company's business operations, principally responsible for the overall management, corporate strategy, planning, business development and control of our Group's business, it is important for them to remain in close proximity to the Group's operations located in the PRC. We consider that it would be practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by relocation of our existing executive Directors or by appointment of additional executive Directors. 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 requirements under Rule 8.12 of the Listing Rules.

WAIVERS AND EXEMPTIONS

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us], a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

- (i) we have appointed Mr. Liao and Ms. Zhang Xiao (張瀟) (“**Ms. Zhang**”) as the authorized representatives of our Company (the “**Authorized Representatives**”) for purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company’s principal channel of communication with the Stock Exchange and will be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Our Company will provide contact details of the Authorized Representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any changes in Authorized Representatives. Accordingly, our Authorized 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 “Directors, Supervisors and Senior Management” for further biographical details of our Authorized Representatives;
- (ii) to facilitate communication with the Stock Exchange, we have provided our Authorized Representatives and the Stock Exchange with the contact details (including mobile phone number, office phone number and/or email address) of each of our Directors. When the Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact our Directors;
- (iii) 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 upon request by the Stock Exchange; and
- (iv) our Company has appointed Somerley Capital Limited as our Compliance Advisor with effect from the [REDACTED] in accordance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized 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 our financial results for the first full financial year immediately after the [REDACTED]. The Compliance Advisor will act as the additional and alternative channel of communication with the Stock Exchange when the Authorized Representatives are not available and its representatives will be readily available to answer enquiries from the Stock Exchange.

WAIVERS AND EXEMPTIONS

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

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

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, the Stock Exchange will consider the following factors in assessing the individual’s “relevant experience”:

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 of the Guide, 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 [REDACTED] 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 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. Ke Ying (柯瑩) (“**Ms. Ke**”) and Ms. Zhang, a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, as the joint company secretaries of our Company. Since July 2008, Ms. Ke has served as office director, deputy director of talent development department, deputy director of public relations department, director of marketing human resources department and director of legal department of our Company successively, and has served as our Secretary to the Board since November 2024. By virtue of Ms. Ke’s substantial experience in corporate governance

WAIVERS AND EXEMPTIONS

and her experience and familiarity with our Group, we believe that appointment of Ms. Ke as our company secretary would be beneficial for our Company. See "Directors, Supervisors and Senior Management" for further biographical details of Ms. Ke and Ms. Zhang. Furthermore, given that the key operations of our Group are located in the PRC, we believe that it would be in the interest of our Company and our corporate governance to have Ms. Ke, who possesses the relevant background and experience in the PRC, to act as our joint company secretary.

Accordingly, while Ms. Ke personally does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted us] with, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Ke will act as our joint company secretary. The waiver [has been granted] for a three-year period commencing from the [REDACTED] (the "**Waiver Period**"), on the condition that:

- (i) Ms. Ke will endeavor to attend relevant training courses to enhance her knowledge of the Listing Rules during the Waiver Period, and comply with the annual professional training requirement under Rule 3.29 of the Listing Rules;
- (ii) Ms. Zhang, as a joint company secretary of our Company, will provide assistance to, and work closely with, Ms. Ke in the discharge of her duties and responsibilities as our company secretary during the Waiver Period;
- (iii) Ms. Zhang is a suitably qualified person to render assistance to Ms. Ke so as to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) during the Waiver Period; and
- (iv) before the expiry of the Waiver Period, our Company will evaluate Ms. Ke's experience in order to determine if she has acquired the relevant experience required under Rule 3.28 of the Listing Rules, and whether ongoing assistance should be arranged so that Ms. Ke's appointment as the company secretary of the Company satisfies 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 with], a waiver from strict compliance with Rule 3.28 and 8.17 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [REDACTED]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement requirements under the Listing Rules. For further details in this respect, see the section headed "Connected Transactions".

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

WAIVER IN RESPECT OF ALTERATION IN SHARE CAPITAL

Paragraph 26 of Appendix D1A to the Listing Rules requires this document to include the particulars of any alterations in the share capital of any member of our Group within the two years immediately preceding the issue of this document.

As of the Latest Practicable Date, we have more than 60 subsidiaries. It would be unduly burdensome for us to disclose the required information in respect of all of its subsidiaries as our Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material nor meaningful to investors. The non-disclosure of such information will not prejudice the interests of our Shareholders or potential investors.

We have identified nine subsidiaries (collectively, the “**Major Subsidiaries**” and each a “**Major Subsidiary**”) that we consider are material to our operations and/or contributed significantly to our financial performance during the Track Record Period. By way of illustration, without intercompany eliminations, as of December 31, 2022 and 2023 and September 30, 2024, the aggregate assets of the Company and its Major Subsidiaries represent 92.6%, 90.2% and 83.2% of our total assets, and for each of the financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, and the aggregate revenue of the Company and its Major Subsidiaries (without intercompany eliminations) represents 89.7%, 86.2% and 83.3% of our total revenue respectively; and the aggregate net profits of the Company and its Major Subsidiaries (without intercompany eliminations) represent 98.2%, 97.5% and 95.5% of the Group’s total net profits for each of the financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024. None of the other subsidiaries of our Company that are not Major Subsidiaries individually contributes to 5% or more of our Group’s total assets as of December 31, 2022 and 2023 or September 30, 2024, or 5% or more of our Group’s revenue or net profits for each of the financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024. Accordingly, the remaining subsidiaries of our Group which are not Major Subsidiaries are relatively insignificant to the overall results of our Group.

We have disclosed the particulars of the changes in the share capital of our Company and the Major Subsidiaries in the section headed “Statutory and General Information – A. Further Information About Our Group” in Appendix VI to this document.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under paragraph 26 of Appendix D1A to the Listing Rules, in respect of disclosing the particulars of any alteration in the capital of any member of our Group within the two years immediately preceding the issue of this document.

WAIVERS AND EXEMPTIONS

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

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

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Cheng	Room 1101, Unit 1 Building 20, Poly Garden Nanhai Guicheng, Foshan Guangdong Province, PRC	Chinese
Mr. Guan	Room 403 No. 6, Shidongshang Road Chancheng District, Foshan Guangdong Province, PRC	Chinese
Mr. Huang Wenbiao (黃文彪)	Room 601 No. 13 Meigui Street Chancheng District, Foshan Guangdong Province, PRC	Chinese
Mr. Wen	Room 1601, Building 2, Zone 1 No. 33 Gangkou Road Chancheng District, Foshan Guangdong Province, PRC	Chinese
Mr. Liao	Room 1502, Building 6 No. 23 Heyuan Road Chancheng District, Foshan Guangdong Province, PRC	Chinese
Mr. Dai Wen (代文)	Unit 1, Building 24 No. 139 Ji Hua Road Chancheng District, Foshan Guangdong Province, PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

**Independent non-executive
Directors**

Mr. Zhang Kechun (張科春)	C2-2-1001 No. 600 Dunyu Road Xihu District, Hangzhou Zhejiang Province, PRC	Chinese
Mr. Qu Wenzhou (屈文洲)	Room 401 No. 645 Hexiang West Road Siming District, Xiamen Fujian Province, PRC	Chinese
Mr. Ding Bangqing (丁邦清)	Room D, 10/F, Kam Fung Court No. 18 Tai Uk Street, Tsuen Wan Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Ms. Chen Min (陳敏)	Room 2201, Building 5 Lanyu Garden, Vanke Jinyu Lanwan Nanhai District, Foshan Guangdong Province, PRC	Chinese
Mr. Huang Shuliang (黃樹亮)	Room 801, Building 4 No. 23 Heyuan Road Chancheng District, Foshan Guangdong Province, PRC	Chinese
Mr. He Tao (何濤)	Room 1904, Building 4 Lvyin Garden, Vanke Jinyu Lanwan Nanhai District, Foshan Guangdong Province, PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

China International Capital Corporation

Hong Kong Securities Limited

29/F, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center

2 Queen's Road Central

Hong Kong

Morgan Stanley Asia Limited

46/F, International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [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, Beijing
PRC

**Legal Advisors to the Joint Sponsors
and the [REDACTED]**

As to Hong Kong and U.S. laws:

Paul Hastings

22/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

As to PRC law:

Jia Yuan Law Offices

F408, Ocean Plaza
158 Fuxing Men Nei Avenue
Xicheng District
Beijing
PRC

Auditor and Reporting Accountants

KPMG

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

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

Frost & Sullivan (Beijing) Inc.,

Shanghai Branch Co.

Room 2504-2505

Wheelock Square

1717 Nanjing West Road

Shanghai, PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office, Headquarters and Principal Place of Business in the PRC	No. 16, Wensha Road Foshan City Guangdong Province PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	<u>https://www.haitian-food.com/</u> <i>(The information contained in this website does not form part of this Document)</i>
Joint Company Secretaries	Ms. Ke Ying (柯瑩) No. 16, Wensha Road Foshan City Guangdong Province PRC Ms. Zhang Xiao (張瀟) <i>(associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Liao Room 1502, Building 6 No. 23 Heyuan Road Chancheng District, Foshan Guangdong Province PRC Ms. Zhang Xiao (張瀟) 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Qu Wenzhou (屈文洲) (<i>Chairperson</i>) Mr. Zhang Kechun (張科春) Mr. Ding Bangqing (丁邦清)
Remuneration and Evaluation Committee	Mr. Qu Wenzhou (屈文洲) (<i>Chairperson</i>) Mr. Zhang Kechun (張科春) Mr. Ding Bangqing (丁邦清) Ms. Cheng Mr. Guan
Nomination Committee	Mr. Zhang Kechun (張科春) (<i>Chairperson</i>) Mr. Qu Wenzhou (屈文洲) Mr. Ding Bangqing (丁邦清) Ms. Cheng Mr. Dai Wen (代文)
Strategy and Sustainability Committee	Ms. Cheng (<i>Chairperson</i>) Mr. Guan Mr. Huang Wenbiao (黃文彪) Mr. Wen Mr. Liao
Compliance Advisor	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong

[REDACTED]

Principal Banks	Industrial and Commercial Bank of China Foshan Shengping Sub-Branch 1st floor, No. 197 Wenhua North Road Chancheng District, Foshan Guangdong Province PRC
	Agricultural Bank of China Foshan Huaqing Sub-Branch 1st floor, Fuxing Building B No. 68 Fulu Road Chancheng District, Foshan Guangdong Province PRC

CORPORATE INFORMATION

Bank of China Foshan Branch

No. 2, Renmin West Road
Chancheng District, Foshan
Guangdong Province
PRC

China Construction Bank

Foshan Jinlong Garden Sub-Branch

1st floor, No. 90, Jinhua Road
Chancheng District, Foshan
Guangdong Province
PRC

Bank of Communications

Foshan Hujing Sub-Branch

1st and 2nd floors of Tianhu Lidu
Hujing Road
Chancheng District, Foshan
Guangdong Province
PRC

China Merchants Bank Foshan Branch

No. 12, Denghu East Road
Nanhai District, Foshan
Guangdong Province
PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this Document were extracted from the F&S Report, a market research report prepared by Frost & Sullivan, an independent global consulting firm that was commissioned by the Company, and from various official government publications and available resources from public market research. The Company engaged Frost & Sullivan to prepare the F&S Report in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], any of the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED] (other than Frost & Sullivan), and no representation is given as to its accuracy. For discussion of risks related to the Group’s industry, see “Risk Factors — Risks Relating to Our Business and Industry” in this Document.

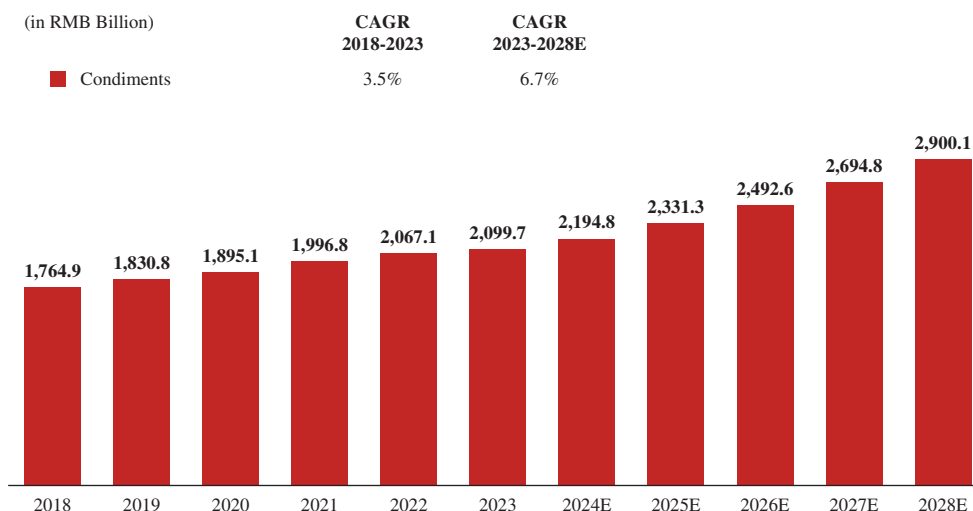
GLOBAL CONDIMENTS INDUSTRY

Market Overview and Competitive Landscape

Condiments are widely used in diet, cooking, and food processing to enhance flavors, improve aroma and neutralize odors. As a key component of daily dining, condiments have stable demand and exhibit low sensitivity to the changes in the economic environment, resulting in strong anti-cyclical characteristics.

The global condiments market is enormous. According to Frost & Sullivan, the global condiments market size in terms of revenue reached RMB2,099.7 billion in 2023, with a CAGR of 3.5% from 2018 to 2023. Driven by factors such as post-pandemic recovery, steady growth in consumer demand, and increasing diversification of condiment categories, the global condiments market size is expected to grow to RMB2,900.1 billion by 2028, representing a CAGR of 6.7% from 2023 to 2028.

Market Size of Global Condiments Industry, by Revenue, 2018-2028E



Source: Frost & Sullivan

The United States, Europe and China are the three largest regions in the global condiments market, with market sizes reaching RMB525.7 billion, RMB514.2 billion and RMB479.3 billion in 2023, respectively. Between 2023 and 2028, the Southeast Asian and the Latin American markets are expected to experience the fastest growth among major global markets, with CAGRs of 9.2% and 8.6%, respectively.

INDUSTRY OVERVIEW

Market Size and Growth Rate of Major Global Condiments Markets, by Revenue

Regions	Market Size in 2023 <i>(in RMB billion)</i>	2023-2028E CAGR
United States	525.7	6.0%
Europe	514.2	6.8%
China	479.3	7.2%
Latin America	187.9	8.6%
Japan	117.6	5.1%
Southeast Asia	115.0	9.2%
Global Total	<u>2,099.7</u>	<u>6.7%</u>

Source: Frost & Sullivan

According to Frost & Sullivan, we ranked fifth in the global condiments industry in terms of revenue in 2023. Moreover, from 2013 to 2023, we were the only company among the top ten companies in the global condiments industry to achieve double-digit CAGR in revenue.

Top Five Companies in the Global Condiments Industry, by Revenue (2023)

Rank	Company	Main condiments categories	Country of headquarters	Market share	2013-2023 revenue CAGR
1. . .	Company A	Bouillon, recipe sauces, chicken essence	United Kingdom	3.2%	2.1%
2. . .	Company B	Ketchup, mayonnaise, salad dressings	United States	3.0%	4.9%
3. . .	Company C	Chicken essence, liquid chicken concentrate, recipe sauces	Switzerland	2.6%	0.3%
4. . .	Company D	Salad dressings, spices, recipe sauces	United States	2.2%	4.9%
5. . .	Our Company	Soy sauce, oyster sauce, flavored sauces, vinegar, cooking wine and others	China	1.0%	10.0%

Source: Frost & Sullivan, public information or filings of respective companies

Notes: Revenue refers to that generated from condiments business.

- (1) Company A: A listed company incorporated in 1930 in the United Kingdom and listed on the New York Stock Exchange. The company mainly provides condiments, beauty products, personal care products, home care products and other products.
- (2) Company B: A listed company incorporated in 2015 in the United States and listed on the Nasdaq Stock Exchange. The company mainly provides condiments, cheese and dairy, and other food products.
- (3) Company C: A listed company incorporated in 1905 in Switzerland and listed on the Swiss Stock Exchange. The company mainly provides condiments, water, beverages, milk products and other products.
- (4) Company D: A listed company incorporated in 1889 in the United States and listed on the New York Stock Exchange. The company mainly provides condiments products.

Overview of Global Soy Sauce and Soy Sauce-Based Condiments Industry

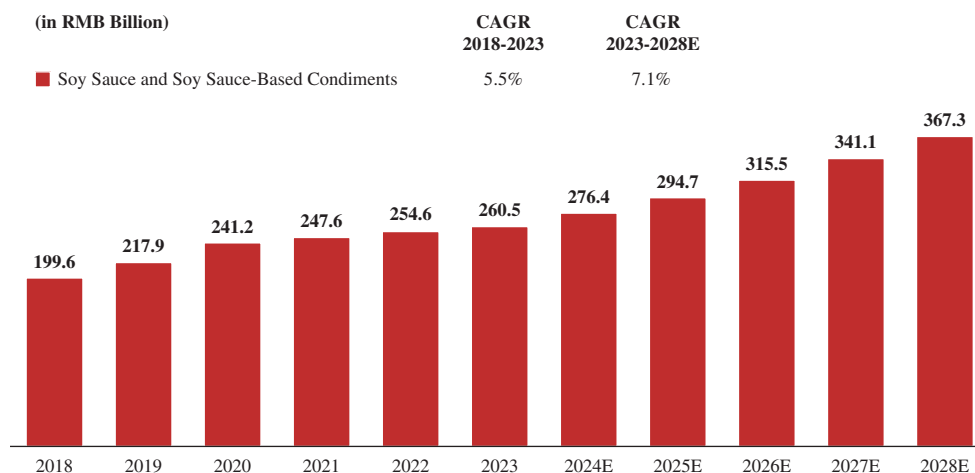
Soy sauce is a liquid condiment made from soybeans and/or defatted soybeans, etc., as the major raw material, blended with water, salt, and other ingredients to create its distinctive color, aroma, and taste. Soy sauce can also serve as a base for various compound condiments such as teriyaki sauce, barbecue sauce, poaching sauce, salad sauce and vinaigrette. The growing global popularity of Asian Cuisine has boosted demand for soy sauce and soy

INDUSTRY OVERVIEW

sauce-based condiments globally. In 2023, soy sauce and soy sauce-based condiments accounted for approximately 12.4% of the global condiments market, with a size of RMB260.5 billion, and is expected to grow at a CAGR of 7.1% from 2023 to 2028.

In terms of sub-regional market, Asian countries including China, Japan, South Korea and others in Southeast Asia, dominate both production and consumption of soy sauce and soy sauce-based condiments. With the blending of dietary cultures, consumers in regions such as North America and Europe are increasingly incorporating soy sauce and soy sauce-based condiments into their daily diets, further driving market growth.

Market Size of Global Soy Sauce and Soy Sauce-Based Condiments Industry, by Revenue, 2018-2028E



Source: Frost & Sullivan

According to Frost & Sullivan, we ranked first globally in terms of revenue in the soy sauce market in 2023, with a market share of 6.0%.

Top Three Companies in the Global Soy Sauce Industry, by Revenue (2023)

Rank	Company	Market Share
1	Our Company	6.0%
2	Company E	4.5%
3	Company B	1.9%

Source: Frost & Sullivan, public information or filings of respective companies

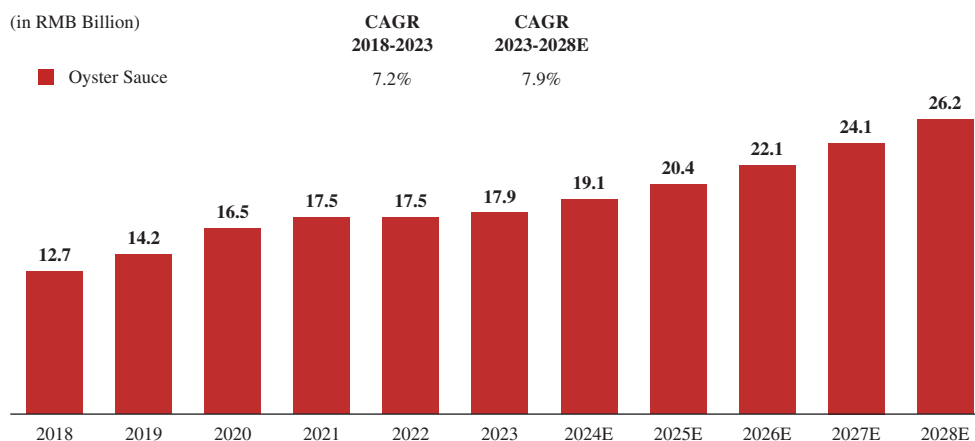
Note: Company E: A listed company incorporated in 1917 in Japan and listed on the Tokyo Stock Exchange. The company mainly provides condiments, food products, beverages and other products.

Overview of Global Oyster Sauce Industry

Oyster sauce is a condiment made by concentrating steamed and boiled oyster extracts or directly enzymatically hydrolyzing the oyster meat, with sugar, salt and other ingredients. Originated from Guangdong Province, China, oyster sauce market has rapidly developed both in China and overseas. In 2023, the global oyster sauce market size reached RMB17.9 billion, with an expected CAGR of 7.9% from 2023 to 2028.

INDUSTRY OVERVIEW

Market Size of Global Oyster Sauce Industry, by Revenue, 2018-2028E



Source: Frost & Sullivan

According to Frost & Sullivan, we ranked first globally in terms of revenue in the oyster sauce market in 2023, with a market share of 23.7%.

Top Three Companies in the Global Oyster Sauce Industry, by Revenue (2023)

Rank	Company	Market Share
1	Our Company	23.7%
2	Company F	9.4%
3	Company C	3.9%

Source: Frost & Sullivan, public information or filings of respective companies

Note: Company F: A private company incorporated in 1888 in China. The company mainly provides condiments including soy sauce, oyster sauce, sweet and sour sauce, poaching sauce and others.

CHINA’S CONDIMENTS INDUSTRY

Market Overview and Competitive Landscape

China’s condiments industry has experienced rapid growth and has become the second largest country market in the global condiments industry. According to Frost & Sullivan, China’s condiments market size reached RMB479.3 billion in 2023 by revenue. However, China’s per capita condiments consumption was RMB340 per year, which is approximately one-fifth of that in the United States and one-third of that in Japan, respectively. In 2023, the growth of China’s condiments market slowed down due to factors such as relatively slow recovery in consumption needs, ongoing pandemic related impacts on channel sales, and broader market conditions. Over the longer term, driven by increasing per capita disposable income, rising urbanization, diversification of condiment categories and sales channels, and improving market concentration, China’s condiments market size is expected to increase to RMB677.0 billion by 2028, with an estimated CAGR of 7.2% from 2023 to 2028.

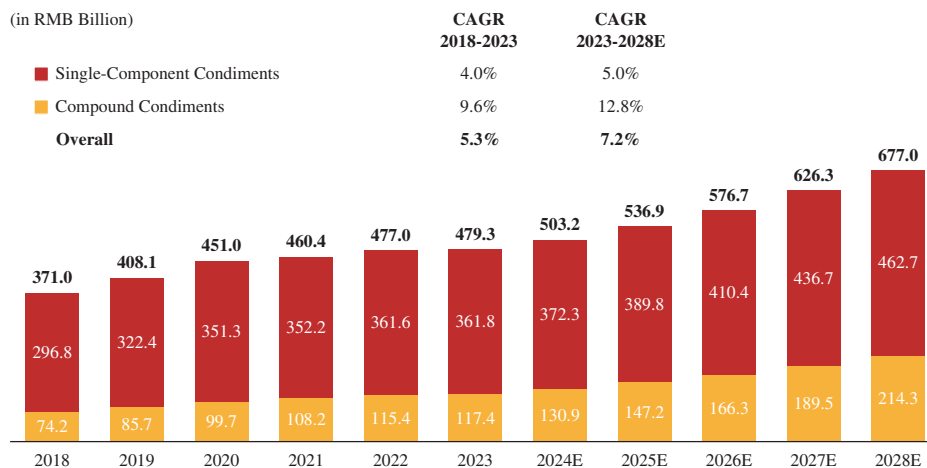
China’s diverse culinary landscape fosters a wide range of condiment preferences, offering significant opportunities for various condiment categories. Condiments are mainly divided into (i) single-component condiments, which are made from one ingredient as the major raw material, with other ingredients added to enhance flavor. Examples of single-component condiments include soy sauce, single-component flavored sauces, vinegar, cooking wine, oyster sauce, salt, sugar, and monosodium glutamate (MSG); and (ii) compound condiments, which are made from two or more ingredients as the major raw materials, with

INDUSTRY OVERVIEW

other ingredients added to enhance flavor. Examples of compound condiments include compound flavored sauces such as Chu Hou Paste and pasta sauce; liquid compound condiments such as teriyaki sauce and poaching sauces; and solid compound condiments such as hot pot condiments and chicken essence.

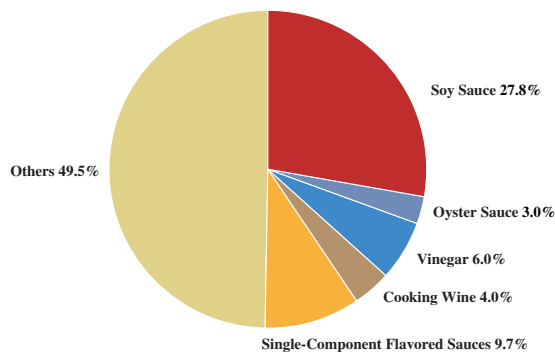
Single-component condiments, with their long history and broad applications, have been a significant part of China’s condiments industry, sustaining steady growth. Among them, soy sauce is the largest sub-category, with a market size of RMB100.4 billion in 2023, accounting for approximately 27.8% of single-component condiments and approximately 21.0% of the overall condiments industry. In recent years, with the increase in households’ income and consumption power, compound condiments have grown rapidly due to their convenience, among which compound flavored sauces accounted for approximately 19.8% of compound condiments in 2023, and soy sauce-based products made up approximately 15.5% of compound condiments. The chart below provides an overview of China’s condiments market by category from 2018 to 2028, as well as the breakdown of the China’s single-component condiments market and compound condiments market in 2023.

Market Size of China’s Condiments Industry, by Revenue, Breakdown by Product Category, 2018-2028E

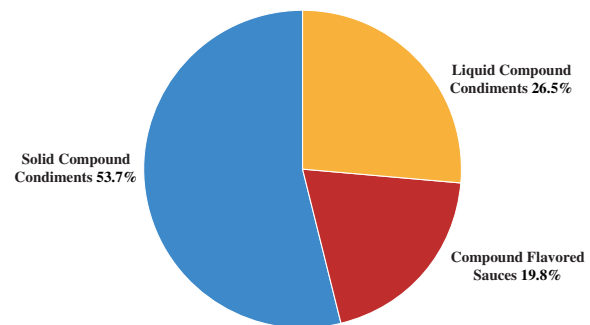


Source: Frost & Sullivan

Market Share of China’s Single-Component Condiments Industry, by Revenue, Breakdown by Product Category, 2023



Market Share of China’s Compound Condiments Industry, by Revenue, Breakdown by Product Category, 2023

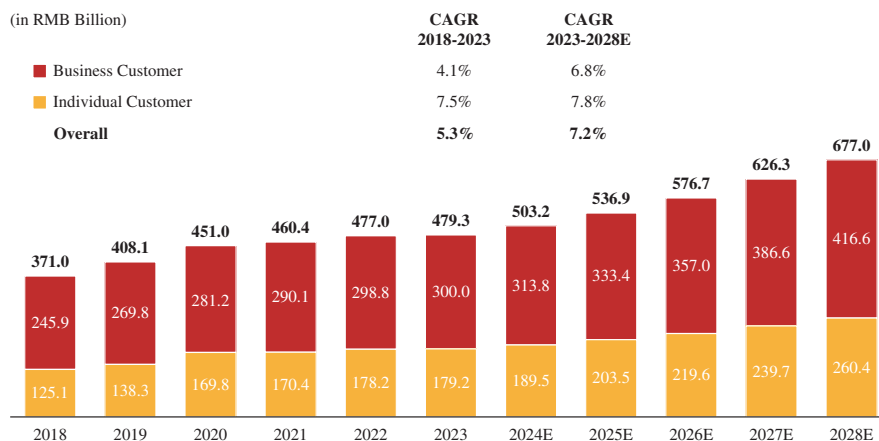


Source: Frost & Sullivan

INDUSTRY OVERVIEW

The main customer types in China’s condiments industry include business customers and individual customers. Business customers, including catering businesses and food processing enterprises, have high consumption volumes and relatively stable demand, accounted for approximately 62.6% of China’s condiments market in 2023. Individual customers are more focused on meeting household cooking demand and personal taste preferences. Compared with business customers, they pay more attention to product diversity and personalization.

Market Size of China’s Condiments Industry, by Revenue, Breakdown by Customer Type, 2018-2028E



Source: Frost & Sullivan

According to Frost & Sullivan, we have maintained our leading position with the highest sales volume in China’s condiments industry for 27 consecutive years. In terms of revenue in 2023, we accounted for a market share of 4.5%. The table below shows the main product categories and market share in terms of revenue of the top three companies in China’s condiments industry in 2023.

Top Three Companies in China’s Condiments Industry, by Revenue (2023)

Rank	Company	Main Condiments Categories	Market Share
1	Our Company	Soy sauce, oyster sauce, flavored sauces, vinegar, cooking wine and others	4.5%
2	Company G	MSG	2.2%
3	Company F	Soy sauce, oyster sauce, sweet and sour sauce, poaching sauce	1.5%

Source: Frost & Sullivan, public information or filings of respective companies

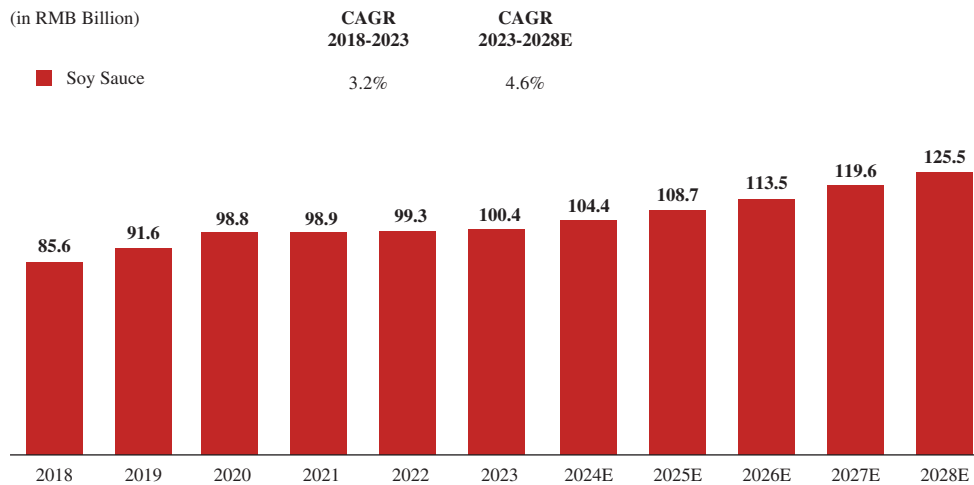
Note: Company G: A listed company incorporated in 1999 in China and listed on the Hong Kong Exchanges. The company mainly provides monosodium glutamate and other food additives, amino acid and other products.

INDUSTRY OVERVIEW

Overview of China’s Soy Sauce Industry

In China, there is a stable and substantial consumer demand for soy sauce. According to Frost & Sullivan, China’s soy sauce market size was RMB100.4 billion in terms of revenue in 2023, with a CAGR of 3.2% from 2018 to 2023, and the CAGR from 2023 to 2028 is expected to be 4.6%. The chart below shows the market size of China’s soy sauce market from 2018 to 2028.

Market Size of China’s Soy Sauce Industry, by Revenue, 2018-2028E



Source: Frost & Sullivan

According to Frost & Sullivan, we have maintained the leading position with the highest sales volume in China’s soy sauce market for twenty-seven consecutive years. In terms of revenue in 2023, we accounted for a market share of 12.6%. The table below shows details of the top three companies in China’s soy sauce market in terms of revenue in 2023.

Top Three Companies in China’s Soy Sauce Industry, by Revenue (2023)

Rank	Company	Market Share
1	Our Company	12.6%
2	Company H	3.4%
3	Company F	3.3%

Source: Frost & Sullivan

Note: Company H: A private company incorporated in 1992 in China. The company mainly provides condiments including soy sauce, flavored sauces, vinegar, and other products.

Structural Opportunities in the Soy Sauce Industry

China’s soy sauce market is relatively fragmented, with market concentration far lower than that in Japan and the United States. In terms of revenue in 2023, the concentration ratio of the top five companies in the soy sauce market in China, Japan and the United States was 24.6%, 43.0% and 39.9%, respectively, indicating significant potential for China’s leading soy sauce companies to increase their market share.

Furthermore, regional disparities in China offer distinct growth opportunities. The annual per capita condiments expenditure in third-tier and lower-tier cities in China through retail channels is less than half of that in first-tier cities, suggesting a substantial growth potential in lower-tier cities, where demand for soy sauce is still developing. Additionally, coupled with a shift in consumer taste preferences from “salty” to “unami”, soy sauce is poised to benefit from an expanding presence in these regions, further driving market penetration and growth.

INDUSTRY OVERVIEW

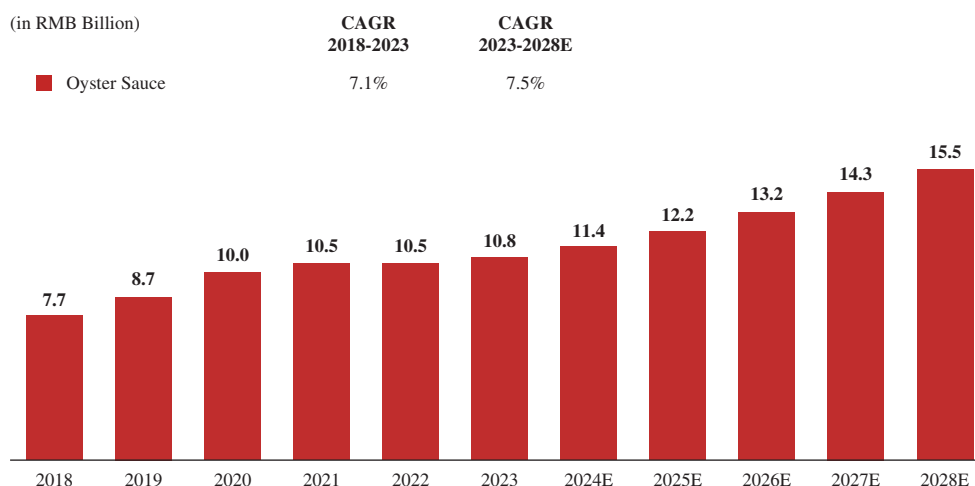
There is a growing consumer demand for healthier and more natural food products, with increasing emphasis on safety, health, and naturalness. This trend presents new market opportunities for soy sauce industry, particularly with the rising popularity of organic, reduced-salt and reduced-sugar soy sauce options, which cater to consumers’ evolving dietary preferences.

With busy lifestyles driving the trend of convenient in-home dining, soy sauce-based condiments such as poaching sauces, salad sauces and vinaigrette, are gaining popularity. These products, which reduce cooking time and complexity, present a significant growth opportunity for the soy sauce market as households increasingly seek convenience-driven culinary solutions.

Overview of China’s Oyster Sauce Industry

As dietary habits from various regions in China gradually emerge, oyster sauce has expanded beyond its traditional southern origins to become a nationwide staple. Its accelerated penetration into everyday dining has significantly contributed to the rapid expansion of its market size. According to Frost & Sullivan, China’s oyster sauce market size in terms of revenue was RMB10.8 billion in 2023, with a CAGR of 7.1% from 2018 to 2023, and the CAGR from 2023 to 2028 is expected to be 7.5%. The chart below shows the market size of China’s oyster sauce market from 2018 to 2028.

Market Size of China’s Oyster Sauce Industry, by Revenue, 2018-2028E



Source: Frost & Sullivan

According to Frost & Sullivan, we have maintained our leading position with the largest sales volume in China’s oyster sauce industry for eleven consecutive years. In terms of revenue in 2023, we accounted for a market share of 39.4%. The table below shows details of the top three companies in China’s oyster sauce market in terms of revenue in 2023.

Top Three Companies in China’s Oyster Sauce Industry, by Revenue (2023)

Rank	Company	Market Share
1	Our Company	39.4%
2	Company F	11.4%
3	Company I	2.4%

Source: Frost & Sullivan, public information or filings of respective companies

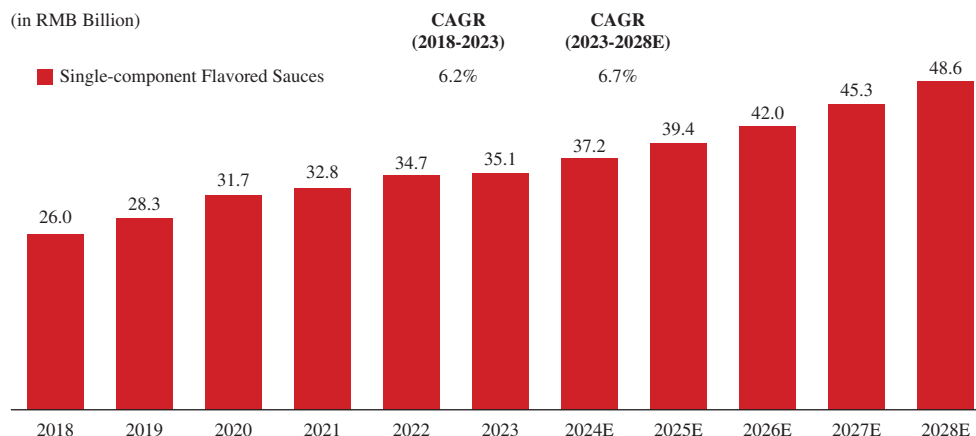
Note: Company I: A listed company incorporated in 1993 in China and listed on the Shanghai Stock Exchanges. The company mainly provides condiments including soy sauce, oyster sauce, vinegar and others.

INDUSTRY OVERVIEW

Overview of China’s Single-Component Flavored Sauces Industry

Flavored sauces mainly comprise of single-component flavored sauces and compound flavored sauces. Single-component flavored sauces are made from one ingredient as the major raw material, with other ingredients added to enhance flavor. Examples include bean sauce, wheat sauce, etc., which have a large consumer base and consumer demand. According to Frost & Sullivan, the market size of China’s single-component flavored sauces industry in terms of revenue was RMB35.1 billion in 2023, with a CAGR of 6.2% from 2018 to 2023, and an expected CAGR of 6.7% from 2023 to 2028. The chart below shows the market size of China’s single-component flavored sauces market from 2018 to 2028.

Market Size of China’s Single-Component Flavored Sauces Industry, by Revenue, 2018-2028E



Source: Frost & Sullivan

According to Frost & Sullivan, we ranked first in China’s single-component flavored sauces market in terms of revenue in 2023, with a market share of 4.2%. The table below shows details of the top three players in China’s single-component flavored sauces market in terms of revenue in 2023.

Top Three Companies in China’s Single-Component Flavored Sauces Industry, by Revenue (2023)

Ranking	Company	Market Share
1	Our Company	4.2%
2	Company H	3.0%
3	Company F	2.3%

Source: Frost & Sullivan

Overview of China’s Vinegar and Cooking Wine Industry

Vinegar is a liquid acidic condiment produced with ingredients including starch, sugar or edible alcohol, either individually or as a mixture. As a commonly used condiment in daily cooking in China, vinegar has a long history and consistent demand. According to Frost & Sullivan, China’s vinegar market size in terms of revenue was RMB21.8 billion in 2023, with a CAGR of 1.3% from 2018 to 2023, and the CAGR from 2023 to 2028 is expected to be 2.6%. According to Frost & Sullivan, in terms of revenue in 2023, we ranked second in China’s vinegar market with a market share of 3.4%.

INDUSTRY OVERVIEW

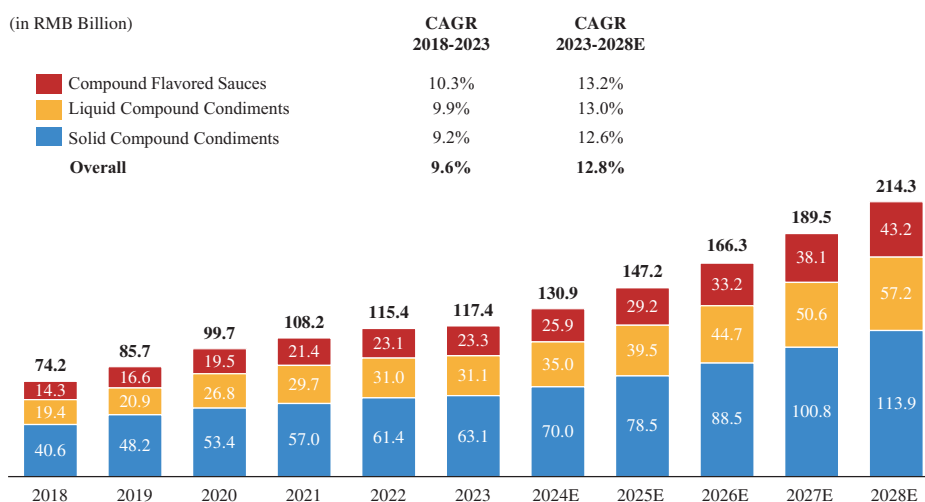
Cooking wine is usually made from yellow rice wine or rice wine as the major raw material and blended with spices, salt, sugar and other ingredients. In recent years, with the continuing increase in meat consumption, cooking wine has been widely used to remove odors and enhance flavor. It has gradually replaced other types of odor-removing wines and has become one of the most commonly used condiments in Chinese households. According to Frost & Sullivan, China’s cooking wine market size in terms of revenue was RMB14.3 billion in 2023, with a CAGR of 7.3% from 2018 to 2023, and the CAGR from 2023 to 2028 is expected to be 7.8%. According to Frost & Sullivan, in terms of revenue in 2023, we ranked first in China’s cooking wine market with a market share of 3.8%.

Overview of China’s Compound Condiments Industry

Compound condiments are made from two or more ingredients as the major raw materials, added with other ingredients. As income and consumption levels rise, along with growing awareness of and demand for healthy eating, compound condiments are becoming increasingly popular for their versatility and convenience, positioning them for rapid growth.

According to Frost & Sullivan, the market size of compound condiments in China in terms of revenue was RMB117.4 billion in 2023, and is expected to grow at a CAGR of 12.8% to reach RMB214.3 billion by 2028. The chart below shows the market size breakdown of the compound condiments market by category from 2018 to 2028.

Market Size of China’s Compound Condiments Industry, Breakdown by Product Category, by Revenue, 2018-2028E



Source: Frost & Sullivan

INDUSTRY DRIVERS AND FUTURE TRENDS

- Condiment Variety Driven by Culinary Culture and Consumer Demand.** China’s vast territory fosters a rich and diverse culinary culture, resulting in varied taste preferences across regions. This diversity in culinary traditions and cooking habits provides a broad foundation for the development and diversification of condiments. At the same time, as living standards improve, consumers’ needs for healthy food, taste, and packaging are becoming increasingly refined. For example, during cooking, consumers often select condiments tailored to specific dishes to enhance their flavor, such as specialized soy sauce for cold dishes or steamed fish. Additionally, the growing focus on healthy eating has driven demand for organic, reduced-salt and reduced-sugar condiments, encouraging the industry’s shift towards healthier options. All these factors are fueling the creation of new condiment categories that align with the trend of diversification.

INDUSTRY OVERVIEW

- **Rising Penetration of Restaurants Chains Driving Demand for Condiments.** The proportion of restaurant chains in China increased from 12.8% in 2018 to 21.5% in 2023. While still lower than in developed markets, this figure is expected to continue to rise. Restaurant chains generate significant demand for condiments, which directly drives the expansion of condiments companies and boosts product sales. Restaurant chains require seasoning solutions to ensure consistent taste and increasingly request customized products tailored to their needs. Therefore, in order to help restaurant chains maintain flavor consistency and operational efficiency, condiments companies, that offer comprehensive solutions by providing standardized condiments while swiftly meeting customization demands, are better positioned to strengthen their competitiveness and gain more market shares.
- **Diversification of Distribution Channels Unlocks Consumption Potential.** Offline channels will continue to dominate condiments sales due to their convenience and extensive geographic coverage. Meanwhile, the development of emerging channels such as community group purchase platform, fresh food e-commerce and online shopping platforms provides consumers with more diverse ways to access products. Condiments companies are increasingly leveraging emerging channels to reach a broader consumer base. For business customers such as catering businesses and food processing enterprises, dedicated online procurement platforms provide a more convenient procurement process. Combined with new media marketing, these diversified channels have brought new vitality to the condiments market.
- **Increasing Demand for Compound Condiments.** With the increasing pace of modern life and longer working hours, there is a growing demand for convenience in daily living. Compound condiments address this need for consumers with limited cooking experience. Their user friendly application, space-saving packaging, and ability to reduce cooking time align with the efficiency-driven lifestyle of today's consumers. Furthermore, restaurant chains, which require high levels of standardization and specialization in their condiments, are driving the demand for compound condiments that deliver consistent quality and cooking efficiency. This trend has also contributed to the rising demand for soy sauce, which is a key ingredient in many compound condiments.

KEY FACTORS FOR SUCCESS IN THE CONDIMENTS INDUSTRY

- **Trustworthy Brand Image.** As living standards improve and the concept of quality-first consumption prevails, brand recognition becomes a key factor for consumers when choosing condiments. Establishing consumer confidence in a brand is a time-consuming process. An established, professional and trustworthy brand image can differentiate themselves from competitors and maintain a long-term competitive advantage.
- **R&D Capability and Unique Taste Memory.** The brewing process and fermentation technology of major condiment categories such as soy sauce and vinegar are relatively complex. Established condiments companies invest significant funds and manpower in product R&D, creating unique product flavors. As condiments are essential components in consumers' meals every day, long-term flavor memories create consumer loyalty, leading to repeat purchases and brand trust, forming a unique competitive barrier.
- **Multi-Category Layout, Product Iteration and Innovation Capabilities.** The structure of China's condiments market is diverse. A multi-category layout helps condiments companies to meet consumers' diversified needs, strengthen brand awareness, thereby enhancing the overall market competitiveness of the company. A multi-category layout also covers a wider range of consumer groups and increase the attractiveness to distributors. In addition, condiments companies also need to quickly capture market trends and carry out product iterations and updates to meet changing consumer needs and maintain brand vitality.
- **Diverse and Extensive Sales Network.** The coverage rate and stability of sales network are crucial for condiments companies. Leading condiments companies have built large sales networks, professional teams, mature channel management capabilities and extensive operating experience through years of channel resource accumulation, enabling them to cover the national market with breadth and depth. At the same time, a comprehensive sales channel layout can enable condiments companies to capture changes in channel trends in a timely manner and seize sales opportunities for rapid growth in channels or regions.

INDUSTRY OVERVIEW

- Efficient Supply Chain and Strong Production Capabilities.** The condiments industry is characterized by its capital-intensive nature, featuring prolonged input-output cycles. Substantial capital investment is required for capacity building, and the development of production technology necessitates long-term accumulation. Leading condiments companies have long invested in upgrading production equipment, R&D and talent recruitment, gaining significant advantages from economies of scale. Additionally, by building an end-to-end supply chain system from procurement to sales, and creating a flexible production system, condiments companies can further improve production efficiency, meet diverse market demand with flexibility and enhance operational efficiency.

GLOBALIZATION TREND OF CONDIMENTS COMPANIES

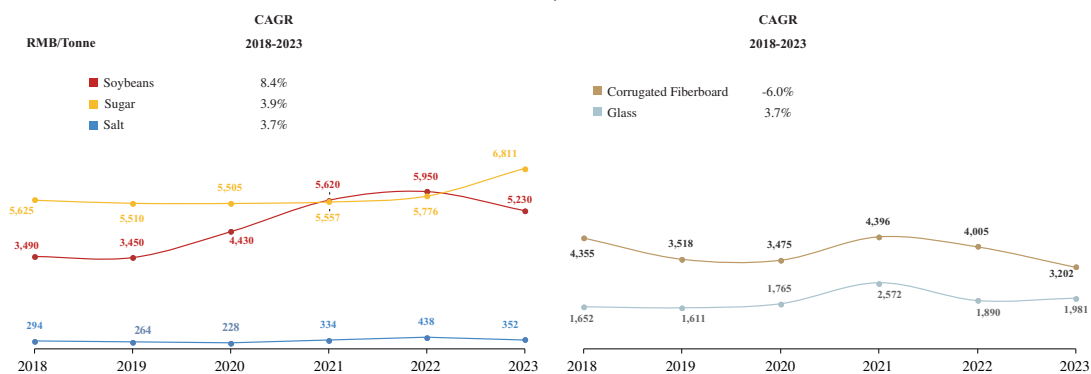
Deliciousness and health are universal pursuits for consumers worldwide, driving consistent demand for better-tasting, higher-quality condiments. Certain categories, such as soy sauce, oyster sauce and chicken essence, have demonstrated flexibility in adapting to diverse regional eating habits and possess broad cross-cultural appeal. This has led to the emergence of cross-regional brands and global condiments companies. In addition, the high proportion of overseas revenue generated by global leading condiments companies also supports the globalization trend of condiments companies.

With the integration of global culinary cultures and increasingly mobile population, Chinese condiments companies are witnessing unprecedented development opportunities. On one hand, as population mobility increases, Chinese cuisine is spreading globally, and Asian flavors are becoming more popular, accelerating the global spread of condiments commonly used in Asian cuisines, resulting in rapidly increasing penetration rates. On the other hand, Chinese condiments companies have accumulated extensive expertise in technology, product development, supply chain management and production operations through long-term production experience. By leveraging their experience with China's diverse culinary traditions, these companies can adapt products to local tastes and cooking habits. Furthermore, a global layout also enables companies to adopt advanced technologies and source local raw materials for production in a more economical way.

HISTORICAL PRICE TRENDS OF MAJOR RAW MATERIALS AND PACKAGING MATERIALS

Various raw materials are used in the production of condiments. For example, in the production of soy sauce, flavored sauces and some compound condiments, soybeans are the major raw materials, with ingredients such as sugar and salt added. In addition, corrugated fiberboard and glass are the major packaging materials for condiments. The chart below shows the price trends of these raw materials from 2018 to 2023.

**Price Trends of Major Raw Materials and Packaging Materials
RMB/Tonne, 2018-2023**



Source: Frost & Sullivan, National Bureau of Statistics, Ministry of Agriculture and Rural Affairs of PRC

INDUSTRY OVERVIEW

The prices of soybeans, sugar and salt in China showed an upward trend from 2018 to 2023, with CAGRs of 8.4%, 3.9% and 3.7%, respectively. As the major packaging materials for condiments, the prices of glass in China were increasing overall with a CAGR of 3.7% from 2018 to 2023, while the prices of corrugated fiberboard were on a downward trend with a CAGR of -6.0% from 2018 to 2023.

Since 2020, due to various factors such as rising fertilizer prices, agricultural costs have increased, resulting in higher soybean prices. Soybean prices have generally declined in 2023 due to the excessive soybean production in the United States and Brazil. Prices of commodities, including sugar and salt, have been rising since 2020 due to the volatile economic environment. In 2023, sugar prices increased further due to the reduced production capacity. In contrast, salt prices declined in 2023 due to the excessive production capacity and ample supply in the market. From 2019 to 2021, due to global economic volatility, the increase in the cost of raw materials for glass and corrugated fiberboard has resulted in an increase in the prices of these products. With the economy stabilizing and production capacity restored, the prices of glass and corrugated fiberboard stabilized gradually.

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 on the condiments industry in China and globally. Frost & Sullivan is an independent global consulting firm, 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 RMB550,000 to Frost & Sullivan, which we believe to be consistent with market rates.

In compiling and preparing its 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 emerging regions and to grow steadily in developed regions, (iii) the impact of public health incidents is phased and temporary against the backdrop of accelerated vaccination, China’s economy shows long-term positive fundamentals, and (iv) related industry drivers such as growing purchasing power and others are likely to drive the condiments 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 its report based on detailed primary research, which involved discussing the status of the condiments industry with certain leading industry participants, and secondary research which involved reviewing company reports, independent research reports and data from its own 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.

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

We are subject to a variety of PRC laws, regulations and rules affecting many aspects of our business. This section summarizes major PRC laws, regulations and rules that are relevant to our business operations.

COMPANY AND FOREIGN INVESTMENT

The PRC Company Law (中華人民共和國公司法), which was promulgated by the Standing Committee of the PRC National People’s Congress, or the SCNPC, and last revised on December 29, 2023 and became effective on July 1, 2024, applies to both PRC domestic companies and foreign-invested enterprises with respect to their establishment, organizational structure and management, etc. Under the PRC Company Law, a listed company shall disclose information about its shareholders and ultimate controllers, and such information must be true, accurate and complete. The PRC Company Law also stipulates the qualifications and obligations of a company’s directors, supervisors and senior managers.

On March 15, 2019, the PRC National People’s Congress, or the NPC, adopted the PRC Foreign Investment Law (中華人民共和國外商投資法) (the “Foreign Investment Law”), which became effective on January 1, 2020. The Foreign Investment Law is applicable to the foreign investments within the territory of the PRC, including the investment activities directly or indirectly conducted by a foreign enterprise. Moreover, investments to be made by foreign investors and foreign-owned enterprises in the PRC shall comply with the Special Administrative Measures (Negative List) for Access of Foreign Investments (2024 Edition) (外商投資准入特別管理措施(負面清單) (2024年版)) (the “Negative List”), which was promulgated on September 6, 2024 by the NDRC, and the MOFCOM, and became effective on November 1, 2024. Industries not listed in the Negative List are generally deemed “permitted” for foreign investments.

On December 30, 2019, the MOFCOM and the SAMR, jointly promulgated the Measures for Reporting of Foreign Investment Information (外商投資信息報告辦法), which became effective on January 1, 2020. Pursuant to these Measures, where a foreign investor directly or indirectly carries out investment activities in the PRC, the foreign investor or the foreign-invested enterprise shall submit investment information, including initial reports, change reports, cancellation reports, and annual reports, etc., to the competent commercial authority for further handling.

OUTBOUND INVESTMENT

Overseas investment activities of companies and other enterprises established in the PRC are subject to the administration by the MOFCOM, pursuant to the Administrative Measures for Outbound Investment (境外投資管理辦法), promulgated by the MOFCOM on March 16, 2009, and amended on September 6, 2014 and effective as of October 6, 2014 and by the NDRC, pursuant to the Measures for the Administration of Overseas Investment by Enterprises (企業境外投資管理辦法), promulgated by the NDRC and effective as of March 1, 2018.

REGULATORY OVERVIEW

According to these Measures, where the outbound investment to be carried out by a PRC enterprise involves sensitive countries and regions and sensitive industries, project verification management of the NDRC and investment verification management of the MOFCOM shall be implemented; for outbound investment other than those requiring verification management, filings of the investee project and the investment are required to be made with the NDRC and the MOFCOM respectively. Both NDRC and MOFCOM have online systems for outbound investors to submit verification/filing application documents and materials and if the verification or filing is granted, the outbound investors will receive the Verification Document or Filing Notice from the NDRC and the Enterprise Outbound Investment Certificate from the MOFCOM.

FOOD SAFETY AND PRODUCTION

Food Safety

On February 28, 2009, the SCNPC promulgated the PRC Food Safety Law (中華人民共和國食品安全法) (the "Food Safety Law"), which came into effect on June 1, 2009, last amended on April 29, 2021 and became effective on the same day. On July 20, 2009, the State Council promulgated the Implementing Regulations of the Food Safety Law (中華人民共和國食品安全法實施條例), which was last amended on October 11, 2019 and came into effect on December 1, 2019. According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, food producers and operators shall engage in food production and operation activities in compliance with these laws, regulations and food safety standards, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, thus ensuring food safety.

According to the Food Safety Law, supervision duties related to food safety shall be undertaken by the State Council and its relevant departments. The State Council shall establish a food safety committee. The food safety supervision and administration departments under the State Council shall exercise supervision and administration over food production and operation activities. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety and shall formulate and issue national food safety standards in concert with the food safety supervision and administration departments. The standardization administrative department under the State Council shall provide the reference codes for these national standards. Food safety standards are mandatory standards. Other relevant departments under the State Council shall carry out relevant food safety work.

Moreover, the PRC has established a food safety traceability system. According to the relevant laws and regulations above, food producers and operators shall establish a whole-process food safety traceability system, and truthfully record and keep information on procurement inspection, pre-delivery examination, food sales, etc. in accordance with the requirements, so as to ensure the traceability of food products. The food safety supervision and administration departments under the State Council shall establish a coordination mechanism for whole-process food safety traceability in collaboration with the agriculture administrative department and other related departments under the State Council.

REGULATORY OVERVIEW

On June 23, 2021, the SAMR published the Announcement on Strengthening the Quality and Safety Supervision of Soy Sauce and Vinegar (國家市場監督管理總局關於加強醬油和食醋質量安全監督管理的公告), which became effective on the same day. The Announcement requires that soy sauce and vinegar production enterprises organize production in accordance with Food Safety Law and food safety standards, strengthen raw materials procurement, production process control, product inspection and food additive use management, and establish a food safety traceability system to ensure product quality and safety. On December 24, 2021, the SAMR published the Measures for the Administration of Supervision and Inspection of Food Production and Marketing (食品生產經營監督檢查管理辦法), which became effective on March 15, 2022. The Measures require that food producers or traders shall be responsible for the safety of the food they produce or market, and actively cooperate with the SAMR in carrying out supervision and inspection.

Food Production and Operation Licensing

According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, the PRC implements a licensing system for the food production, food operation and food additives. Enterprises engaging in food production, sales and catering services shall obtain permits in accordance with law.

According to the Administrative Measures of Food Production Licensing (食品生產許可管理辦法), which was promulgated by the State Food and Drug Administration on August 31, 2015, last amended on January 2, 2020 by the SAMR and came into effect on March 1, 2020, food production licensing is based on the principle of one license for one entity, which means the same food producer engaging in food production activities shall obtain one food production permit. The relevant authorities shall implement classified licensing for food production according to the risk level of the food.

According to the Measures for the Administration of Food Operation Licensing and Registration (食品經營許可和備案管理辦法), promulgated by the SAMR on June 15, 2023 and coming into effect on December 1, 2023, the SAMR shall be responsible for guiding the national administration of food operation licensing and registration. Except for certain statutory circumstances, anyone who engages in food sales and catering services within the territory of the PRC shall obtain a food operation permit in accordance with law. One who only sells prepackaged food shall make registration with the local market regulatory department at or above the county level where it is located. Food operators engaging in food business activities at different business locations shall obtain food operation permits or make registrations separately in accordance with law. Applications for food operation permits shall be made based on the main business forms of the applicants and the categories of the business items.

Food production permits and food operation permits are valid for five years. If the production or operation conditions of a food producer or operator change and no longer satisfy the requirements for food production or operation, the food producer or operator shall immediately take corrective measures and shall re-apply for the permit in accordance with law

REGULATORY OVERVIEW

if necessary. For packaging materials with direct contact with food and other food-related products with higher risks, the production licensing shall be implemented in accordance with the relevant administrative provisions of the State on production licenses for industrial products. A food producer or operator engaging in food production and operation activities without obtaining a food production permit or a food operation permit may be subject to confiscation of illegal gains, illegally produced and operated food and food additive products, and tools, facilities and raw materials used for illegal production and operation. In addition, it may be subject to fines, orders of suspension of production and/or operation, detention, or even criminal penalties.

In order to further stipulate the specific rules regarding production of condiments, the SAMR published the General Rules on the Examination of Food Production Licensing (2022 Version) (食品生產許可審查通則(2022版)) on October 8, 2022, which became effective on November 1, 2022, setting forth the rules for the alteration and extension of licensing organized by the SAMR, and the Detailed Rules for the Review of Condiments Production Permits (調味品生產許可證審查細則) on November 25, 2020, setting forth detailed rules for the production permit of condiments other than soy sauce, vinegar, gourmet powder, and sauce.

Food Recall System

In accordance with the Food Safety Law, the State has launched a food recall system. Upon discovery of the food produced not conforming to food safety standards or if there is evidence that the food produced may harm human health, the food producer must immediately cease production, recall the food that has been put on the market, notify the relevant food producers, operators and consumers, and keep records of the recall and notification status.

Pursuant to the Measures for the Administration of Food Recalls (食品召回管理辦法) promulgated by the China Food and Drug Administration (now the SAMR) on March 11, 2015 last amended on October 23, 2020 and became effective on the same day, the SAMR is responsible for guiding the supervision and management of the national suspension of production and operation, recall and disposal of unsafe goods. Food producers and operators shall assume primary responsibilities for food safety, establish and improve relevant management systems, collect and analyze food safety information, and fulfill the obligations to suspend the production and operation, recall, and disposal of unsafe food. Where food producers or operators find that their produced or operated food products are unsafe, they must immediately cease the production and operation, urge the customers to stop consumption by way of notices or announcements, and take necessary measures to prevent food safety risks.

Food producers and operators who violate the provisions on the suspension of production and operation, recall and disposal of unsafe food products may be subject to warnings, fines and other punishments from the market supervision and management department.

REGULATORY OVERVIEW

Food Labelling Management

According to the Food Safety Law, prepackaged food shall be labeled. The labels shall include the following items: (1) name, specification, net weight, and production date; (2) content or ingredient table; (3) name, address, and contact information of the producer; (4) best before date; (5) the standards code of the product; (6) storage conditions; (7) generic names of food additives used under the national standards; (8) the production license number; and (9) other items that are required by laws, regulations and food safety standards. Food operators shall sell food products in accordance with warning marks, warning specifications or cautions stated on labels thereof.

In order to better implement the relevant provisions of the Food Safety Law, on April 20, 2011, the Ministry of Health of the PRC (now the National Health Commission of the PRC, or the "NHC") issued the National Food Safety Standard General Rules for the Labeling of Prepackaged Food (食品安全國家標準預包裝食品標籤通則) (GB 7718-2011) (the "Standard General Rules"), which came into effect on April 20, 2012. In 2024, the NHC published drafts of revised Standard General Rules for public comments. As of the Latest Practical Date, the revised Standard General Rules have not yet become effective.

INDUSTRIAL PRODUCTS

According to the Administrative Regulations of the PRC on Production Licenses for Industrial Products (中華人民共和國工業產品生產許可證管理條例), which was promulgated by the State Council on July 9, 2005, and was last amended and became effective on July 20, 2023, the State shall implement a production licensing system for enterprises that produce dairy products, meat products, beverages, rice, flour, edible oils, alcohol and other processed foods that have a direct bearing on human health. The validity period of production licenses for food processing enterprises is three years. If an enterprise seeks to continue producing the relevant product on the expiry of a production license, it shall apply for a new production license to the relevant department at the provincial level where it is located six months prior to the expiration of the existing production license.

PRODUCTION SAFETY

On June 29, 2002, the SCNPC promulgated the PRC Production Safety Law of the PRC (中華人民共和國安全生產法) (the "Production Safety Law"), which was last amended on June 10, 2021 and became effective on September 1, 2021. In accordance with the Production Safety Law, the PRC implements a system of accountability for production safety accidents. Production and operation units must implement national or industry standards formulated in accordance with the law to ensure safe production, and provide safe production conditions that meet the requirements of laws, administrative rules, and national or industry standards. Production and business units shall set up conspicuous safety warning signs in production and business sites and relevant facilities and equipment with relatively high potential hazard. The design, manufacture, installation, use, testing, maintenance, transformation, and scrapping of safety equipment shall comply with national or industry standards.

REGULATORY OVERVIEW

HAZARDOUS CHEMICALS SAFETY

According to the Administrative Regulations on the Safety of Hazardous Chemicals (危險化學品安全管理條例), promulgated by the State Council on January 26, 2002, and last amended and taking effect on December 7, 2013, enterprises manufacturing or storing hazardous chemicals shall submit the safety evaluation report and the information on the implementation of the rectification proposal to the production safety supervision and administration departments of local people's governments at county level for record.

On July 6, 2019, the Ministry of Public Security promulgated the Measures for Public Security Management of Dangerous Chemicals Used to Make Explosives (易制爆危險化學品治安管理辦法) which became effective on August 10, 2019. According to these Measures, an entity engaged in the business of dangerous chemicals used to make explosives shall establish an information system for the mentioned dangerous chemicals, and have it interconnected with the information system of the public security organ. The entity shall truthfully register information on the sales, purchases, storeroom in-and-outs, receipt, use, return, disposal of the dangerous chemicals, and enter such information into the information system for dangerous chemicals used to make explosives.

ONLINE RETAIL BUSINESS

On August 31, 2018, the SCNPC issued the E-commerce Law of the PRC (中華人民共和國電子商務法) (the "E-commerce Law"), which came into effect on January 1, 2019. According to the E-commerce Law, "e-commerce" refers to business activities of selling goods or providing services through information networks such as the Internet. E-commerce operators shall register as market entities in accordance with the law, except for individuals selling self-produced agricultural and sideline products, household handicraft products and those who do not need to be registered in accordance with law or administrative regulations. When engaging in business activities, e-commerce operators shall obtain relevant administrative licenses if so required by law, failing which such e-commerce operators may be subject to order of rectification within a prescribed period of time, imposition of fines, and order of suspension of operations by the market regulation department.

On March 15, 2021, the SAMR issued the Measures for the Supervision and Administration of Online Transactions (網絡交易監督管理辦法), which became effective on May 1, 2021. These Measures apply to business activities of selling goods or providing services through the Internet or other information networks in PRC. According to these Measures, online transaction operators may not violate the provisions of laws, regulations or decisions of the State Council, or engage in business operations without required license. Except under the circumstances where registration is not required under the E-commerce Law, online transaction operators shall register themselves as market entities. Online transaction operators who carry out online transaction activities through online social networking, online live broadcasting and other online services shall display information about the goods or services and their actual operating entities, and after-sales services, etc. in a conspicuous manner, or the link to the above information.

REGULATORY OVERVIEW

On November 4, 2016, the Cyberspace Administration of the PRC, or the CAC, promulgated the Provisions on the Administration of Online Live-streaming Services (互聯網直播服務管理規定), which became effective on December 1, 2016. Pursuant to these Provisions, online live-streaming service providers shall enter into a service agreement with the users of online live-streaming services to clarify the rights and obligations of both parties and require them to comply with the laws, regulations and platform conventions.

IMPORT AND EXPORT OF GOODS

On May 12, 1994, the SCNPC promulgated the PRC Foreign Trade Law (中華人民共和國對外貿易法) (the "Foreign Trade Law"), which was last amended and came into force on December 30, 2022. In accordance with the Foreign Trade Law, the department in charge of foreign trade under the State Council shall be responsible for all foreign trade work throughout country, and work with other relevant departments under the State Council to formulate, adjust and issue a catalogue of goods and technologies that are restricted or prohibited from import or export. In addition, the department in charge of foreign trade under the State Council, or together with other relevant departments under the State Council, may, with the approval of the State Council, make temporary decisions to restrict or prohibit the import or export of specific goods and technologies not included in the aforesaid catalogue to the extent permitted by laws.

On September 13, 2024, the MOFCOM published the Foreign Trade Law (Draft for Comments), and the comment period ended on October 12, 2024. As of the Latest Practical Date, the revised Foreign Trade Law has not yet become effective.

Pursuant to the Administrative Provisions of the PRC Customs on the Recordation of Customs Declaration Entities (中華人民共和國海關報關單位備案管理規定) which was promulgated by the General Administration of Customs of the PRC on November 19, 2021 and took effect on January 1, 2022, customs declaration entities refer to consignees and consignors of import and export goods and customs declaration enterprises recorded with the Customs pursuant to these Provisions. Consignees or consignors of import and export goods applying for the recordation of customs declaration entity shall also obtain the recordation of foreign trade operator. The recordation of the customs declaration entities is valid for an unlimited period of time. According to the Administrative Measures for the Safety of Imported and Exported Food of the PRC (中華人民共和國進出口食品安全管理辦法) which was promulgated by the General Administration of Customs of the PRC on April 12, 2021 and took effect on January 1, 2022, export food production enterprises shall record with the local customs, and ensure that their exported food complies with the standards or contractual requirements of the importing country or region, the special requirements in international treaties or agreements concluded or participated in by the PRC, or the national food safety standards in the PRC, as the case may be.

REGULATORY OVERVIEW

PRODUCT QUALITY AND PRODUCT LIABILITY

On February 22, 1993, the SCNPC promulgated the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “Product Quality Law”), which was last amended and took effect on December 29, 2018. According to the Product Quality Law, producers and sellers shall establish and improve their internal product quality management systems, and rigorously implement job post-related quality standards, and quality responsibilities and corresponding measures for their assessment. Both producers and sellers shall be responsible for product quality in accordance with law. The market regulatory department under the State Council is responsible for nationwide product quality supervision. All the relevant departments under the State Council are in charge of product quality supervision according to their respective responsibilities. The State, with respect to product quality, adopts a supervision and inspection system with random inspection as the main method. The products that may endanger human health and personal or property safety, the important industrial products that influence the national economy and the people’s livelihood, and the products that have been reported by consumers or relevant organizations as defective in quality are subject to random inspection. No producer or seller may reject any supervision or inspection over product quality that is carried out in accordance with the law.

Pursuant to the PRC Civil Code (中華人民共和國民法典) promulgated by the NPC on May 28, 2020 and effective as of January 1, 2021, a manufacturer shall bear tort liability if its product causes damage to others due to a defect. If a defect is found in a product after it has been put into circulation, the manufacturer and the seller shall take remedial measures in a timely manner including withdrawal from sale, alerts, and recalls. In the event of expanded damage arising from a failure to take remedial measures in a timely manner or inadequate remedial measures, the manufacturer and the seller shall also be liable for the aggravated part of the damage.

PROTECTION OF CONSUMER RIGHTS AND INTERESTS

On October 31, 1993, the SCNPC promulgated the Consumer Rights and Interests Protection Law of the PRC (中華人民共和國消費者權益保護法) (the “Consumer Rights and Interests Protection Law”), which was last amended on October 25, 2013 and became effective on March 15, 2014. On March 15, 2024, the State Council promulgated the Regulation on the Implementation of the Consumer Rights and Interests Protection Law of the PRC (中華人民共和國消費者權益保護法實施條例), which was implemented on July 1, 2024.

According to the Consumer Rights and Interests Protection Law, consumers, when purchasing and utilizing commodities or receiving services, enjoy the inviolable right of personal and property safety. Consumers have the right to demand the operators to provide commodities or services in compliance with the requirements of ensuring personal and property safety. Business operators shall adhere to the principle of voluntariness, equality, fairness, honesty and credibility when dealing with consumers. Consumers who suffer personal or property damages as a result of purchasing or utilizing goods or receiving services are entitled to compensation in accordance with the law.

REGULATORY OVERVIEW

ADVERTISEMENT

On October 27, 1994, the SCNPC promulgated the Advertising Law of the PRC (中華人民共和國廣告法) (the “Advertising Law”), which was last amended on April 29, 2021 and became effective on the same day. According to the Advertising Law, advertisements shall not have any false or misleading content, or defraud or mislead consumers. An advertiser shall be responsible for the veracity of the contents of advertisement. Where a false advertisement is published, the market regulatory department shall order cessation of publishing the advertisement, order the advertiser to eliminate adverse effects within the corresponding extent, and impose a fine. Where a false advertisement has caused any damage to the lawful rights and interests of consumers who purchase goods or receive services, the advertiser shall assume civil liability in accordance with the law.

ANTI-UNFAIR COMPETITION

On September 2, 1993, the SCNPC promulgated the PRC Anti-unfair Competition Law (中華人民共和國反不正當競爭法) (the “Anti-unfair Law”), which was last amended on April 23, 2019. According to the Anti-unfair Law, a business shall, in its production and distribution activities, adhere to the free will, equality, fairness, and good faith principles, and abide by laws and business ethics. A business shall not conduct any false or misleading commercial publicity in respect of the performance, functions, quality, sales, user reviews, and honors received of its commodities, in order to defraud or mislead consumers.

On August 30, 2007, the SCNPC promulgated the PRC Anti-Monopoly Law (中華人民共和國反壟斷法), which was amended on June 24, 2022 and became effective on August 1, 2022. The PRC Anti-Monopoly Law is applicable to monopolistic behaviors which include business operators reaching a monopoly agreement, business operators abusing their dominant market position, and business operators’ concentration that has or may have the effect of eliminating or restricting competition. Pursuant to this Law, business operators may not use data and algorithms, technology, capital advantages or platform rules to engage in monopolistic practices prohibited by this Law.

INFORMATION SECURITY AND DATA PROTECTION

The PRC Data Security Law (中華人民共和國數據安全法) (the “Data Security Law”) was passed on June 10, 2021 and came into effect on September 1, 2021. The Data Security Law requires a data processor to establish and improve a whole-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to safeguard data security. In conducting data processing activities using the Internet or any other information networks, a data processor shall perform the above data security protection obligations on the basis of the hierarchical cybersecurity protection system. Any violation of the provisions and requirements under the Data Security Law may subject a data processor to rectifications, warnings, fines, suspension of the related business, revocation of business permits or even criminal liabilities.

REGULATORY OVERVIEW

The PRC Personal Information Protection Law (中華人民共和國個人信息保護法) (the “Personal Information Protection Law”) was promulgated on August 20, 2021 and came into effect on November 1, 2021. Instead of relying solely on “notification and consent” as established in the PRC Cybersecurity Law (“Cybersecurity 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 (1) the individual’s consent has been obtained; (2) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect a natural person’s life, health and property safety under emergency circumstances; (5) the personal information that has been made public is processed within a reasonable scope in accordance with the Personal Information Protection Law; (6) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision and other activities in the public interest; or (7) 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, revocation of licenses, inclusion in relevant credit record, or even criminal liabilities.

Pursuant to the PRC 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.

On April 13, 2020, thirteen PRC governmental and regulatory agencies, including the CAC, promulgated the Measures for Cybersecurity Review (網絡安全審查辦法), which was last amended on December 18, 2021, and came into effect on February 15, 2022. The Measures for Cybersecurity Review specifies that an online platform operator that possesses the personal information of more than one million users must apply for cybersecurity review by the Cybersecurity Review Office, if it plans on listing in foreign countries. The Cybersecurity Review Office may initiate a cybersecurity review if any network products and services, activities of data processing or overseas listing of companies affects or may affect national security. Pursuant to the Measures for Cybersecurity Review, any violation shall be punished in accordance with the Cybersecurity Law and the Data Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties and suspension of non-compliant operations.

On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flow (促進和規範數據跨境流動規定) (the “CBDF Provisions”). In accordance with the Measures for the Security Assessment of Outbound Data Transfer (數據出境安全評估辦法), implemented on September 1, 2022, the Measures for the Standard Contract for the Outbound Transfer of Personal Information (個人信息出境標準合同辦法), implemented on June 1, 2023, the Announcement regarding the Implementation of Personal

REGULATORY OVERVIEW

Information Protection Certification (關於實施個人信息保護認證的公告), implemented on November 4, 2022, and the CBDF Provisions, data processors transferring data overseas are required to comply with the corresponding data cross-border transfer supervision procedures as stipulated by relevant laws and regulations, except for those meeting exemption conditions. According to the CBDF Provisions, data processors are subject to security assessments conducted by the CAC prior to any cross-border transfers of important data and personal information, if falling under any of the following circumstances: (1) where the critical information infrastructure operator intends to provide important data or personal information overseas; (2) where the data processor other than critical information infrastructure operators intends to provide important data overseas; (3) where the data processor other than critical information infrastructure operators, who has provided personal information (excluding sensitive personal information) of at least one million individuals or sensitive personal information of at least 10,000 individuals to overseas recipients accumulatively since January 1 of any given calendar year, intends to provide personal information overseas; and (4) other circumstances where the security assessment of cross-border data transfer is required as prescribed by the CAC.

On September 24, 2024, the State Council promulgated the Regulations on Network Data Security Management (網絡數據安全管理條例), which came into force on January 1, 2025. This regulation clarifies the general provisions on network data security management, and also further supplements and refines the specific requirements on personal information protection, important data security management, cross-border security management of network data, and obligations of network platform.

MANAGEMENT OF REAL PROPERTY

State-Owned Land

According to the Regulations on the Implementation of the PRC Land Administration Law (中華人民共和國土地管理法實施條例) promulgated by the State Council on December 27, 1998, last amended on July 2, 2021 and became effective on September 1, 2021, in order to use state-owned land, the user should acquire the land in the form of paid use, including transfer of state-owned land use right.

On May 19, 1990, the State Council promulgated the PRC Interim Regulations on the Assignment and Transfer of the State-owned Urban Land Use Rights (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), which was amended and became effective on November 29, 2020. These Interim Regulations stipulate that unless otherwise provided by law, companies, enterprises, other organizations and individuals within or outside the territory of the PRC may obtain from the State land use rights to the state-owned urban land for a term of certain years by entering into land use right assignment agreements and paying assignment fees to the State, and carry out land development, utilization and management.

REGULATORY OVERVIEW

Leased Property

The Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and became effective on February 1, 2011, stipulates that within thirty days from execution of a property lease contract, the parties to the contract shall complete property leasing registration with the competent construction (real estate) department of the local government where the leased property is located. If an organization fails to perform this obligation, the competent construction (real estate) departments shall urge the organization to make corrections within a specified time limit, and shall impose a fine between RMB1,000 and RMB10,000 on the organization if it fails to make corrections within the time limit.

FOREIGN EXCHANGE

The principal regulations governing foreign exchange in China are the PRC Regulations on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the “Foreign Exchange Regulations”), which was promulgated by the State Council and became effective on August 5, 2008. Under the Foreign Exchange Regulations, payments of current account items (such as profit distributions and trade and service-related foreign exchange transactions) may be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or the SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required for conversion of Renminbi into foreign currencies and remittance of foreign currencies out of the PRC under capital account items such as direct investments, repayments of overseas loans, and investments in overseas securities markets.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (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”) promulgated by the SAFE and last amended on March 23, 2023, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (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”) promulgated by the SAFE and amended on December 4, 2023, the flow and use of 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 its affiliates unless otherwise permitted under its business scope.

In October 2019, the SAFE issued the Circular of Further Facilitating 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) (the “SAFE Circular 28”), which was partially amended on December 4, 2023. The SAFE Circular 28 cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in the PRC, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign

REGULATORY OVERVIEW

Exchange 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) issued by the SAFE on April 10, 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements.

ENVIRONMENTAL PROTECTION AND FIRE PREVENTION

Environmental Protection

According to the PRC Environmental Protection Law (中華人民共和國環境保護法), promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and effective as of January 1, 2015, the pollution prevention and control facilities in construction projects shall be designed, built and commissioned along with the principal part of the project at the same time. The pollution prevention and control facilities shall meet the requirements specified in the approved documents regarding the environmental impact assessment and shall not be dismantled or left idle without authorization.

Pursuant to the PRC Law on Environment Impact Assessment (中華人民共和國環境影響評價法), promulgated by the SCNPC on October 28, 2002, last amended and effective as of December 29, 2018, classification-based management shall be applied to environment impact assessment of construction projects according to their degree of impact on the environment. The catalogs for the classification-based management of the environment impact assessment of the construction projects shall be determined and published by the administrative department of the State Council in charge of environmental protection. The construction entity concerned shall prepare the Environmental Impact Report or Environmental Impact Statement or fill out the Environmental Impact Registration Form. The Environmental Impact Report or Environmental Impact Statement of a construction project shall be submitted by the construction entity to the administrative department of ecology and environment with the approval authority for approval in accordance with the provisions of the State Council. The State shall implement a record-filing-based management on Environmental Impact Registration Forms. If the environmental impact evaluation document of the construction project fails to be examined by the examination and approval department in accordance with the law or is not approved after examination, the construction unit may not start construction.

On November 29, 1998, the State Council promulgated the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), which was last amended on July 16, 2017 and became effective on October 1, 2017. According to these Regulations, (1) a report on environmental impact should be compiled for a construction project that may cause major impact on the environment; (2) a statement on environmental impact should be compiled for a construction project that may cause light

REGULATORY OVERVIEW

impact on the environment; and (3) a registration form should be filed out and submitted for a construction project that has a slight impact on the environment so that an environmental impact assessment is not required.

The PRC Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), which was promulgated by the SCNPC on May 11, 1984, last amended on June 27, 2017 and effective as of January 1, 2018, stipulates that the discharge of water pollutants shall not exceed the prescribed water pollutant discharge standards and the total discharge control targets of key water pollutants. Enterprises, institutions or other manufacturers and operators that directly or indirectly discharge into water bodies industrial effluent, medical sewage, and other wastewater or sewage dischargeable subject to a pollutant discharge permit must secure a pollutant discharge permit. Pollutant discharge permits should specify the types, concentrations, total amounts, and discharge destinations of water pollutants.

On April 1, 2024, the Ministry of Ecology and Environment of the PRC promulgated the Administrative Measures for Pollutant Discharge Licensing (排污許可管理辦法), which came into effect on July 1, 2024. Enterprises, institutions and other producers and operators that are subject to the administration of pollutant discharge licensing shall apply for and obtain pollutant discharge permits in accordance with the law, and discharge pollutants in accordance with the provision of the pollutant discharge license; those who have not obtained a pollutant discharge permit may not discharge pollutants. According to the Regulations on the Administration of Pollutant Discharge Permits (排污許可管理條例), which was promulgated by the State Council on January 24, 2021 and became effective on March 1, 2021, if a pollutant-discharging entity discharges pollutants without a pollutant discharge permit, the competent ecological and environmental authority shall order it to make corrections, restrict production or suspend production for rectification, and impose a fine between CNY200,000 and CNY1 million. If the circumstances are serious, it shall be ordered to suspend business or close down, subject to the approval of the people's government with the power of approval.

According to the Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network (城鎮污水排入排水管網許可管理辦法), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015, last amended on December 1, 2022 and effective as of February 1, 2023, enterprises, institutions and individual industrial and commercial households engaged in manufacturing, construction, catering and medical activities must apply for a permit for the discharge of sewage into the drainage network before discharging sewage into urban facilities.

REGULATORY OVERVIEW

Fire Prevention

According to the PRC Fire Prevention Law (中華人民共和國消防法), promulgated by the SCNPC on October 28, 2008, last amended on April 29, 2021 and effective on the same day, the fire protection design and construction of a construction project shall meet national fire protection technical standards for construction projects. Project owners, design entities, construction entities, project supervision entities, etc., shall, in accordance with the law, be responsible for the fire protection design and the quality of the fire protection construction of the projects.

SECURITIES LAW AND OVERSEAS OFFERING AND LISTING OF SHARES

On December 29, 1998, the SCNPC promulgated the PRC Securities Law (中華人民共和國證券法), which was last amended on December 28, 2019 and took effect on March 1, 2020. The PRC Securities Law regulates activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The PRC Securities Law states that domestic enterprises that seek to issue securities abroad directly or indirectly or to list their securities abroad for trading shall comply with the relevant provisions of the State Council.

Pursuant to the Trial Measures for the Administration of Overseas Offering and Listing of Securities by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法) promulgated by the CSRC on February 17, 2023 and effective as of March 31, 2023, direct or indirect issuance of securities overseas by a domestic company or listing of its securities overseas is subject to the regulations of the CSRC, and in the case of an initial public offering of shares or listing overseas, the issuer or the designated entity shall file with the CSRC within three business days after the application for the initial public offering is submitted.

On February 24, 2023, the CSRC and three other government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (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). Pursuant to these Provisions, if a domestic enterprise is to provide to the relevant securities companies, securities service institutions, overseas regulatory authorities or other entities and individuals, or publicly disclose, any document or material that involves state secrets and working secrets of state agencies, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC. Cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the PRC.

REGULATORY OVERVIEW

TAXATION

Enterprise Income Tax

According to the PRC Law on Enterprise Income Tax (中華人民共和國企業所得稅法) (the "EIT Law"), which was promulgated by the SCNPC on March 16, 2007, last amended and became effective on December 29, 2018, and the Implementing Regulations of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) (the "EIT Implementing Regulations"), which was promulgated by the State Council on December 6, 2007, last amended on April 13, 2019 and became effective on the same day, enterprises are classified into resident enterprises and non-resident enterprises. The EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises. However, high-tech enterprises to which the PRC need to give key support are given the reduced enterprise income tax rate of 15%.

Value-Added Tax

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, the sales of service, intangible assets and real estate, and the importation of goods within the territory of the PRC shall pay value-added tax (the "VAT") in accordance with the Interim Value-added Tax Regulations of the PRC (中華人民共和國增值稅暫行條例) (the "VAT Regulations"), which was promulgated by the State Council on December 13, 1993, last amended and became effective on November 19, 2017, and the Implementing Rules for 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 MOF on December 15, 2008, last amended on October 28, 2011, and took effect on November 1, 2011.

Dividends Distribution

The principal laws, rules and regulations governing dividend distribution by foreign-invested enterprises in the PRC are the Company Law, the Foreign Investment Law and its Implementing Rules. Under these laws and regulations, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations.

Pursuant to the PRC Individual Income Tax Law (中華人民共和國個人所得稅法), which was last amended on August 31, 2018, and became effective on January 1, 2019, and the Implementation Provisions of the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例), which was last amended on December 18, 2018, and became effective on January 1, 2019, dividends distributed by PRC enterprises to individuals shall be subject to individual income tax levied at a flat rate of 20%.

REGULATORY OVERVIEW

Pursuant to the EIT Laws and the EIT Implementing Regulations, a non-PRC resident enterprise is subject to a reduced 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists its shares in Hong Kong. If a non-PRC resident enterprise either does not have an establishment or place of business in the PRC, or has such establishment or place of business in the PRC but its PRC-sourced income is not effectively connected with the establishment or place of business, the income tax payable by the non-PRC resident enterprise shall be withheld at source.

EMPLOYMENT, SOCIAL INSURANCE, AND HOUSING PROVIDENT FUND

Employment

According to the PRC Labor Law (中華人民共和國勞動法), which was promulgated by the SCNPC on July 5, 1994, last amended and became effective on December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its employees, who are entitled to fair employment, choice of occupation, labor remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare, and certain other rights. An employer shall develop and improve its labor safety and sanitation system, stringently implement national protocols and standards on labor safety and sanitation, conduct labor safety and sanitation education for employers, guard against labor accidents and reduce occupational hazards.

On June 29, 2007, the SCNPC promulgated the PRC Labor Contract Law (中華人民共和國勞動合同法) (the "Labor Contract Law"), which was amended on December 28, 2012 with effect from July 1, 2013, and the State Council promulgated the Implementing Regulations of the Labor Contract Law of the PRC (中華人民共和國勞動合同法實施條例) with immediate effect from September 18, 2008. The aim of the Labor Contract Law and its Implementing Regulation is primarily to regulate employee/employer rights and obligations, including matters with respect to the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law and its Implementing Regulation, a written labor contract shall be executed by an employer and an employee when the employment relationship is established. Employers are forbidden to force or in a disguised manner force employees to work beyond the time limit, and employers shall pay employees for overtime work in line with related state rules and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to employees in a timely manner.

Social Insurance and Housing Provident Fund

As required under the PRC Social Insurance Law (中華人民共和國社會保險法), promulgated on October 28, 2010 by the SCNPC, amended and taking effect on December 29, 2018, an employer shall, within 30 days from the date of establishment of the entity, apply to the local social insurance agency for social insurance registration. The social insurance agency shall complete the check and review process and issue social insurance registration certificate to the employer within fifteen days from receipt of the application.

REGULATORY OVERVIEW

According 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 by the State Council, last amended on March 24, 2019 and became effective thereafter, a newly established entity shall go to the housing provident fund management centre to undertake housing provident fund payment and deposit registration within 30 days from the date of its establishment, and go through the formalities of opening housing provident fund accounts on behalf of its employees within 20 days from the date of the registration.

INTELLECTUAL PROPERTY

Trademark

Pursuant to the PRC Trademark Law (中華人民共和國商標法) (the “**Trademark Law**”), which was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and became effective on November 1, 2019, and the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例), which was adopted by the State Council on August 3, 2002, last amended on April 29, 2014, and became effective on May 1, 2014, the trademark registrants shall be entitled to the right to the exclusive use of their registered trademarks and shall be protected by law. A registered trademark is valid for a term of ten years commencing on the date of registration approval, and the term is renewable. The trademark registrant may, by concluding a trademark licensing contract, authorize other persons to use its registered trademark.

Patents

According to the PRC Patent Law (中華人民共和國專利法) promulgated by the SCNPC on March 12, 1984 and most recently amended on October 17, 2020, and the Implementation Rules of the PRC Patent Law (中華人民共和國專利法實施細則), promulgated by the State Council on June 15, 2001, last amended on December 11, 2023 and effective from January 20, 2024, invention patents are valid for twenty years, utility model patents are valid for ten years, and design patents are valid for fifteen years, in each case from the date of application.

Copyright

In accordance with the PRC Copyright Law (中華人民共和國著作權法), which was promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020, and became effective on June 1, 2021, works of PRC nationals, legal persons and other organizations, whether published or not, and works of non-PRC nationals or stateless persons which are first published in the territory of the PRC, shall enjoy copyright under this Law. Unless otherwise provided for by this Law, the copyright in a work shall be owned by its author. An author’s rights of authorship, modification and integrity in respect of his/her work shall continue in perpetuity.

REGULATORY OVERVIEW

Domain Names

Domain names are protected under the Administrative Measures for Internet Domain Names (互聯網域名管理辦法) issued by the Ministry of Industry and Information Technology, or the MIIT, on August 24, 2017 and effective from November 1, 2017, and the Implementing Rules for National Top-level Domain Registration (國家頂級域名註冊實施細則) issued by China Internet Network Information Centre on June 18, 2019, which became effective on the same day. The MIIT is the main regulatory body responsible for the administration of the PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We have over four hundred years of heritage. In 1955, 25 ancient soy sauce factories in Foshan, Guangdong Province were merged and restructured as Foshan Public-Private Partnership Haitian Seasoning Factory (佛山市公私合營海天醬油廠) (“**Haitian Seasoning Factory**”), being our predecessor. Since then, the Company has been focusing on the production and sales of condiments and has become the world’s leading condiments production and sales company.

In November 2010, our Company was converted into a joint stock limited company from a limited liability company, with Guangdong Haitian and Foshan Haipeng being our Company’s promoters. In February 2014, our A Shares were listed on the main board of the Shanghai Stock Exchange (stock code: 603288) (the “**A-Shares Listing**”). See “— Major Shareholding Changes of Our Company — Conversion into Joint Stock Limited Company and Listing on the Shanghai Stock Exchange” for more details. As of the Latest Practicable Date, Guangdong Haitian directly and indirectly (through Foshan Haipeng) held 58.38% of our share capital.

OUR KEY MILESTONES

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

<u>Year</u>	<u>Milestone</u>
1955	Our predecessor Haitian Seasoning Factory was established.
1988	We ranked first in the country in terms of production volume, sales volume, quality and export volume of soy sauce.
1990	We were recognized as the National Second-class Enterprise by the State Council Enterprise Management Steering Committee and the State Council Production Committee.
1995	We converted into a limited liability company and started our fast-track development, transforming into an enterprise featured with scientific management.
2000	Our brand has been recognized as the Famous Trademark in China.
2001	We established a vision for the Double Hundred Project (“雙百”工程). The success of the Double Hundred Project was of great significance to the future development of Haitian.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestone
2004	We were recognized as one of the Top 100 Enterprises in China’s Food Industry by the Industrial and Transportation Statistics Department of the National Bureau of Statistics of China and the China Food Industry Association.
2005	We established our production base in Gaoming District, Foshan with a capacity of one million tons of soy sauce, which became one of the largest soy sauce production base in the world.
2006	We were among the first batch being recognized as the China Time-honored Brand (中華老字號) by the Ministry of Commerce of the PRC.
2009	We were awarded the Second Prize of National Scientific and Technological Progress by the State Council of China.
2010	We were officially approved to set up an Enterprise Post-doctoral Research Station, and our testing center was recognized as a National Accredited Laboratory for the first time.
2013	Our annual sales value exceeded RMB10 billion.
2014	We were listed on the Shanghai Stock Exchange (stock code: 603288).
2017	Gaoming Haitian was recognized as one of the first national green factories, and it was also the only food enterprise in Guangdong Province that has been awarded the honor.
2018	We achieved our overall goal of “recreating a Haitian in five years and doubling the sales revenue”.
2021	We orderly accelerated the production bases construction and increased production capacity. We started the construction of the production base in Nanning, and expanded production projects in Gaoming and Suqian. We entered a new stage of nationwide production capacity layout, providing strong support for the market development.
2022	We were awarded the title of “National Intellectual Property Advantage Enterprise” by the China National Intellectual Property Administration.
2024	We ranked first in the 2024 China Brand Value Evaluation of China Time-honored Brand.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the following entities were our major subsidiaries which had made a material contribution to our results of operation during the Track Record Period:

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Equity interest attributable to our Group</u>	<u>Principal business activities</u>
Foshan Haitian (Gaoming) Flavoring Food Co., Ltd. (佛山市海天(高明)調味食品有限公司) (“ Gaoming Haitian ”)	PRC	June 7, 2004	100%	Manufacturing of condiments
Haitian Vinegar Industry Group Limited (海天醋業集團有限公司) (“ Vinegar Group ”)	PRC	March 25, 2014	100%	Manufacturing of condiments
Guangdong Xiaokang Technology Co., Ltd. (廣東小康科技有限公司) (“ Xiaokang Technology ”)	PRC	June 22, 2017	100%	Sales of condiments food and beverages
Foshan Haitian (Nanning) Seasoning Food Co., Ltd. (佛山市海天(南寧)調味食品有限公司) (“ Nanning Haitian ”)	PRC	January 23, 2020	100%	Manufacturing of condiments
Haitian Oyster Sauce (Tianjin) Group Co., Ltd. (海天蠔油(天津)集團有限公司) (“ Tianjin Oyster ”)	PRC	February 7, 2021	100%	Sales of condiments
Foshan Haitian (Suqian) Seasoning Food Co., Ltd. (佛山市海天(宿遷)調味食品有限公司) (“ Suqian Haitian ”)	PRC	August 25, 2021	100%	Manufacturing of condiments
Zhejiang Haitian Vinegar Wine Marketing Co., Ltd. (浙江海天醋酒營銷有限公司) (“ Zhejiang Cujiu ”)	PRC	September 1, 2021	100%	Sales of condiments

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

<u>Name of subsidiary</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Equity interest attributable to our Group</u>	<u>Principal business activities</u>
Haitian Brewing Food Co., Ltd. (海天釀造食品有限公司) (“Haitian Niangzao”)	PRC	January 10, 2022	100%	Sales of condiments
Hensil Worldwide Investments Limited (興兆環球投資有限公 司) (“Hensil Worldwide”)	BVI	July 4, 2001	100%	Equity investment

* *The English names of the PRC companies are translations of their Chinese names, and are included herein for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.*

MAJOR SHAREHOLDING CHANGES IN OUR COMPANY

Early Development of our Company

We have over four hundred years of heritage. In 1955, our predecessor Haitian Seasoning Factory was established in Foshan, Guangdong Province, focusing on the production and marketing of seasonings. In August 1995, our Company was restructured into a limited liability company and renamed as Foshan Haitian Flavouring and Food Company Ltd. (佛山市海天調味食品有限公司).

Upon the completion of several rounds of share transfers and capital injection, on October 29, 2010, the registered share capital of our Company reached RMB129,551,700, with Guangdong Haitian and Foshan Haipeng, a wholly-owned subsidiary of Guangdong Haitian, holding 99.8% and 0.2% of the equity interests in our Company respectively.

Conversion into Joint Stock Limited Company and Listing on the Shanghai Stock Exchange

In November 2010, our Company was converted from a limited liability company to a joint stock limited company, with Guangdong Haitian and Foshan Haipeng being our Company’s promoters. In December 2010, the registered capital of our Company was further increased to RMB711,000,000 through subscription by 58 individual shareholders who were the employees of our Company.

In February 2014, our A Shares were listed on the main board of the Shanghai Stock Exchange (stock code: 603288). We offered a total of 74,850,000 A Shares during the A-Shares Listing, out of which 37,500,000 A Shares were issued by us and 37,350,000 A Shares were offered by our then existing Shareholders, each representing approximately 5% of our then share capital. Upon completion of the A-Shares Listing, Guangdong Haitian directly and indirectly (through Foshan Haipeng) owned approximately 58.38% of our Company’s then share capital.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Concert Party Arrangements

On December 27, 2023, Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao (the “**Concert Party Group**”) entered into a concert party agreement (the “**Concert Party Agreement**”), pursuant to which each of them, as a shareholder of Guangdong Haitian, undertook to vote unanimously when electing directors of Guangdong Haitian and exercising their voting rights in respect of the Shares in our Company directly or indirectly held by Guangdong Haitian.

As of the Latest Practicable Date, the total issued share capital of our Company was directly and indirectly (through Foshan Haipeng) held as to approximately 58.38% by Guangdong Haitian, in which the Concert Party Group held approximately 73.59% interest. The Concert Party Group is also directly interested in the total issued share capital of our Company as to approximately 13.75% in aggregate (with Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao having approximately 9.57%, 3.17%, 0.61%, 0.21%, 0.16% and 0.03% interest in the total issued share capital of our Company, respectively). Together with Guangdong Haitian’s interest in our Company, the Concert Party Group is interested in the total issued share capital of our Company as to approximately 72.12% in aggregate. Accordingly, Guangdong Haitian, Foshan Haipeng and the Concert Party Group will be regarded as a group of Controlling Shareholders upon [REDACTED].

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We did not carry out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Our Directors confirmed that, as of the Latest Practicable Date, we had no instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Our PRC Legal Advisor advised us that during the Track Record Period and up to the Latest Practical Date, we have not been subject to any substantial administrative penalties or regulatory measures imposed by PRC securities regulatory authorities and we have complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would cause them to cast doubt on our Directors’ confirmation with regard to the compliance record of the Company on the Shanghai Stock Exchange in any material respect.

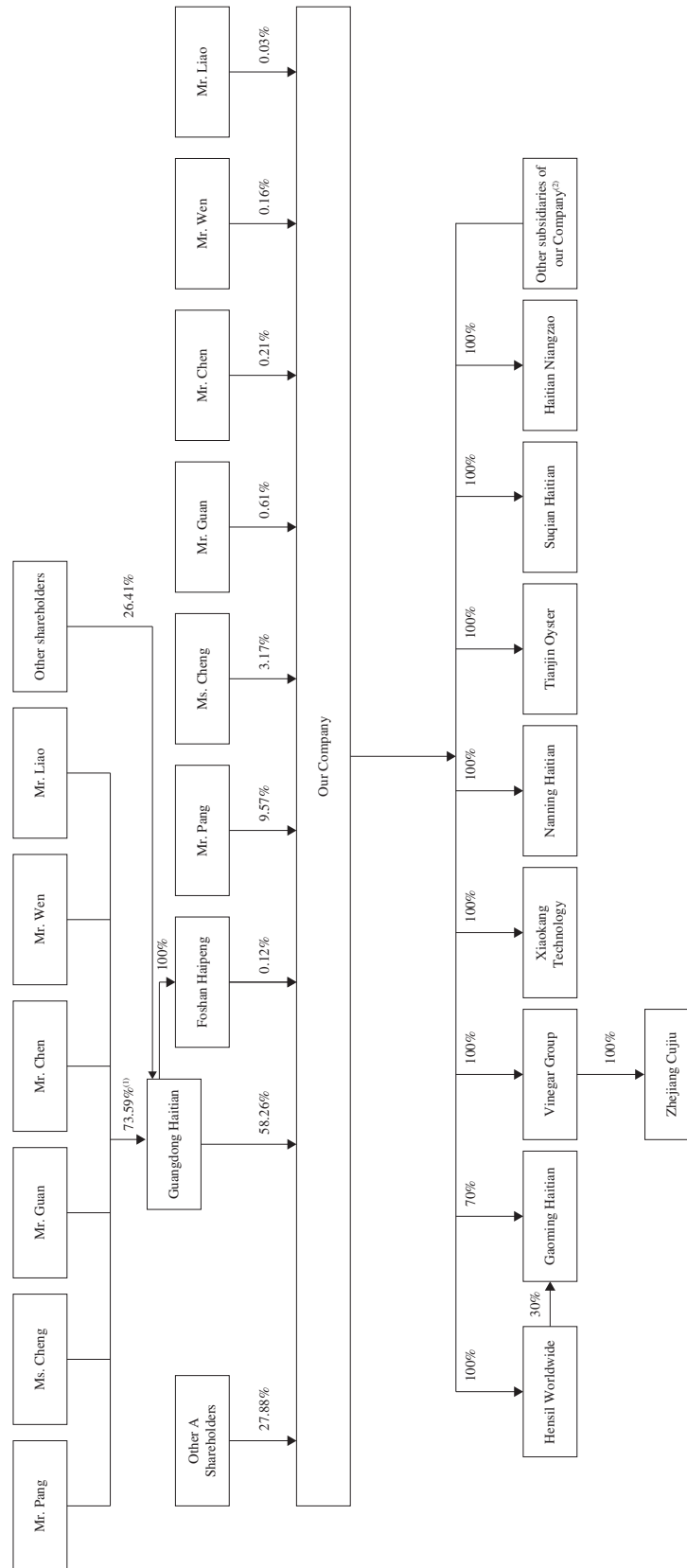
Our Company seeks to be [REDACTED] on the Hong Kong Stock Exchange in order to promote our globalization strategy, improve our international brand image and competitiveness. See “Business — Our Strategies” and “Future Plans and Use of [REDACTED]” for more details.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately before the [REDACTED]

The following chart depicts a simplified shareholding and beneficial ownership structure of our Group immediately prior to the completion of the [REDACTED] (assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]):



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

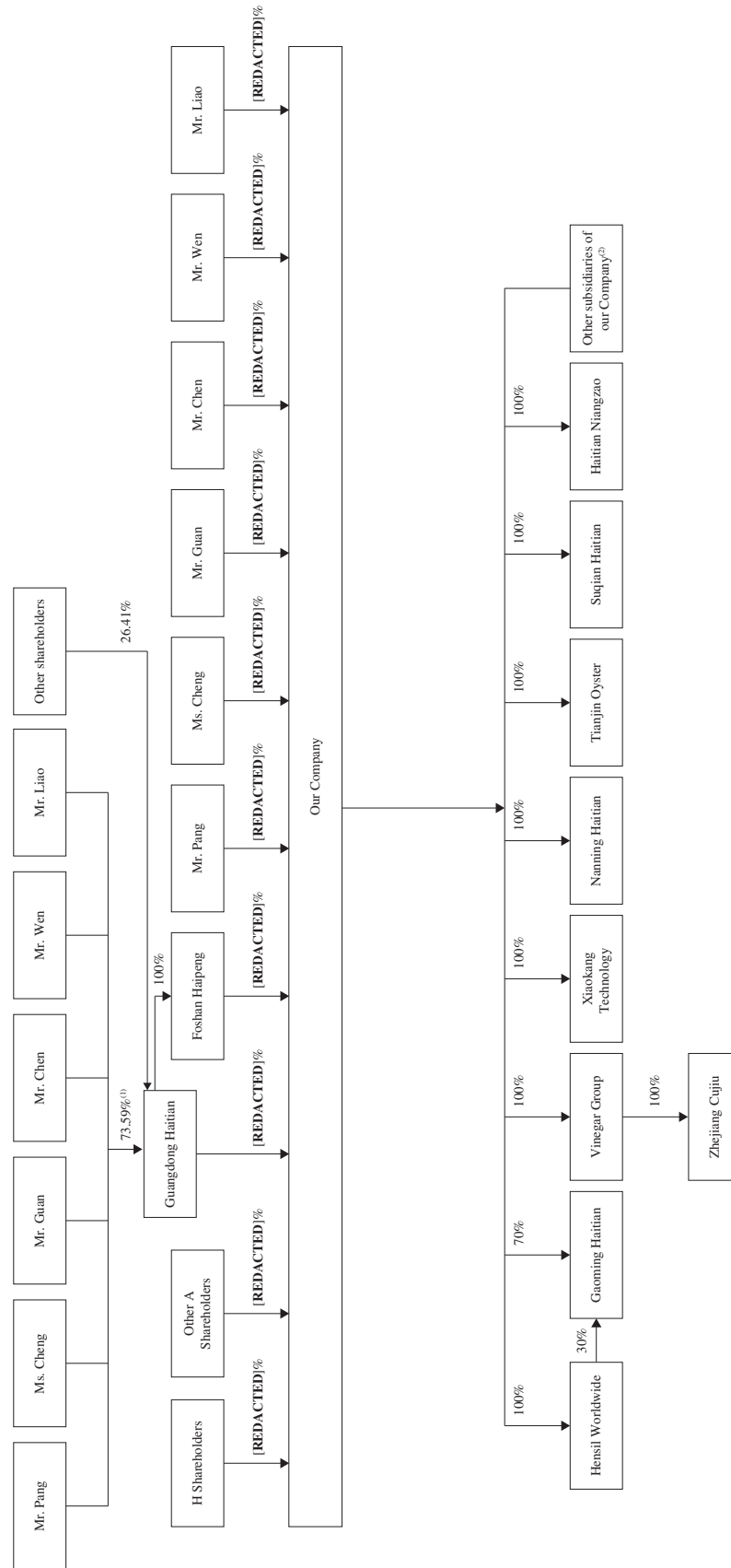
- (1) As of the Latest Practicable Date, our Company was directly and indirectly (through Foshan Haipeng) held as to 58.38% by Guangdong Haitian, in which the Concert Party Group had approximately 73.59% equity interest (with Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao having approximately 50.63%, 16.78%, 3.27% (including 1.79% equity interest held by Mr. Guan's spouse), 1.17%, 1.11% and 0.62% interest in Guangdong Haitian, respectively). The Concert Party Group also directly held approximately 13.75% interest in our Company in total (with Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao having approximately 9.57%, 3.17%, 0.61% (including 0.33% equity interest held by Mr. Guan's spouse), 0.21%, 0.16% and 0.03% equity interests in our Company, respectively). To the knowledge of our Company, as of the Latest Practicable Date, Mr. Wen and Mr. Chen have pledged 1,804,000 A shares and 1,280,400 A shares held by them respectively, accounting for approximately 0.03% and 0.02% of the Company's issued share capital respectively.
- (2) To support the development of the Company's business in various categories and various regions, the Company has 64 subsidiaries. Other subsidiaries include (a) 44 wholly-owned subsidiaries, including Guangdong Guangzhonghuang Food Co., Ltd. (廣東廣中皇食品有限公司), Foshan Haisheng Food Co., Ltd. (佛山市海盛食品有限公司), Guangdong Xiaokang Logistics Co., Ltd. (廣東小康智慧供應鏈科技有限公司), Shenzhen Qianhai Tianyi Trading Co., Ltd. (深圳前海天益貿易有限公司), Guangdong Haitian Biological Technology Co., Ltd. (廣東海連生物科技有限公司), Guangdong Haitian International Trade Co., Ltd. (廣東海天國際貿易有限公司), Heliogjiang Haiyu Agricultural Technology Co., Ltd. (黑龍江海裕農業科技有限公司), Ningbo Haichun Investment Co., Ltd. (寧波海輝投資有限公司), Ningbo Haijiao Investment Co., Ltd. (寧波海匠投資有限公司), Ningbo Haipo Ruixiang Investment Partnership (Limited Partnership) (寧波海珀睿享投資合夥企業(有限合夥)), Ningbo Haipohui Investment Partnership Enterprise (Limited Partnership) (寧波海珀匯投資合夥企業(有限合夥)), Foshan Haitian (Wuhan) Seasoning Food Co., Ltd. (佛山市海天(武漢)調味食品有限公司), Haitian Oyster Sauce (Nanning) Food Co., Ltd. (海天蠔油(南寧)食品有限公司), Suqian Yuanshang Fresh Food Co., Ltd. (佛山海天(成都)調味食品有限公司), Haitian Haippert Food Technology Co., Ltd. (佛山市海天(天津)調味食品有限公司), Hepert (Guangdong) Food Co., Ltd. (海珀特(廣東)食品有限公司), Dai Dai Tian (Wuhan) Food Group Co., Ltd. (代代田(武漢)食品集團有限公司), Haitian Yanbenwu Food Technology Co., Ltd. (海天宴本屋食品科技有限公司), Anhui Tianyi Trading Co., Ltd. (安徽天益貿易有限公司), Hainan Kangzhuang Tongda Supply Chain Management Co., Ltd. (海南康莊通達供應鏈管理有限公司), Haitian Vinegar (Guangdong) Co., Ltd. (海天醋業(廣東)有限公司), Haitian Vinegar (Zhejiang) Co., Ltd. (海天醋業(浙江)有限公司), Haitian Vinegar (Wuhan) Co., Ltd. (海天醋業(武漢)有限公司), Haiqin (Guangdong) Park Management Services Co., Ltd. (海勤(廣東)園區管理服務有限公司), Joyful Food Technology Co., Ltd. (海天雲倉(佛山)科技有限公司), Tianqu Biotechnology Co., Ltd. (天曲生物科技有限公司), Benyuan Niang High-tech Co., Ltd. (本源釀高新科技有限公司), Haitian Yuncang (Foshan) Technology Co., Ltd. (海天雲倉(佛山)科技有限公司), Aiguozhe (Guangdong) Health Technology Co., Ltd. (愛果者(廣東)健康科技有限公司), Zhengfengnian Agricultural Technology Co., Ltd. (正豐年農業科技有限公司), Dai Dai Tian (Foshan) Bio-Technology Co., Ltd. (代代田(佛山)生物科技有限公司), Lizhi Food Co., Ltd. (禮致食品有限公司), Guangdong Four Seasons Tiansheng Food Co., Ltd. (廣東四季天成食品有限公司), Haitian (Hainan) Investment Co., Ltd. (海天(海南)投資有限公司), Haitian International Investment Co., Ltd. (海天國際投資有限公司), Tianqi International Innovation Co., Ltd. (天麒國際創新有限公司), Maolong Sauce Garden Food Co., Ltd. (茂隆醬園食品有限公司), Công Ty TNHH Hada Việt Nam, Haitian International Commerce Company Limited (海天國際貿易有限公司), Công Ty TNHH Thực phẩm Hada Việt Nam, Pt Hada Việt Nam, Pt Hada Việt Nam, Pt Hada Việt Nam, Engineering Technology Co., Ltd. (天致(廣東)工程技術有限公司); (b) Zhenjiang Danhe Vinegar Industry Co., Ltd. (鎮江丹和醋業有限公司) which is held as to 70% and 30% by our Company and Mr. Shi Rongbing (史榮炳), an Independent Third Party; (c) Zhejiang Jiusheng Oil Tea Technology Co., Ltd. (浙江久晟油茶科技有限公司) which is held as to 67% by our Company, 20%, 8% and 5% by Mr. Shi Yuhua (施餘華), Mr. Zhang Xiangjie (張向傑) and Ms. Shi Linan (施麗楠), each being an Independent Third Party. Each of Guizhou Jiusheng Health Industry Co., Ltd. (貴州久晟大健康產業有限公司), Jiangxi Jiu Sheng Biotechnology Co., Ltd. (江西久晟生物科技有限公司), Hangzhou Jiusheng Biotechnology Co., Ltd. (杭州久晟生物科技有限公司), Zhejiang Qiandao Yuan Tea Oil Marketing Co., Ltd. (浙江千島源茶油營銷有限公司), Jiangxi Jiusheng Oil Tea Development Co., Ltd. (江西久晟油茶發展有限公司), and Guizhou Jiusheng Camellia Oil Technology Co., Ltd. (貴州宏斌食品有限公司) which is held as to 67% by our Company and 33% by Yunnan Shengrun Industrial Co., Ltd. (雲南晟潤實業有限公司), an Independent Third Party, Midu Laotuguan Green Foodstuff Co., Ltd. (彌渡綠老土罐綠色食品有限責任公司) is a wholly owned subsidiary of Honghe Hongbin Food Co., Ltd.; and (e) Hefei Yanzhuang Edible Oil Co., Ltd. (合肥燕莊食用油有限責任公司) which is held as to 67% by our Company and 33% by Ms. Liu Yan (劉燕), an Independent Third Party.

* The English names of the PRC companies are translations of their Chinese names, and are included herein for identification purpose only. If there is any inconsistency, the Chinese name shall prevail.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholding and Corporate structure immediately following the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the [REDACTED], assuming that the [REDACTED] are not exercised and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]:



Notes (1) to (2): Please refer to the details contained in the preceding page.

BUSINESS

OVERVIEW

Our Vision

Flavoring Every Moment (有人煙處有海天).

Our Value

Customer First (用戶至上).

Who We Are

We are China’s leading condiments company with centuries of heritage, driven by innovation, and embrace a global vision. We are dedicated to providing quality, tasty and healthy condiment products serving the seasoning needs of global customers in their home cooking and dining experiences. Our main product categories include soy sauce, oyster sauce, flavored sauce, specialty condiment products and others.

We are the clear leader in China’s condiments industry, ranking among the global top five in terms of revenue in 2023, according to Frost & Sullivan. We ranked first in China’s condiments market in terms of revenue, with a market share over twice that of our closest competitor in 2023. We have been the largest condiment company in China for 27 consecutive years in terms of sales volume. Our soy sauce and oyster sauce products consistently hold the number one positions, while our flavored sauce, vinegar, and cooking wine products achieved leading market positions in China, according to the same source.

Specifically, in 2023:

- **Soy Sauce:** Ranked first in both global and China’s markets in terms of revenue, with a market share of 12.6% in China, more than three times that of our closest competitor; in terms of sales volume, we have held the number one position for 27 consecutive years.
- **Oyster Sauce:** Ranked first in both global and China’s markets in terms of revenue, with a market share of 39.4% in China, more than three times that of our closest competitor; in terms of sales volume, we have held the number one position for 11 consecutive years.
- **Flavored Sauce:** Ranked first in China’s single-component flavored sauce market in terms of revenue.
- **Vinegar:** Ranked second in China’s market in terms of revenue.
- **Cooking Wine:** Ranked first in China’s market in terms of revenue.

BUSINESS

Our Brand and Products

“Haday” is a super brand in China’s consumer sector and we have over four hundred years of heritage. We consistently provide quality, tasty and healthy condiment products to our customers. Our longstanding reputation has made “Haday” a household name, trusted by hundreds of millions of customers. In China, we serve nearly 800 million consumer reach points, with a penetration rate of over 80% of households, according to the 2023 Brand Footprint Report by Kantar Worldpanel. We ranked fourth among China’s consumers’ preferred brands and first among China’s condiments brands.

Our comprehensive product portfolio includes soy sauce, oyster sauce, flavored sauce, vinegar, cooking wine, chicken essence, tomato sauce, chili sauce and other specialty condiment products. By offering over 1,300 SKUs, we provide our customers with extensive choices for one-stop solutions.

We have successfully incubated a portfolio of beloved household bestsellers. We have seven product series with annual revenue exceeding RMB1 billion, making us the condiments company with the highest number of billion-annual-revenue bestsellers in China. We have 25 product series with annual revenue exceeding RMB100 million, which contributed 75.1% of our total revenue from product sales in 2023.

How We Capture Growth Opportunities

There are vast opportunities for leading condiments companies in China, characterized by extensive market scale, strong consumer loyalty and stable demand. According to Frost & Sullivan, China’s condiments market is expected to maintain steady growth, reaching RMB677.0 billion by 2028, with a CAGR of 7.2% from 2023 to 2028. China’s condiments industry presents significant and diverse growth prospects. According to Frost & Sullivan, China’s per capita condiments spending was RMB340 in 2023, only approximately one-fifth of that in the United States and one-third of that in Japan. In terms of revenue in 2023, the market share concentration of China’s top five players in the condiments industry was 10.9%, substantially lower than 24.0% in the United States and 28.5% in Japan. The industry is witnessing multiple emerging trends, including rising demand for compound flavored, convenience, and healthy products. The penetration into rural regions in China’s market and growing demand in overseas markets present significant growth opportunities.

We have built an industry-leading business model that is customer-centric, technology-empowered, and innovation-driven to capture these opportunities and further enhance our competitiveness:

- **Long-term Development Commitment:** We focus on long-term value development and strengthening our presence in the condiments industry by strategically building market leadership positions in well-established categories and expanding into new categories. From urban to rural markets, from China to overseas markets, we continue to expand our market presence, enrich our offerings, and strengthen our brand assets.

BUSINESS

- **Optimized Supply Chain Capabilities:** We are dedicated to providing quality, tasty and healthy products at competitive prices to our customers. Our optimized supply chain capabilities enable us to achieve leading quality, efficiency, and cost advantages. We strive for excellence across every link of the supply chain. Our production staff has achieved the highest per capita revenue among China's listed condiments companies.
- **Sales Network with Breadth and Depth:** We developed the broadest sales network coverage in the condiments industry in China, with virtually 100% coverage at the municipal level and nearly 90% coverage at the county level. Our sales force of over two thousand personnel works closely with our professional distributors to deeply penetrate foodservice channels, supermarkets, wholesale markets, specialized channels, e-commerce and community group purchase platforms, providing high-quality service to catering businesses, food processing enterprises and consumers.
- **Established Technological Advantage:** Decades of dedicated efforts in fermentation technology, key production equipment, nutrition, ingredients and formula have established technology barriers, rendering us leading R&D capabilities among Chinese condiments companies. By the end of 2023, our total R&D investment for the past decade had reached RMB5.4 billion, with R&D costs of RMB715.4 million in 2023. As of September 30, 2024, we had over 1,000 patents covering product R&D, strain breeding and big-data fermentation technology.

Leveraging these core capabilities, we continue to seize market opportunities and strengthen our position as a market leader in both global and China's condiments industry. From 2013 to 2023, we were the only company among the top ten companies in the global condiments industry to achieve a double-digit CAGR in revenue. We are committed to further penetrating the domestic market by seizing more diversified market demand and enhancing the breadth and depth of our sales coverage. We also plan to bring our flavors to the world and incorporate global tastes into our portfolio. By doing so, we aim to steadily increase our market share and solidify our leading position.

Robust Financial Performance

We have maintained robust financial performance during the Track Record Period through our leading operational capabilities, despite the changing market environment. For the nine months ended September 30, 2024, our revenue grew by 9.4% to RMB20,399.3 million as compared with the same period in 2023. For the same periods, our net profit grew by 11.3% to RMB4,828.9 million, representing net profit margin of 23.7% for the nine months ended September 30, 2024. In 2022 and 2023, our revenue amounted to RMB25,609.7 million and RMB24,559.3 million, respectively, with net profits of RMB6,203.2 million and RMB5,642.2 million, representing net profit margins of 24.2% and 23.0%, respectively. During the Track Record Period, our net profit margins consistently exceeded those of the other global top ten players in the condiments industry. We are committed to delivering continual returns to our shareholders. As of 2023, our cumulative dividends in over a decade have exceeded RMB26.0 billion, with an over 50% average annual dividend payout ratio.

BUSINESS

OUR COMPETITIVE STRENGTHS

We believe the following strengths have driven our success and enable us to seize market opportunities and achieve sustainable growth:

Global Leader and China’s Largest Player in the Condiments Industry with Proven Growth and Profitability

We are the clear leader in China’s condiments industry, ranking among the global top five in terms of revenue in 2023, according to Frost & Sullivan. We ranked first in China’s condiments market in terms of revenue, with a market share over twice that of our closest competitor in 2023. We have stood as the largest condiment company in China for 27 consecutive years in terms of sales volume. Our soy sauce and oyster sauce products consistently hold the number one positions in China, according to the same source. We have successfully applied our expertise to other categories such as flavored sauce, vinegar and cooking wine, achieving market leadership positions in those categories.

“Haday” is a super brand widely recognized across China and we have over four hundred years of heritage. We are among the first batch of “China Time-honored Brand” recognized by the Ministry of Commerce of China. In China, we serve nearly 800 million consumer reach points, with a penetration rate of over 80% of households, according to the 2023 Brand Footprint Report by Kantar Worldpanel. We ranked fourth among China’s consumers’ preferred brands and first among China’s condiments brands. According to the 2024 China Brand Power IndexSM (C-BPI®), we have consistently ranked first in the brand power rankings for our soy sauce, oyster sauce and flavored sauce products. According to “The World’s Most Valuable Food Brand Top 100” by Brand Finance (Food 100) in 2023, we ranked eighth among food brands in the world and first among all condiments brands.

We are a fast-growing leading player in the global condiments industry. From 2013 to 2023, we were the only company among the global top ten players in the condiments industry to achieve double-digit CAGR in terms of revenue. With leading operational efficiency in the global condiments industry, we have established our strengths in terms of cost management and achieved outstanding profitability. In 2022, 2023 and the nine months ended September 30, 2024, we have maintained substantially higher net profit margins among the top ten players in the global condiments industry, achieving net profit margins of 24.2%, 23.0% and 23.7%, respectively.

China’s condiments market presents promising growth opportunities. China’s condiments industry has opportunities for growth based on consumer behaviors and competitive landscape. According to Frost & Sullivan, China’s per capita condiments spending was RMB340 in 2023, only approximately one-fifth of that in the United States and one-third of that in Japan. In terms of revenue in 2023, the market share concentration of China’s top five players in the condiments industry was only 10.9%, substantially lower than 24.0% in the United States and 28.5% in Japan. New demand patterns have emerged, such as preferences for compounding flavored, convenient and healthy products. The penetration into rural regions in China’s market and growing demand in overseas markets present significant growth opportunities.

BUSINESS

Beloved Household Products and Portfolio that Resonate with Hundreds of Millions of Consumers’ Taste Memories

Committed to “Customer First”, we offer tasty products with exceptional quality at competitive prices. By reaching a broader and deeper consumer base, we have established ourselves as a classic brand that resonates with hundreds of millions of consumers’ taste memories. We have successfully cultivated seven product series with annual revenue exceeding RMB1 billion and 25 product series with annual revenue exceeding RMB100 million, spanning multiple categories including soy sauce, oyster sauce, flavored sauce, vinegar, and cooking wine. Among these, our Golden Label Light Soy Sauce and Mushroom Dark Soy Sauce have been national bestsellers for over 60 years, while our Superior Oyster Sauce and Soybean Sauce have each maintained annual revenue exceeding RMB1 billion for over ten consecutive years. We are the Chinese condiment company with the highest number of billion-annual-revenue bestsellers. Our product series with annual revenue exceeding RMB100 million contributed 75.1% of our total revenue from product sales in 2023, earning deep customer trust.

With a customer-centric approach, we continuously innovate and enrich our existing product lines. Addressing market demand, we have successively launched our better-for-you product lines. For the nine months ended September 30, 2024, our organic, reduced-salt, reduced-sugar and other better-for-you product lines achieved a period-on-period revenue growth of 28.9%. Focusing on convenience needs, we developed our proprietary “easy-squeeze” bottle packaging, overcoming the pain points of difficult pouring, excessive residue, and inconvenient transportation associated with traditional glass bottle packaging for certain categories of products. As of September 30, 2024, the cumulative sales of “easy-squeeze” bottle oyster sauce products have reached nearly 400 million bottles, becoming a widely popular product series. We continually apply our successful experience in more emerging categories and trending products, consistently aiming to shorten the R&D and scaling time for new categories and new products. For example, we are dedicated to launch multiple series of compound flavored sauces and liquid compound condiments, which have been widely recognized by the market and achieved rapid growth.

Catering to the needs of catering businesses, food processing enterprises and consumers, and addressing various use scenarios including cooking, cold dishes, and table condiments, while considering the dietary characteristics of different regions in China and various countries, we have launched over 1,300 SKUs to provide one-stop solutions for all kitchen and dining table seasoning needs. Our comprehensive category matrix and rich product portfolio set us apart and strengthen our competitiveness in various sales channels. The product competitiveness drives steady revenue growth by increasing distributors’ business scale and profitability, thus, making them more dedicated to the distribution and promotion of our products. For the nine months ended September 30, 2024, our soy sauce and oyster sauce products achieved period-on-period growth of 7.4% and 6.4%, respectively; meanwhile, our multi-category strategy continued to drive our growth, with flavored sauce and other specialty condiment products collectively achieving period-on-period revenue growth of 15.4%, contributing 25.5% of our revenue.

BUSINESS

Optimized Supply Chain with Industry-leading Quality, Efficiency and Cost Advantages

We regard quality as the foundation of our success and continually optimize our end-to-end supply chain capabilities centered on quality, efficiency and cost advantages to provide value-for-money products to customers.

Quality Ingredients

Committed to the principle that good ingredients producing good products, we meticulously select quality raw materials to achieve optimal quality. We source non-GMO whole-beans rich in organic matter from premium production areas such as the Sanjiang Plain in Northeastern China and stick to sun brewing at optimal geographic areas to preserve nutritional value and rich flavor profiles. Through collaboration with leading research institutes, we have developed proprietary intelligent water treatment systems that provide multi-stage purification of brewing water, dedicated to achieving consistently high product quality.

Unmatched Scale Advantages

We leverage procurement advantages from our largest production and sales volume in China's condiments industry. We adopt a strategy of full value chain collaboration to allow synergy optimization. For soybeans, we partner with leading suppliers to cover contract farming, processing, storage and by-product utilization to secure quality raw materials while optimizing costs.

We maintain industry-leading production capacity through our four major production bases strategically located in Guangdong Foshan, Jiangsu Suqian, Guangxi Nanning and Hubei Wuhan, with a combined annual production capacity of five million tons, ranking first in China's condiments industry, according to Frost & Sullivan. Our production bases feature the world's largest sun-brewing fields with functional area equivalent to 600,000 sq.m. in total. We employ advanced large-scale tower disk koji propagation equipment that achieves 20 times the production capacity of traditional koji pools while significantly enhancing quality consistency and raw material utilization.

Technology-Enabled Production Excellence

Our production processes are highly automated, achieving optimal efficiency in core processes including continuous steaming, disk koji propagation, large-tank fermentation, continuous pressing, automated formulation, and high-speed bottling. Our production lines feature advanced flexibility, capable of producing over 20 specifications or 130 SKUs on the same line, with customized product delivery cycles as short as seven days.

BUSINESS

We are at the forefront of the industry in building intelligent, unmanned automated warehouses, with a total storage capacity exceeding five million tons, capable of loading goods onto trucks in merely 200 seconds. Our sophisticated IT infrastructure enables automated distribution with unmanned mechanical operations. We employ infrared inspection devices and optical sorting equipment to replace manual screening, improving precision while reducing waste. This ensures comprehensive quality control over our products prior to shipment.

Significant Cost Advantage

While maintaining stringent quality standards, we achieve cost advantages through economies of scale and operational efficiency. In 2023, our production personnel achieved per capita revenue of RMB8.5 million, showcasing our industry-leading productivity. Moreover, we have maintained an optimized cost structure. In 2023, our production costs and labor costs represented 3.4% and 2.5% of our total cost of sales, respectively, lower than the industry level in China.

Unparalleled Nationwide Market Coverage and Penetration through Omni-Channel Sales Network

We developed the broadest sales network coverage in the condiments industry in China, with virtually 100% coverage at the municipal level and nearly 90% coverage at the county level. We have gradually deepened our penetration from cities to counties, and further to towns and villages. We continue to strengthen our omni-channel sales network development, enhancing our competitive advantages in the food services channel while comprehensively covering various customer touchpoints including supermarkets, food processing enterprises, specialized channels, e-commerce platforms and community group purchase platforms. To the best of our knowledge, we have reached up to three million points of sale as of the Latest Practicable Date.

We have established extensive and quality distribution partnerships that jointly develop and maintain our points of sale network. As of September 30, 2024, we cooperated with 6,722 distributors, among which over 3,000 distributors had maintained partnerships with us for more than five years, contributing over 65% of our revenue in the nine months ended September 30, 2024; distributors with sales exceeding RMB10 million contributed over 40% of our revenue in the same period.

We have built a well-structured and highly efficient sales force. In 2023, our sales personnel achieved industry-leading average per capita sales of RMB9.3 million. We are dedicated to flattening the organizational structure, deploying our sales force closer to customers and increasing marketing expenditure effectiveness to enhance our sales team's engagement with customers and points of sale. These measures improved our marketing efficiency and have made our distribution channels more responsive. We deploy digital marketing tools, and have gradually achieved digitalized sales management covering points of sale, further improving our sales efficiency. In 2023, our selling expenses accounted for only 5.3% of our total revenue, which was significantly lower than the condiments industry average.

BUSINESS

Commitment to Innovation and Technological Advancement Driving High-Quality and Sustainable Development

We possess leading technology capabilities in China’s condiments industry. Technology is the cornerstone of our success. We maintain a long-term technological advantages with sustained and increasing investment. By the end of 2023, our total R&D investment for the past decade reached RMB5.4 billion and we recorded R&D costs of RMB715.4 million in 2023. As of September 30, 2024, we had over 1,000 patents, covering product R&D, strain breeding and big-data powered fermentation technology.

We have established a comprehensive R&D system and empowered our team with digital tools, actively responding to market changes and capturing customer demands. We value the integration of master craftsmen’s heritage know-how (老師傅古法釀造) with state-of-the-art technology to achieve “craftsmanship powered by intelligent production”, empowering various industry chain segments through technology and continuously leading industry development.

Driving Product Innovation: We put our customers’ needs first, and leverage deep consumer insights to steer our R&D efforts and co-create products with our customers. Through years of continual advancement in microbial strain collection and breeding, fermentation, and product flavor profile development, we are able to rapidly launch diverse new product series to consistently meet customer demand.

- **Haday Aspergillus Collection:** Microbial strains are the microchips of fermentation, serving as the decisive factor in achieving high-quality fermentation. For nearly 70 years, we have continually engaged in the breeding and improvement of our Haday Aspergillus and other strains. Through sustained R&D investment, we have developed proprietary technologies including a high-throughput strain screening platform and strain rejuvenation techniques. Our high-throughput strain screening platform has achieved screening efficiency over 100 times higher than traditional methods. To meet customer demand for healthier products, we have developed high-yield salt-tolerant strains and high-umami and reduced-salt strains. These innovations enable our reduced-salt soy sauce series to maintain classic flavor while reducing salt content by 25%, offered at competitive prices.

Enhancing Production Efficiency and Product Quality: With our intelligent condiments production capabilities, we adhere to heritage brewing techniques, incorporating master craftsmen’s heritage know-how into parameters applied in advanced equipment and quality control measures. Through intelligent production, we drive process precision, production stability and high-standard quality control, improving efficiency while ensuring product safety.

- **Intelligent Modeling of “Master Craftsmen’s Heritage Know-How”:** Based on extensive historical data and long-term validation of heritage brewing techniques, we have established a machine learning model for raw material yield optimization. This model distills the heritage know-how accumulated in the application of traditional techniques into digital parameters for intelligent modeling, enabling swift intelligent adjustments with nearly 460 parameters including temperature,

BUSINESS

humidity and protein content. While preserving the classic flavor profiles, this process reduces variability brought by raw materials and human factors while compensating for environmental changes and improving fermentation efficiency, quality and stability.

- **AI-Powered “Testing Nose”:** We have innovatively developed an AI-driven intelligent sensory system as an upgrade to traditional craftsmen’s experience-based assessment. Based on the algorithm incorporating over 800 olfactory data points and expert inputs, the testing nose automatically monitors product quality with 99.5% aroma recognition accuracy, achieving high-precision, standardized quality control.

End-to-End Digitalization Enhancing Operational Agility: We have developed a data analytics platform integrating information across production processes. We utilize digital marketing tools to achieve effective management of sales and marketing strategies. We use intelligent AI powered monitoring tools to strengthen shelf management at points of sales. These intelligent applications provide transparent visibility into operations and results, enabling data-driven decision making across core business functions.

Pragmatic and Open Corporate Culture and Management Team Anchoring Sustainable Development

Our corporate culture is founded on principles of integrity, pragmatism, and the pursuit of excellence. By maintaining a customer-centric approach and embracing pragmatic innovation, we have consistently overcome various challenges and maintained industry leadership over decades. Our management team possesses an average of over 22 years of experience in the condiments industry, combining deep industry insights with keen market acumen, leading us to make breakthrough decisions at critical and challenging junctures. Under their leadership, we have achieved robust long-term performance across scale, profitability and growth metrics.

We embrace a talent development principle of shared success and fair opportunity. The establishment of a comprehensive professional management system and development of a talent pipeline and incentive mechanisms enable us to continue cultivating and attracting talents. As of September 30, 2024, our employees’ average age was approximately 34, blending experience with vitality. We continue to enhance our multi-tiered long-term incentive system centered on stock incentives.

We value sustainable development, adhering to green production principles. We focus on green energy transformation and low-carbon operations, building a development model characterized by technological advancement, resource efficiency, and environmental protection. In 2023, we were recognized as a “China Enterprise ESG Excellence Case” and “Annual ESG Benchmark Enterprise”. We continually devoted ourselves to providing support to disaster-stricken areas, alleviating poverty, and improving education and other social issues.

BUSINESS

OUR STRATEGIES

We will adhere to the customer-centric principle and carry out the following strategies:

Excelling in Technological Leadership, Driving Value Chain Collaboration and Unlocking Greater Supply Chain Advantage

Technology development remains the cornerstone of our strategy. In R&D, we plan to enhance both the depth and breadth of our research in strain breeding, fermentation and other technologies to support continual product innovation. In production, we plan to advance along the roadmap from digital lean factory to intelligent flexible factory and to highly intelligent lights-out factory. Through continual investment in technological innovation, production efficiency, flexible upgrading, and intelligent applications, we aim to build ultimate production capability and establish competitive advantages in flexibility, agility and efficiency. We plan to collaborate with leading players along the industry value chain to enhance our supply chain capabilities and bargaining power.

Deepening Channel Penetration and Enhancing Customer Engagement to Solidify the Competitiveness of our Sales Network

We plan to continue strengthen and deepen our sales channels, advancing our sales teams further into county and town-level markets to reach broader and more diverse customer groups, fully capturing rural region potential. We plan to enhance customer engagement by increasing proximity to points of sale and expanding coverage across consumption scenarios. Through digital solutions, we plan to improve connections to customers, increase point-of-sale visibility, and continually empower our distributor partners to enhance operational efficiency.

Iterating to Enhance Quality and Efficiency, Strengthen Product Leadership and Build Organizational Excellence

We plan to maintain our undisputed leading position in soy sauce and oyster sauce categories while strengthening our competitive advantages in the flavored sauce, specialty condiment products and others. As the condiments market shifts from supply-side to demand-side, we plan to continually enrich our existing product system and accelerate expanding into new product categories. We plan to build continually evolving organizational capabilities, unleash organizational and talent vitality, deepen digital management processes, and improve full-chain operational efficiency. With the goal of enhancing quality and efficiency, we plan to further leverage our scale advantages and promote lean operations across procurement, production, logistics, and quality control.

BUSINESS

Venturing Aboard, Implementing Localized Strategies and Driving Global Growth

Leveraging our competitive strengths and deep industry insights, we plan to steadily explore and capture overseas market growth opportunities. Targeting overseas markets with strong consumption power and demand for condiments, we plan to implement a business strategy that combine our product expertise with regional dietary preferences to create high-quality and value-for-money offerings. We plan to develop localized distribution networks while gradually building local sales and marketing teams to increase our brand influence in overseas markets.

OUR BRAND AND PRODUCTS

As a distinguished “China Time-honored Brand” (中華老字號), we are a clear leader in China’s condiments industry with exceptional brand recognition and customers’ trust across multiple condiment product categories. We value the long-term trust and emotional bonds with our customers, and continually employ innovative and diversified marketing approaches to infuse new vitality into our heritage brand. Our brand resonance and market leadership are demonstrated through numerous prestigious recognitions. According to the 2024 China Brand Power IndexSM (C-BPI[®]), we have ranked first in the brand power rankings for our soy sauce, oyster sauce and flavored sauce products. According to “The World’s Most Valuable Food Brand Top 100” by Brand Finance (Food 100), we ranked eighth among food brands in the world and first among all condiments brands.

We have established a comprehensive and systematic product portfolio encompassing key condiment categories including soy sauce, oyster sauce, flavored sauce, specialty condiment products and others. Within each category, we offer products covering various price ranges and diverse varieties. The meticulously designed product portfolios allowed us to effectively address the varied needs of customers across household and commercial applications.

The strength of our product portfolio is demonstrated through our leading market position across multiple product categories, with several of our signature product series each achieving annual revenue exceeding RMB1 billion. For end-customers, our extensive product range provides precise solutions for diverse culinary needs, from daily cooking to professional catering and food processing. For distributors, our comprehensive product portfolio creates compelling product combinations that enhance their market coverage and competitive position, fostering strong and enduring business partnerships.

Our extensive and competitive product portfolio is underpinned by our industry-leading technical capabilities in production and innovation. These core strengths enable us to consistently develop high-quality products while maintaining cost advantages across our broad product range. Through continued product innovation and quality enhancement, we have built a product portfolio that not only meets diverse market demand but also shapes market trends, reinforcing our leadership in China’s condiments industry.

BUSINESS

The following table sets forth our key condiment product categories as of September 30, 2024.

Product Category	Product Picture	Number of SKUs
<i>Soy sauce products</i>		243
<i>Oyster sauce products</i>		68
<i>Flavored sauce products</i>		124
<i>Specialty condiment products and others</i>		875

BUSINESS

As of September 30, 2024, our comprehensive product portfolio encompassed multiple product series with over 1,300 SKUs, strategically distributed across our main product categories: soy sauce, oyster sauce, flavored sauce, specialty condiment products and others. Our differentiated and comprehensive portfolio stems from our profound market insights and industry-leading R&D capabilities, which drive continual optimization and expansion of our product categories. This customer-centric approach, combined with our market-oriented R&D strategy, enables us to identify and capitalize on new market opportunities, fostering sustainable growth. We have established leadership across multiple product categories demonstrated by our bestselling product series, including seven product series with annual revenue exceeding RMB1 billion and 25 products with annual revenue exceeding RMB100.0 million.

The following table sets forth a breakdown of our revenue by product category, in absolute amounts and as percentages of our total revenue, for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Product sales								
Soy sauce								
products	13,861,182	54.1	12,637,386	51.5	9,626,407	51.6	10,338,455	50.7
Oyster sauce								
products	4,416,535	17.2	4,251,221	17.3	3,221,510	17.3	3,427,140	16.8
Flavored sauce								
products	2,584,009	10.1	2,427,007	9.9	1,866,380	10.0	2,034,489	10.0
Specialty condiment products and others	2,932,177	11.5	3,499,473	14.2	2,640,451	14.2	3,165,501	15.5
Subtotal	23,793,902	92.9	22,815,087	92.9	17,354,748	93.1	18,965,585	93.0
Others⁽¹⁾	1,815,749	7.1	1,744,225	7.1	1,295,417	6.9	1,433,723	7.0
Total	25,609,652	100.0	24,559,312	100.0	18,650,165	100.0	20,399,308	100.0

Note:

- (1) Others primarily consist of (i) sales of raw materials, packaging materials, by-products and others, (ii) logistics and transportation services and (iii) rental income.

BUSINESS

The following table sets forth a breakdown of our sales volume by main product categories for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	<i>(ton)</i>	<i>(RMB/ton)</i>	<i>(ton)</i>	<i>(RMB/ton)</i>	<i>(ton)</i>	<i>(RMB/ton)</i>	<i>(ton)</i>	<i>(RMB/ton)</i>
Soy sauce products	2,502,658	5,539	2,298,231	5,499	1,729,891	5,565	1,916,100	5,396
Oyster sauce products	877,936	5,031	861,076	4,937	651,566	4,944	688,096	4,981
Flavored sauce products	284,712	9,076	283,546	8,559	213,179	8,755	242,376	8,394
Specialty condiment products and others	510,056	5,749	616,036	5,681	468,964	5,630	536,654	5,899
Total/over	<u>4,175,362</u>	<u>5,699</u>	<u>4,058,889</u>	<u>5,621</u>	<u>3,063,599</u>	<u>5,665</u>	<u>3,383,226</u>	<u>5,606</u>

Soy Sauce Products

Our soy sauce products are liquid condiments fermented from non-GMO soybeans, wheat, salt and purified water. It combines our master craftsmen’s heritage know-how with advanced modern techniques, featuring a robust soy aroma and a delectable taste. These rich flavors make our soy sauce products essential for a variety of dishes, from stir-fries and marinades to soups and dipping sauces. Its deep, reddish-brown color and distinctive aroma enhance the overall sensory experience of culinary creations. Our soy sauce also acts as a base ingredient, blending with other ingredients to create a variety of compound soy sauce-based products.



Our soy sauce products stand out in the market through our unwavering commitment to quality and innovation. We produce quality, nutritious soy sauce products by preserving traditional soybean fermentation and natural sun-brewing methods while integrating modern technology in production. Our soy sauce products typically have shelf lives of approximately six to 24 months from the date of production. Our core advantages include our long-term expertise in heritage brewing techniques, rigorous quality control, comprehensive product portfolio, and established brand recognition. We use non-GMO soybeans and wheat, applying our unique “Haday Aspergillus” (海天菌) for fermentation, which ensures rich flavor and consistent quality of our soy sauce products. For details of the production process, see “— Our Production — Our Production Process.”

BUSINESS



We ranked first in global and China’s markets in terms of revenue for soy sauce products in 2023, with a market share of 12.6%, more than three times that of our closest competitor, according to Frost & Sullivan. We have established a long-term market leadership position through our product advantages and diverse product portfolio, demonstrated through multiple awards and recognitions. In the “2023 Chinese Top Ten Soy Sauce Brands,” our soy sauce products stood out among products from 57 participating condiments companies, securing first place, reflecting our strong customer trust.

As our earliest and most extensive product category, our soy sauce products demonstrate our strategic approach to market development and brand excellence. Leveraging our strong brand heritage, dynamic marketing strategies tailored to various sales channels, advanced production capabilities, and sophisticated production techniques, we have developed and maintained a diverse soy sauce product portfolio. By drawing on our well-structured product portfolio, our soy sauce products have maintained market leadership while effectively addressing diverse needs of customers across different price points and scenarios. Our soy sauce products consisted of 243 SKUs as of September 30, 2024. The retail price for every 500mL or 500g of our representative soy sauce product series ranges from RMB5.5 to RMB18.0.

The following table sets forth the description, packaging volume and pictures of our representative soy sauce product series as of September 30, 2024:

Product Series	Description	Packaging Volume <i>(mL/L/kg)</i>	Picture
Golden Label Superior Light Soy Sauce (金標生抽)	Versatile classic series suitable for all cooking applications.	150mL-24kg	
Mushroom Dark Soy Sauce (草菇老抽) . . .	Specially added with fresh straw mushroom juice, to enhance the flavor of various dishes.	150mL-13.9kg	

BUSINESS

Product Series	Description	Packaging Volume	Picture
		(mL/L/kg)	
Weijixian Soy Sauce (味極鮮)	Featuring a refreshing umami flavor with a rich and mellow taste.	150mL-24kg	
Seafood Soy Sauce (海鮮醬油)	Specially added with dried scallops for a boost of umami, ideal for seafood and general cooking.	500mL-10.5L	
Seasoned Soy Sauce for Seafood (蒸魚豉 油)	Featuring fresh and sweet taste with a rich aroma, enhance the taste of steamed fish and other seafood.	100mL-24.7kg	
Organic Soy Sauce (有機醬油)	Made from traceable organic raw materials.	100mL-1.28L	
Reduced-Salt Soy Sauce (薄鹽生抽) . . .	With reduced sodium without compromising on flavor.	100mL-4.9L	

BUSINESS



Oyster Sauce Products

Our oyster sauce products are versatile condiments characterized by their rich red color, savory flavor and smooth texture that enhance the taste and aroma of various cuisines. Oyster sauce serves as a convenient and flavorful addition to a variety of dishes, enhancing the aroma and providing a rich umami taste, suitable for both cooking and direct consumption as a dipping sauce. Our oyster sauce is made from oysters extracts with added sugar, salt and other ingredients to deliver its delicate flavor. According to Frost & Sullivan, we held a market share of 39.4% in terms of revenue for oyster sauce products in 2023 in China.

We are dedicated to producing high-quality oyster sauce by selecting premium ingredients and combining traditional techniques with modern technology. Our oyster sauce products typically have shelf lives of approximately 12 to 36 months from the date of production. We maintain stringent control over key aspects of the production process with our advanced end-to-end production capabilities. Our production techniques preserve the natural umami and nutritional content of fresh oysters, ensuring our oyster sauce is both tasteful and nutritious.

Our oyster sauce product portfolio comprises multiple product lines that feature varied flavor, packaging and price points, catering to different customer preferences. Our oyster sauce products consisted of 68 SKUs as of September 30, 2024. The retail price for every 500g of our representative oyster sauce product series ranges from RMB4.8 to RMB15.0.

The following table sets forth the description, packaging volume and pictures of our representative oyster sauce product series as of September 30, 2024:

Product Series	Description	Packaging Volume (g/kg)	Picture
Golden Label Oyster Sauce (金標蠔油) . . .	With rich umami flavor, ideal for enhancing the taste of various recipes.	100g-10kg	
Premium Oyster Sauce (上等蠔油)	A home kitchen essential made from premium oysters, delivering rich authentic flavor.	235g-22.8kg	

BUSINESS

Product Series	Description	Packaging Volume (g/kg)	Picture
Golden Oyster Sauce (金字蠔油)	Blending classic oyster sauce umami with aromatic garlic notes.	515g-10kg	
Fortune Oyster Sauce (財寶蠔油)	Crafted from select ingredients and meticulously seasoned to achieve rich flavor and aroma.	100g-6.5kg	
Signature Oyster Sauce (招牌蠔油)	Offering a robust umami flavor, ideal for enhancing the taste of a wide range of dishes.	270g-2.5kg	
Organic Oyster Liquid Seasoning (有機蠔油鮮露)	Made from traceable organic raw materials, offering a light and natural flavor.	100g-600g	
Reduced-Salt Oyster Sauce (薄鹽蠔油)	Featuring reduced salt content while maintaining the rich umami taste of classic oyster sauce.	520g-600g	


Flavored Sauce Products

The diversity of Chinese cuisine has been a significant driving force behind the development of our flavored sauce products. We leverage our advanced production capabilities, sophisticated production techniques, and expertise in soy sauce production to develop and expand our flavored sauce product portfolio. Our flavored sauce product portfolio comprises two main categories, namely single-component flavored sauce products and compound flavored sauce products. Single-component flavored sauce products, such as soybean sauce, are primarily crafted from a single key ingredient to deliver a fresh and rich taste. Compound flavored sauce products, such as Chu Hou Paste, Hoisin Sauce and Signature Sauce for Rice are produced by combining more than one ingredient, resulting in multi-flavored versatile products suitable for diverse culinary purposes and various dishes.



BUSINESS

One of our bestselling single-component flavored sauce products is our Haday Soybean Sauce, which leverages our expertise in soy sauce production to create a series of all-purpose sauces that enhance the flavor of dishes. Building on our successful product launches, we have rapidly grown our presence in the flavored sauce market and established a significant market position. According to Frost & Sullivan, we ranked first and held a market share of 4.2% in terms of revenue for single-component flavored sauce products in 2023 in China. Our growing market recognition has supported the expansion of our flavored sauce product portfolio, and as of September 30, 2024, our flavored sauce products consisted of 124 SKUs. The retail price for every 500g of our representative flavored sauce product series ranges from RMB7.6 to RMB30.8.

The following table sets forth the description, packaging volume and pictures of our representative flavored sauce product series as of September 30, 2024:

Product Series	Description	Packaging Volume (g/kg)	Picture
Soybean Sauce (黃豆醬)	Crafted from select soybeans through fermentation, featuring a rich, savory taste and a mellow, smooth texture.	170g-10kg	
Chu Hou Paste (柱侯醬)	Embodying traditional Cantonese flavors. Soybean base enhanced with the aroma of sesame. Ideal for braising and a variety of dishes.	255g-6.5kg	
Hoisin Sauce (海鮮醬)	Sun-brewed to achieve a balance between savory and sweet, avoiding fishiness and enhancing freshness.	265g-7kg	
Signature Sauce for Rice (拌飯醬)	Made with fermented soybean as the base and adding mushroom for flavoring, providing a convenient choice for dipping or for rice.	20g-300g	
Jinshangxian Garlic Sauce (錦上鮮蒜蓉醬)	Combining the flavors of garlic and chili, creating a spicy and savory taste.	230g-20kg	

BUSINESS

Product Series	Description	Packaging Volume	Picture
		(g/kg)	
Mushroom Sauce (香菇醬) . .	Blend of mushrooms and savory seasonings, ideal for enhancing the taste of various dishes.	20g-300g	
Spicy Soybean Sauce (辣黃豆醬)	Combining the aromatic richness of chili peppers with soybeans to create a balanced and mellow spicy taste.	245g-6kg	

Specialty Condiment Products and Others

Leveraging our comprehensive production facilities and advanced fermentation techniques, together with our innovative capabilities and well-known brand name, we continue to expand and improve our specialty condiment products and others category. As of September 30, 2024, our specialty condiment products and others category comprised 875 SKUs. The diversity has enhanced market vitality and created new business opportunities.

Building on our fermentation and brewing techniques developed through decades of experience, we have established market leadership in the vinegar and cooking wine segments. According to Frost & Sullivan, in terms of revenue in 2023 we ranked second and first in China’s vinegar market and cooking wine market, respectively. We explore different fermentation techniques and flavors to develop a full range of products including aged vinegar, balsamic vinegar, rice vinegar, apple cider vinegar, specialty vinegar and flavored vinegar. Responding to market demand and leveraging our cooking wine aging expertise, we have developed a wide selection of cooking wine products, such as Old Technique Cooking Wine, Old Technique Cooking Wine with Ginger and Scallion. In line with our strategy to provide all-scenario cooking solutions, we have proactively developed other product offerings, including sour and spicy salad dressing, chicken essence and tomato sauce product series. Our specialty condiment products and others are designed to adapt to the rising seasoning needs for one-stop coverage of multiple scenarios in kitchens and on dining tables, simplifying the cooking process to “One Sauce Completes a Dish.”

BUSINESS

The following table sets forth the description, packaging volume and pictures of our representative specialty condiment products and others as of September 30, 2024:

Product Series	Description	Packaging Volume <i>(mL/L/g/kg)</i>	Picture
Balsamic Vinegar (香醋)	Made from selected raw materials, featuring a rich, aromatic profile with a sweet and sour taste.	150mL-1.9L	
White Rice Vinegar (白米醋)	Clear, bright color and a fresh, tangy aroma with a moderate sourness.	450mL-4.9L	
Apple Cider Vinegar (蘋果醋)	Fermented apple cider, offering a fresh, mildly sweet and tangy flavor.	450mL-1.9L	
Old Technique Cooking Wine (古道料酒)	Crafted with traditional techniques boasting an authentic, rich aroma that reduces fishiness.	450mL-1.9L	
Old Technique Cooking Wine with Ginger and scallion (古道薑葱料酒) . . .	Selected rice wine infused with botanical spices such as gingers and scallions, a creating harmony of wine aroma and spice fragrance.	450mL-1.28L	

BUSINESS

Product Series	Description	Packaging Volume <i>(mL/L/g/kg)</i>	Picture
Sour and Spicy Salad Dressing (酸辣凉拌汁)	Soy sauce based, blended with garlic and chilies, featuring sour, spicy and fresh flavors, so that one sauce completes a dish.	40g-2.1kg	
Poaching Sauce (白灼汁)	Featuring a rich, savory flavor with a balanced sweet and salty taste. Ideal for a quick drizzle, one sauce completes a dish.	100mL-4.9L	
Sihaixian Chicken Essence (四海鲜鸡精) .	Concentrated broth made with chicken. Enhances the taste of stir-fries, soups, cold dishes and various cuisines.	40g-10kg	
Tomato Sauce (番茄沙司)	Crafted from high quality, vine-ripened tomatoes, delivering a balance of sweet and tangy flavors.	130g-1kg	

BUSINESS

OUR SALES AND DISTRIBUTION NETWORK

As of September 30, 2024, we have established an extensive nationwide distribution network in China with virtually 100% coverage at the municipal level and nearly 90% coverage at the county-level. We proactively and efficiently manage our distribution network to be closer to distributors and points of sale. At the same time, we assign our sales teams to maintain close communication with our distributors to improve their distribution capabilities for building a comprehensive sales management system. We have established and maintained a number of long-term distributor partners, ensuring the delivery of quality products to our customers.

We primarily sell our products through distributors and, through years of effort, we have built an extensive distribution network enabling us to effectively reach a broad customer base. We also conduct direct sales with end-customers, including catering businesses, food processing enterprises, corporate welfare programs and individual consumers via self-operated stores on e-commerce platforms. Our strategic approach to distribution and direct sales networks not only enhance our market presence but also ensure that our products are reachable to customers across various regions, thereby driving our business growth and increasing market share.

The following table sets forth a breakdown of revenue from product sales by customer type in absolute amounts and as a percentage of our revenue from product sales for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Distributorship	23,384,100	98.3	22,366,817	98.0	17,003,178	98.0	18,497,227	97.5
Direct sales	409,802	1.7	448,270	2.0	351,570	2.0	468,359	2.5
Total	<u>23,793,902</u>	<u>100.0</u>	<u>22,815,087</u>	<u>100.0</u>	<u>17,354,748</u>	<u>100.0</u>	<u>18,965,585</u>	<u>100.0</u>

We have a dedicated sales team responsible for implementing our sales policies, expanding our sales and distribution network, and overseeing all sales and marketing activities, ensuring that our sales strategies are effectively implemented across all channels. Our sales team is also responsible for managing relationships with distributors, monitoring their performance, providing them with necessary support, and conducting thorough market research with distributors to stay ahead of market trends and preferences.

Distributorship

We primarily sell our products through our distributors, who in turn resell our products to supermarkets, grocery stores, wholesale markets and e-commerce channels, or directly sell to end-customers. We have established a comprehensive distribution network, which is in line with the industry standards and norms. We have always placed great emphasis on managing and refining our distribution network, striving to enhance the efficiency of our distribution network. As of September 30, 2024, we had 6,722 distributors.

BUSINESS

The following table sets forth a breakdown of the number of our distributors by sales regions for the dates indicated:

	As of 31 December		As of September 30,	
	2022	2023	2023	2024
Eastern Region	938	878	905	914
Southern Region	909	829	848	868
Central Region	1,587	1,453	1,493	1,470
Northern Region	2,131	1,961	1,993	1,976
Western Region	1,607	1,470	1,536	1,494
Total	<u>7,172</u>	<u>6,591</u>	<u>6,775</u>	<u>6,722</u>

Management of Our Distributors

An effective distribution network is essential for enhancing our sales performance and ensuring customer satisfaction.

Selection Management

We maintain a rigorous selection process for distributor candidates. Our qualified distributors are typically those specializing in food and condiment product distribution with rich experiences in their local markets. We evaluate our distributors in each region based on their business qualifications and distribution capabilities, alongside the market conditions of each region. Key selection criteria include distributors’ key qualifications, reputation, creditworthiness and financial condition, as well as their capabilities in staffing, warehousing and logistics, operations and sales.

Empowerment Management

We focus on empowering our distributors to achieve mutual growth. We assign experienced sales teams to work with our distributors to improve their distribution capabilities, enhance sales skills, facilitate business efficiency, optimize sales strategies, implement our promotion policies and marketing resources. We also provide digital marketing tools, such as the Xiaokang Maimai (小康買買) Platform, enabling the distributors to manage their orders efficiently. We regularly conduct training sessions and workshops where we share market data, information, and industry knowledge with our distributors. Our sales team also works with the points of sale within their sales regions to enhance customers’ engagement and promote retail sales through strategic marketing initiatives.

During the Track Record Period, Jiaxing Haitian Small Loan, a subsidiary held as to 80% equity interest by Guangdong Haitian, provided some of our distributors with loans and financing using its own funds. See “Connected Transaction — 3. Cooperation with Jiaxing Haitian Small Loan on its provision of loans to our distributors.” During the Track Record Period and up to the Latest Practicable Date, our distributors have not received any financing or financial assistance directly from us.

BUSINESS

Performance Management

We have established measures and policies to manage our distributors and monitor their sales performance. We establish explicit sales targets in the annual distribution agreement and monitor their performance on a regular basis. Our sales team conducts periodic communication with our distributors to understand their sales performance and ensure their compliance with our measures, policies, and distribution agreements. We are implementing digital management tools, such as our product code tracking program. The product codes printed on products and wholesale packages allow customers and points of sale to participate in promotion activities while enabling us to trace product flow.

Compliance Management

To maintain responsible business practices, we urge our distribution network to adhere to high standards of integrity and compliance with applicable laws and regulations. During selection, we verify that distributor candidates meet basic conditions and qualification requirements under relevant regulations.

Some of our distributors may use sub-distributors. They typically further enter into agreements with the sub-distributors, and we generally do not enter into agreements or directly establish relationships with the sub-distributors. Consequently, we have no control over the sub-distributors.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties. To the best of our knowledge and based on publicly available information, as of the Latest Practicable Date, there was no employment, financing or family relationship between our distributors and us.

Movement of Our Distributors

The following table sets forth the total number of our distributors and the movement of distributors number during the periods indicated:

	Year ended 31 December		Nine months ended September 30,
	2022	2023	2024
Number of distributors at the beginning of the period	7,430	7,172	6,591
Number of distributors increased in the period	933	672	567
Number of distributors decreased in the period	<u>1,191</u>	<u>1,253</u>	<u>436</u>
Number of distributors at the end of the period	<u>7,172</u>	<u>6,591</u>	<u>6,722</u>

BUSINESS

In 2022, 2023 and the nine months ended September 30, 2024, the number of distributors increased were 933, 672 and 567, and the number of distributors decreased were 1,191, 1,253 and 436 distributors, respectively. These changes reflect our efforts to refine our distributor network and are in line with our goal of optimizing the overall efficiency and quality of distributors.

Key Terms of Distribution Agreements

We typically enter into standard distribution agreements with our distributors. The salient terms of our standard distribution agreements used during the Track Record Period are set out below:

- *Term.* The term of the distribution agreements is typically one year.
- *Designated Distribution Area.* We normally designate geographic distribution regions for each distributor for their offline sales activities, while any authorized online sales activities are not subject to geographic restrictions.
- *Sales Targets.* We require the distributors to meet certain sales targets during the term of the distribution agreements, and we have the right to withdraw or cancel certain market resources and promotion policies based on sales performance review.
- *Payment settlement.* We generally require the distributors to make full payment to us before we ship our products.
- *Transfer of risk.* The risks transfer after the distributors or the first carriers pick up the products from us.
- *Inspection of Products.* The typical inspection period granted to our distributors is 30 days from the date of receipt.
- *Return or Exchange of Products.* We typically do not allow distributors to return or exchange products unless there are product quality issues caused by us.
- *Termination.* Both parties have the right to unilaterally terminate the agreement by giving at least five days' advance written notice. Additionally, we have the right to unilaterally and immediately terminate the distribution agreement if a distributor materially breaches its obligations under the distribution agreement.

BUSINESS

Channel Stuffing Risk

We have implemented a comprehensive set of measures to avoid channel stuffing risk: (i) we generally require full upfront payment of contract price before delivering products to our distributors, by which arrangement we believe our distributors would place orders with us based on their actual sales forecasts; we generally do not allow returns of products sold to distributors except for quality issues caused by us; (ii) our sales team keeps collaborative communication with our distributors to understand their sales performance and arrange periodic onsite visits; (iii) we also closely communicate with our distributors in relation to their inventory levels; (iv) we optimize our sales and distribution management with digital management tools such as the Xiaokang Maimai and our product code tracking program.

Direct Sales

Our direct sales customers are generally end-consumers, primarily including catering businesses, food processing enterprises, corporate welfare programs and individual consumers via self-operated stores on e-commerce platforms. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, the revenue generated from direct sales amounted to RMB409.8 million, RMB448.3 million, RMB351.6 million, and RMB468.4 million, respectively, accounting for 1.7%, 2.0%, 2.0% and 2.5% of our total revenue from product sales in the same periods.

We recognize the potential in our direct sales channels and are committed to continually enhancing our product system with high-quality services to offer our direct sales customers a comprehensive range of one-stop products. We understand the characteristics of different application scenarios for catering businesses, food processing enterprises, and corporate welfare programs and we have insights into their diverse needs regarding product flavor, texture, and specifications, aiming to deliver customized products to meet these needs. Concurrently, we have established an online sales team to expand our online presence, explore online sales channels, and conduct targeted online marketing activities on e-commerce platforms. We sell our products directly to individual consumers by opening self-operated stores at major e-commerce platforms and conduct live broadcasting to reach wider customer base, so as to cater to the evolving purchasing patterns.

Pricing Policy

We apply an overall pricing management mechanism for the retail price for all our products. This simplifies our pricing structure, thereby fostering transparency and trust. For further details of the retail price for our products, see “— Our Brand and Products.”

BUSINESS

For our pricing strategies, we take into account a variety of factors, including product positioning, cost of raw materials, production processes, and logistics. We also adjust the prices for each product series by reference to the target customer group and its acceptable price ranges. We then determine the product price range by combining the aforementioned factors, our product's competitiveness in the relevant sectors and prices of our competitors' products.

Coordination Between Sales Channels

We normally take an overall perspective to manage our operation and optimize our resource investments in different sales channels. Any sales carried out by distributors outside their designated geographical regions and/or sales channels, or any sales across different sales channels without our prior authorization, will be deemed as cannibalization. To minimize cannibalization among sales channels, we typically adopt the following measures:

- We designate distribution regions and/or sales channels for each distributor through expressed terms as in our distribution agreements. We may request contractual indemnification, and withdraw or cancel certain market resources and promotion policies if any distributor breaches such terms;
- We offer differentiated products and/or packages for different sales channels with different specifications, marketing resources and promotion policies deliberately designed for particular sales channels and/or regions; and
- We establish effective management over and enhance our regular communication with our distributors. Non-compliant sales activities will be promptly detected and accelerated.

During the Track Record Period and up to the Latest Practicable Date, we did not identify any material instances of cross-regional or cross-channel sales, underscoring the effectiveness of our approach to minimize cannibalization among different sales channels and different geographical regions.

OUR CUSTOMERS

During the Track Record Period, our customers were mainly distributors, who purchase and distribute our products, and end-customers, including catering businesses, food processing enterprises, corporate welfare programs and individual consumers via self-operated stores on e-commerce platforms. Revenue generated from our five largest customers in each year or period during the Track Record Period was less than 3.0% of our total revenue for the respective year or period.

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of our Directors, had owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

BUSINESS

Customer Service

We have established a dual-focus customer service system to ensure rapid responses and enhance our customers’ satisfaction, covering both our distributors and end-customers. On one end, we ensure regular communication with potential customers in a timely and proactive manner; while on the other end, we emphasize the importance of after-sales customer requests to provide our customers with satisfactory after-sales experiences.

For regular communication with potential customers, it mainly includes general inquiries received on social media platforms. For specific requests, we communicate directly with customers through hotlines and social media platforms, and collaborate cross-department to improve our products and services.

For after-sales customer service, it is intended to serve our customers who face issues after purchasing our products, such as requests for product returns, exchanges, and any other after-sales services. We generally provide one-on-one customer services to promptly resolve these issues with relevant follow-up measures. We place a high value on the responsiveness and quality of our customer services, and have detailed communication protocols for our customer service team.

Third-Party Payment Arrangements

Background of Third-Party Payment Arrangements

During the Track Record Period, certain customers (individually or collectively, the “**Relevant Customers**”) settled payments with us through accounts belonging to parties other than the contractual counterparties under the corresponding sales and purchase agreements or relevant parties who assumed unlimited personal liabilities for the payment obligations thereunder (the “**Third- Party Payment Arrangements**”). The Relevant Customers during the Track Record Period primarily consisted of customers in the form of individual industrial and commercial households, sole proprietorship enterprises and corporate entities, the vast majority of whom were our distributors. To the best of our knowledge, the designated third-party payors primarily consisted of persons affiliated with the Relevant Customers, such as legal representatives, business operators, shareholders, relatives (of the owners, shareholders or controllers), or affiliated entities of the Relevant Customers or, in certain cases, financial institutions that made payments to us pursuant to financing arrangements with the Relevant Customers.

In 2022, 2023 and the nine months ended September 30, 2024, the number of the Relevant Customers was 2,718, 2,445 and 2,038, respectively. The aggregate amount they settled under the Third-Party Payment Arrangements was RMB8,737.7 million, RMB8,911.6 million and RMB4,932.4 million, respectively, which accounted for 34.5%, 31.4% and 25.7% of the total payments we received from all customers, respectively, in the same periods. No individual Relevant Customer had made a material contribution to our revenue during the Track Record Period.

BUSINESS

During the Track Record Period, we implemented internal control measures to monitor and manage the Third-Party Payment Arrangements. We typically required the Relevant Customers and their designated third-party payors to provide us with written letters of undertakings (the “**Undertaking Letters**”) prior to making payments under the Third-Party Payment Arrangements, which generally specified that: (i) the designated third-party payor is allowed to settle payments with us on behalf of the Relevant Customers through the pre-agreed accounts of the involved designated third-party payors and all the activities of such pre-agreed accounts shall constitute activities of the Relevant Customers for which the Relevant Customers assume responsibilities; and (ii) both the Relevant Customers and the designated third-party payor undertake that any economic disputes arising from the Third-Party Payment Arrangements shall be resolved between the Relevant Customers and the designated third-party payors and shall not concern our Group. We also maintained know-your-customer procedures for onboarding our customers. To verify the authenticity of Third-Party Payment Arrangements, staff of our finance department are authorized only to recognize payments from designated third-party payors of the Relevant Customers, and our business staff are permitted only to ship our products to the Relevant Customers on the condition that the information of the designated third-party payors matches that in the corresponding Undertaking Letters or relevant financing arrangements. Based on the above, our Directors believe that the Third-Party Payment Arrangements during the Track Record Period, to the best of our knowledge, have been recorded completely and accurately in our accounting books and records in all material respects.

During the Track Record Period, we did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers or the designated third-party payors to facilitate or incentivize the Third-Party Payment Arrangements. During the Track Record Period, all Third-Party Payment Arrangements were initiated by Relevant Customers, not by us. To the best of our knowledge, during the Track Record Period, the relevant payments were based on *bona fide* underlying transactions and valid contractual relationships. The pricing and payment terms we provided to the Relevant Customers were in line with those provided to customers not involved in the Third-Party Payment Arrangements. To the best of our knowledge, we were not the subject of any investigations, enquiries, penalties, or surcharges as a result of our involvement in the Third-Party Payment Arrangements during the Track Record Period. In addition, we had not encountered any refund requests, actual or pending dispute or disagreement due to Third-Party Payment Arrangements or any material claims against us in relation to the Third-Party Payment Arrangements during the Track Record Period.

BUSINESS

Reasons for Third-Party Payment Arrangements

According to Frost & Sullivan, it is a common commercial practice for individual industrial and commercial households, sole proprietorship enterprises and companies in the consumer sector in China to settle their payments through third-party payors with their suppliers or customers for convenience and flexibility. Based on the representations of the Relevant Customers and to the best knowledge of our Directors, the Relevant Customers utilized Third-Party Payment Arrangements primarily because:

- (i) some Relevant Customers in the form of individual industrial and commercial households or sole proprietorship enterprises sought to minimize the complexity of setting up corporate accounts or the inconvenience of using such corporate accounts to allow for more operational flexibility;
- (ii) it is in line with the internal financial management practices of some Relevant Customers, especially for some small and medium-sized corporate entities to use the accounts of certain affiliated persons such as their legal representatives or actual controllers (and/or their family members for their operation efficiency); and
- (iii) certain Relevant Customers, especially for sole proprietorships and some small and medium-sized corporate entities, may from time to time have financing needs that are met through financing arrangements with authorized financial institutions. Under such arrangements, it is also common for authorized financial institutions to make payments to us directly pursuant to such financing arrangements to ensure that the funds are used solely for the intended purpose in accordance with the agreed financing arrangement, which is in line with common commercial practice for financing arrangement in the consumer sector to ensure the use of funds complies with the terms of the financing arrangements and reduces risks of fund misappropriation, according to Frost & Sullivan.

Legal Consequences of Third-Party Payment Arrangements

As advised by our PRC Legal Advisor, in light of the above, (i) our Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date were not in breach or contravention of mandatory requirements of applicable laws or regulations in China; (ii) as to the Relevant Customers and their designated third-party payors who provided duly executed Undertaking Letters and certain Relevant Customers and their engaged financial institutions who made payments to us pursuant to relevant financing arrangements mentioned above, the risks were remote for our Group to be found obligated to return funds to Relevant Customers or their designated third-party payors by virtue only of the funds being paid under the Third-Party Payment Arrangements; (iii) based on the confirmation by the major financial institutions that processed settlements for our Company under the Third-Party Payment Arrangements, our Company has not been found to be involved in any money laundering activities, activities that could be related to money laundering or any relevant investigations, and as such, the risk of the Third-Party Payment Arrangements being deemed as constituting the crime of money laundering under Article 191 of the Criminal Law of the PRC (《中華人

BUSINESS

民共和國刑法》) for the purpose of covering up or concealing the source and nature of proceeds or gains is low; and (iv) based on the credit reference reports issued in relation to our Company, no administrative penalties were imposed by tax management authorities for violation of tax laws, regulations and rules due to our Third-Party Payment Arrangements during the Track Record Period.

During the Track Record Period, Jiaxing Haitian made payments on behalf of certain Relevant Customers as authorized financial institution pursuant to the financing arrangements between them, details of which are set forth "Connected Transaction — 3. Cooperation with Jiaxing Haitian Small Loan on its provision of loans to our distributors". Other than the aforementioned, during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors and based on publicly available information, all other Relevant Customers and the designated third-party payors who settled payments under the Third-Party Payment Arrangements were Independent Third Parties.

Rectification of Third-Party Payment Arrangements and the Implication

To safeguard our interest against risks associated with Third-Party Payment Arrangements, since November 2024, we have significantly enhanced and implemented various internal control measures (collectively, the "**Rectification Measures**") in order to rectify Third-Party Payment Arrangements. Our efforts to rectify the Third-Party Payment Arrangements include, among other things:

- (i) we initiated the implementation of Third-Party Payment Arrangements rectification measures and informed our employees regarding the enhanced internal control measures, and we have also amended our standard sales and purchase agreements and enhanced our standard Undertaking Letters, so as to clearly specifying the obligations of relevant parties thereof;
- (ii) in terms of individual industrial and commercial households or sole proprietorship enterprises, we generally require and encourage those customers to make relevant payment directly from the accounts of the business, and if such payment cannot be paid directly from such accounts due their own operating practices, we only allow the relevant parties who assume unlimited personal liabilities (namely, the business operators/sole investors or their spouses) for the payment obligations thereunder to make such payments on the condition that they will enter into the enhanced Undertaking Letters, specifying, among other things, relationship between the designated payors and the customers, details of the pre-agreed accounts and payment obligation of such parties;
- (iii) in terms of all other corporate entities, we require all those customers to make relevant payment directly from the accounts of the parties to the relevant sales and purchase agreements;

BUSINESS

- (iv) in terms of payments from authorized financial institutions engaged by certain Relevant Customers pursuant to relevant financing arrangements, we require all those Relevant Customers (including the business operators/sole investors of the Relevant Customers or their spouses, if a Relevant Customer is in form of individual industrial and commercial household or sole proprietorship enterprise) and relevant authorized financial institutions to provide clear payment instructions strictly following the financing arrangements and the staff of our finance department will only recognize payments from authorized financial institutions with such clear payment instructions; and
- (v) to prevent fraud or money laundering activities and ensure the accuracy and completeness of our accounting books and records, we consistently maintained our know-your-customer procedures to gain a comprehensive understanding of our customers and performed verification of payment details against our records to confirm payments are made in accordance with the agreements and/or the undertaking letters. If any abnormalities are detected, we will promptly liaise with such customers for verification and correction. In addition, our sales team will hold regular meetings with customers to gain insights into their business operations, thereby reducing the risk of involvement in fraudulent or money laundering activities.

We regularly check the effectiveness of the Rectification Measures and promptly address any abnormalities. Based on the review of the implementation of the Rectification Measures, our Directors are of the view that such measures are effective and adequate in identifying the sources of funds from the Relevant Customers, ensuring the accuracy and completeness of our accounting books and records and preventing risks associated with Third-Party Payment Arrangements, including money laundering risks, tax evasion risks or other risks relating to violation of applicable laws and regulations. We will continue to monitor the effectiveness of these measures.

Pursuant to the Rectification Measures, we only allow payments (i) directly from the accounts of the customers or (ii) if not directly from the accounts of the customers, through the accounts of: (a) in the case of individual industrial and commercial households and sole proprietorship enterprises, the business operators/sole investors (or their spouses) of such entities pursuant to enhanced Undertaking Letters; and (b) authorized financial institutions which make payments to us directly pursuant to the relevant financing arrangements with our customers, as further described above. The aforementioned permitted payors who are not our customers have become contractually obligated with respect to the payments they make thereof and the risk for our Company to be found obligated to return such payments is remote, as advised by our PRC Legal Advisor.

As of the Latest Practicable Date, we were in the process of ongoing implementation of the Rectification Measures and had rectified substantially all Third-Party Payment Arrangements.

BUSINESS

Our Directors consider that the rectification of the Third-Party Payment Arrangements did not have, nor will have, any material adverse effect on the Group, taking into account the relationship with our customers, liquidity, business operation and financial performance, as (i) substantially all of the Relevant Customers cooperated with our rectification process; (ii) the rectification of Third-Party Payment Arrangements did not affect the payment settlement arrangement from our Relevant Customers to us, under which we typically require our Relevant Customers to settle payments before we provide the products; and (iii) we continued to generate positive net cash from our operating activities before and after the rectification of Third-party Payment Arrangement.

OUR BRAND-BUILDING AND MARKETING

“Haday” is a super brand in China’s consumer sector and we have over four hundred years of heritage. We have built long-term trust and emotional connections with our customers through our century-old value inheritance and strong brand communication capabilities. We have consistently provided our customers with high-quality products and experiences, establishing our brand a household name through word-of-mouth. We recognize that customer loyalty requires long-term brand resonance and communication efforts, thus we endeavor to implement long-term marketing strategies.

As new trends and markets emerge, we value innovative marketing methods to capture and respond to new trends in a timely manner, as well as to engage the younger generation. We are also committed to building new branding and marketing channels, which helps us generate new product incubation and growth opportunities. Our brand and marketing team is responsible for formulating marketing strategies and fostering sales channel development and media operation. We have been actively promoting the informationization and digitalization of our marketing initiatives.

Our branding and marketing efforts can be categorized into three aspects:

- **Long-Term Branding to Create Emotional Resonance:** We have implemented our branding strategies consistently and have been selected in CCTV’s “National Brand Project” (品牌強國工程) in recent years. We advertised our brand in CCTV as early as 1997 to promote our products to consumers nationwide. In 2022, our brand logo appeared in the CCTV Weather Forecast (天氣預報) program with our promotional activities links. Additionally, we launched several special story films showcasing our brand values, such as “Master of Sun Brewing” (曬太陽的人) and “What Millions Care About, We Care About Too” (億萬人在意的，也是我們在意的), aired on multiple key television channels during TV prime time. Our branding methods have achieved extensive coverage, reaching countless households across China and presenting in numerous family gathering moments.

BUSINESS

- **Innovative Marketing to Stimulate New Vitality:** We recognize that marketing needs are constantly evolving and we innovate our marketing methods based on latest trends to maintain brand connectivity with customers from various generations. Our innovative and diversified marketing channels reach customers of all ages and all kinds of family groups, such as the reality show “Go Fighting” (極限挑戰), the singing show “Singer” (歌手), the talk show “Roast!” (吐槽大會), and the dating show “Take Me Out” (非誠勿擾). For example, we have creatively launched soy sauce ice cream at our pop-up shops across China, which has gained significant traction on social media. We invite visitors to our production facilities, which is also a national 3A tourism attraction, Yummy’s Sunny Castle (亞米的陽光城堡).
- **Multichannel Marketing to Achieve Precise Reach:** Our marketing strategy employs a variety of specialized marketing methods to reach our diverse customer base, efficiently and precisely linking customers with products. For our distributors, we share our market insights to help them understand the market trends and consumer preferences. For customers such as catering businesses, we sponsored various chef competitions to promote our products. We have established our membership program for individual consumers via social media platforms, allowing us to reach wider audience and communicate with them directly.

BUSINESS

OUR PRODUCTION

Our Production Process

We have established standardized and automated production processes, continually exploring and developing our production techniques to ensure our products remain flavorful and nutritious, staying at the forefront of market trends and customers preferences. Taking the soy sauce production process as an example, we integrate traditional techniques with modern industrial production to achieve high production standards, precision and efficiency, ensuring the stability of product flavor and quality.

Soy Sauce Production Process

Our soy sauce is produced primarily from soybeans, wheat, salt and purified water. The production process of soy sauce is complex. We maintain craftsmen's heritage know-how while implementing modern technology to optimize production techniques. The production process comprises the following key steps: raw material selection, continuous steaming, disk koji propagation, sun brewing, physical pressing, sterilization & precipitation, speed-bottling and product inspection.

Raw Material Selection



Soybeans, as the primary ingredient in soy sauce, are crucial to its nutritional value and flavor. We implement a rigorous pre-screening standards based on shape and various physical, chemical, and safety indicators of the soybeans. We source high-quality, non-GMO soybeans from premium production areas for soybeans, such as the Sanjiang Plain in Northeast China, selected for their rich nutrients, plump texture, and bright yellow color. We have implemented comprehensive delivery and acceptance standards as explicit conditions in our procurement contracts.

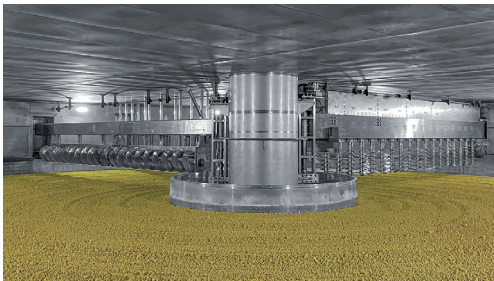
BUSINESS

Continuous Steaming



We employ a highly automated and ultra-high temperature steaming system, which prevents external contamination and human contact, ensuring a clean and controlled environment. This ultra-high temperature steaming process enhances the soybeans' natural flavor and pleasant aroma while sufficiently denaturing the proteins. This facilitates the breakdown of proteins and polysaccharides into amino acids, small peptides, and monosaccharides during fermentation, which are fundamental to developing the rich flavor and nutrition of our soy sauce products.

Disk Koji Propagation



The flavor of our soy sauce products is generated through the fermentation process involving microorganisms, such as koji mold and yeast. Through our R&D, we have cultivated highly effective strain and developed our superior Haday Aspergillus. The propagation process involves mixing Haday Aspergillus with steamed soybeans and roasted crushed wheat in our enclosed disk-shaped equipment, which provides an ideal environment for growth of aspergillus.

Sun Brewing



We preserve heritage brewing techniques, utilizing natural sun-brewing techniques. Our brewing yard, with its functional area equivalent to over 600,000 square meters, stands as a spectacular sight in our production base. We combine modern scientific research with heritage brewing techniques, having innovatively developed sun-brewing pools and modern tanks, which enable large-scale production of high-quality sun-brew soy sauce.

BUSINESS



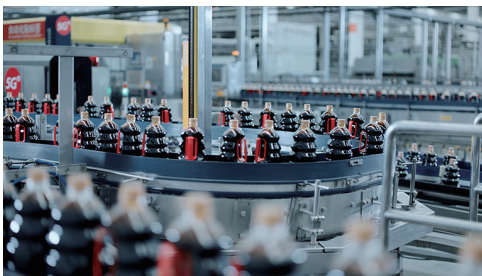
Physical Pressing

Our self-developed and highly automated soy sauce pressing system ensures a closed material transfer process and automated control operations. The pressing process extends over 48 hours across eight stages, allowing for slow and gentle extraction to preserve the original flavor and maximizes nutrient extraction from the raw materials.



Sterilization & Precipitation

Sterilization and precipitation are crucial to ensure product safety and quality. Building upon traditional high-temperature sterilization, we apply large-scale ultrafiltration technology in soy sauce production. This approach preserves the original flavor while achieving a clear, refined appearance. The subsequent sterilization uses methods like UHT, which extends shelf life while ensuring consistent and high-quality product with authentic flavor.



Speed-Bottling

Our soy sauce is transported through 316L stainless steel piping directly to our highly automated, sealed, clean filling plant for bottling. It ensures an enclosed environment that prevents external contamination and ensures food safety and hygiene. Our automated production lines can fill up to 52,000 bottles per production line per hour.



Product Inspection

We developed an advanced product inspection system for quality control at critical stages of the production process, ensuring efficiency and consistent quality. Each finished product undergoes a series of automated inspection procedures to ensure consistent quality.

BUSINESS

Multi-Category Production

Our multi-category products share similarity in key production techniques. By efficiently applying those techniques across multiple production processes, we achieve greater benefits and advantages in terms of cost and quality of production. We actively promote flexible production lines to enhance adaptability and flexibility along our production processes, realizing seamless production transitions. We have been committed to gradually upgrading our production bases with intelligent production lines. Through the configuration of intelligent production lines, we have successfully achieved the production of similar products in different packagings on the same production line, and even different product series on the same production line. We can produce more than 20 specifications or 130 SKUs of different products on the same production line and offer a customized product cycle as short as seven days.

In the course of our operations, we have consistently upgraded our production equipment and followed rigorous maintenance schedules, thereby ensuring that our production capabilities persistently adhere to industry-leading standards and the latest technology trends.

Our Production Bases

As of the Latest Practicable Date, we operated the following four key production bases in China:

- **Guangdong Gaoming Production Base (廣東高明生產基地)**, starting operations in September 2005, produces various condiment products such as soy sauce, oyster sauce, flavored sauce and specialty condiment products.
- **Jiangsu Suqian Production Base (江蘇宿遷生產基地)**, starting operations in March 2016, produces oyster sauce and specialty condiment products.
- **Guangxi Nanning Production Base (廣西南寧生產基地)**, starting operations in March 2022, produces soy sauce and oyster sauce products.
- **Hubei Wuhan Production Base (湖北武漢生產基地)**, starting operations in February 2024, produces oyster sauce and specialty condiment products.

BUSINESS

The following table sets forth the details of the production capacities, production volume and utilization rates of our production facilities in operation by product category for the periods indicated:

	Year ended December 31,						Nine months ended September 30,					
	2022			2023			2023			2024		
	Production Capacity ⁽¹⁾	Production Volume ⁽²⁾	Utilization Rate ⁽³⁾	Production Capacity ⁽¹⁾	Production Volume ⁽²⁾	Utilization Rate ⁽³⁾	Production Capacity ⁽¹⁾	Production Volume ⁽²⁾	Utilization Rate ⁽³⁾	Production Capacity ⁽¹⁾	Production Volume ⁽²⁾	Utilization Rate ⁽³⁾
	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)
Soy sauce products ⁽⁴⁾ . . .	2,600	2,469	95	2,650	2,383	90	1,990	1,700	86	2,120	1,809	85
Oyster sauce products ⁽⁵⁾ . .	1,000	868	87	1,070	875	82	800	635	79	890	662	74
Flavored sauce products . .	400	283	71	400	294	73	300	210	70	300	233	78
Specialty condiment products and others ⁽⁵⁾ . .	500	437	87	570	404	71	430	306	71	480	341	71
Overall	<u>4,500</u>	<u>4,057</u>	<u>90</u>	<u>4,690</u>	<u>3,956</u>	<u>84</u>	<u>3,520</u>	<u>2,852</u>	<u>81</u>	<u>3,800</u>	<u>3,045</u>	<u>80</u>

Notes:

- (1) Production capacity is calculated assuming that all production lines operate 12 months per year and on the basis of 300 days per year and 20 hours per day. Production capacity for the nine months ended September 30 is calculated assuming that all production lines operate for nine months and on the basis of 220 days and 20 hours per day.
- (2) The production volume during the year or period is the total volume of the products manufactured during that year or period.
- (3) The utilization rate during the year or period equals the production volume divided by the production capacity during the same year or period.
- (4) The production capacity for our soy sauce products increased from 2022 to 2023, primarily due to that new production lines were put into operation, and increased in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, primarily due to the overall expansion of our soy sauce production lines.
- (5) The production capacity for our oyster sauce products and specialty condiment products and others increased from 2022 to 2023, primarily due to that new production lines were put into operation, and increased in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, primarily due to that our Hubei Wuhan Production Base was put into operation in February 2024.

BUSINESS

The following table sets forth information on the production capacity, production volume, and utilization rate of each our major production bases for the periods indicated:

	Year ended December 31,						Nine months ended September 30,					
	2022			2023			2023			2024		
	Production Capacity ⁽¹⁾	Production Volume ⁽²⁾	Utilization Rate ⁽³⁾	Production Capacity ⁽¹⁾	Production Volume ⁽²⁾	Utilization Rate ⁽³⁾	Production Capacity ⁽¹⁾	Production Volume ⁽²⁾	Utilization Rate ⁽³⁾	Production Capacity ⁽¹⁾	Production Volume ⁽²⁾	Utilization Rate ⁽³⁾
	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)	('000 tons)	('000 tons)	(%)
Guangdong Gaoming Production Base	3,750	3,417	91	3,800	3,296	87	2,850	2,358	83	2,850	2,415	85
Jiangsu Suqian Production Base	650	592	91	740	594	80	560	448	81	560	474	85
Guangxi Nanning Production Base ⁽⁴⁾	100	48	48	150	66	44	110	46	41	320	133	41
Hubei Wuhan Production Base ⁽⁵⁾	—	—	—	—	—	—	—	—	—	70	24	35
Overall⁽⁶⁾	<u>4,500</u>	<u>4,057</u>	<u>90</u>	<u>4,690</u>	<u>3,956</u>	<u>84</u>	<u>3,520</u>	<u>2,852</u>	<u>81</u>	<u>3,800</u>	<u>3,045</u>	<u>80</u>

Notes:

- (1) Production capacity is calculated assuming that all production lines operate 12 months per year and on the basis of 300 days per year and 20 hours per day. Production capacity for the nine months ended September 30 is calculated assuming that all production lines operate for nine months and on the basis of 220 days and 20 hours per day.
- (2) The production volume for a year or period is the total volume of all products produced in the year or period.
- (3) The utilization rate for a year or period equals the production volume divided by the production capacity for the year or period.
- (4) Guangxi Nanning Production Base was put into operation in March 2022 and certain production lines have been gradually put into operation since then and were under ramp-up stage during the Track Record Period.
- (5) Hubei Wuhan Production Base was put into operation in February 2024 and the relevant production lines have been gradually put into operation since then and were under ramp-up stage during the Track Record Period.
- (6) The overall utilization rate and the production volume in 2023 decreased, primarily because the increase of production capacity due to new production lines had been put into operation.

BUSINESS

Production Expansion Plan

During the Track Record Period, we steadily increased our production capacity in line with our expansion strategy and market demand forecasts. We plan to further boost our overall production capacity progressively by expanding our existing production bases and building new ones. The following table summarizes details of our key production expansion plans as of September 30, 2024.

Production Facility	Product Category	Designed Production Capacity	Expected Completion Year
		<i>(‘000 tons per year)</i>	
Guangdong Gaoming Production Base . . .	Soy sauce, flavored sauce products and others	500	2028
Jiangsu Suqian Production Base	Soy sauce, oyster sauce and others	700	2030
Guangxi Nanning Production Base	Soy sauce and oyster sauce	560	2028
Hubei Wuhan Production Base	Oyster sauce, specialty condiment products and others	500	2030
Zhejiang Jiaxing Production Base	Specialty condiment products	300	2030

We expect that the capacity expansion of each of the planned key production bases above will be funded primarily by the net [REDACTED] from the [REDACTED] and cash generated from our operations. See “Future Plans and Use of [REDACTED] — Use of [REDACTED].”

SUPPLIERS AND SUPPLY CHAIN MANAGEMENT

We place great emphasis on the selection and procurement of our raw materials as we believe the quality raw materials ensure the taste of our products. We cooperate with raw material providers and purchase raw materials from premium production regions to ensure high-quality and stable supplies. The raw materials that we procured for the production of our products are mainly soybean, oyster extract, sugar and salt.

Purchases from our five largest suppliers in each year or period during Track Record Period was under 25.0% of our total purchases for each respective year or period. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers, except for Guangdong Haitian Group and its associates, details of which are disclosed in “Connected Transactions.”

BUSINESS

Raw Materials

Our major raw materials are mainly soybean, oyster extracts, sugar and salt. Taking soybeans procurement as an example, we have established rigorous procurement criteria. We source high-quality soybeans primarily from premium production areas in China, which are rich in high-quality proteins. Our tracing system covers from procurement, initial processing, storage logistics and inspections, ensuring that each batch of soybeans meets our procurement standards. We use food-grade packaging for transportation of our raw materials, each with a unique tracking number and container number to achieve traceability. We adhere to the same rigorous procurement criteria for all raw materials. For example, the quality control measures for the oyster extracts used in oyster sauce production covers various indicators to avoid pollutions in relation to impurities, heavy metals or microbial contamination. We carried out standardized management in the whole process of oyster extracts processing, inspection, storage and transportation to ensure the quality and safety of raw materials.

Our procurement team formulates plans on an annual basis with reference to sales projections and the anticipated price fluctuation of raw materials. We monitor and adjust our procurement plans with regard to orders we have received, the market demand for our products, and the price trend of raw materials in a timely manner. For key raw materials, we collaborate with multiple suppliers with whom we have established long-term relationship, in order to maintain a stable and quality supply. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of raw materials supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Suppliers Management

Our procurement team pre-screens potential suppliers based on their qualifications, production capacity, technology and quality control system. We inspect product samples from those who pass the pre-screening and may conduct on-site inspections to ensure compliance with our quality standards. We retain multiple qualified suppliers for major raw materials needed for production to avoid over-reliance on any single supplier and regularly review current suppliers' performance to assess their performance. We have established stable, trustworthy relationships with reliable suppliers for main raw materials. From industrial layout, planting management, harvesting and processing to transportation, we cooperated with suppliers to standardize each process flow and improve our tracing system. Our stringent supplier selection and review criteria, along with stable relationships with reliable suppliers, ensure stable and quality supplies for our production.

BUSINESS

We utilize digital systems to empower supply chain management. Our SRM system includes several modules for supplier management, sourcing management, order allocation, and supplier collaboration, improving supply chain operational efficiency, shortening supply chain response times, and enhancing the overall competitiveness of our supply chain. By streamlining and solidifying end-to-end business processes, we deepen supplier collaboration and strengthen supplier management. Our suppliers may select to use factoring service in connection with our procurements from them. During the Track Record Period, certain suppliers obtained such services from Haitian Commercial Factoring. See “Connected Transactions — Partially — Exempt Continuing Connected Transaction.”

We use multi-stage methodologies to ensure that we obtain favorable prices for raw materials, mainly including (i) pricing through bidding — our suppliers compete for our orders through a bidding process and we select the winning bid based on their bidding price, among other factors, and (ii) pricing through negotiation — based on our procurement plan and price estimate of raw materials, we enter into pricing agreements with our suppliers to confirm the contract price for each batch of supply.

Key Terms of Supply Agreements

Salient terms of the supply agreements with our suppliers for key raw materials typically include:

- *Duration.* The duration of a framework supply agreement is typically one year.
- *Quantity and Price.* We generally specify prices in pricing agreement, quantity and delivery detail for each delivery batch in separate orders.
- *Delivery.* The suppliers are typically responsible for delivering their products to our designated place, and they shall bear the transportation costs.
- *Payment.* The payment arrangements are generally set forth in the framework supply agreements.
- *Quality.* Detailed quality standards and specifications for the raw materials are set forth in the framework supply agreements.
- *Inspection and Acceptance.* The raw materials are subject to our inspection upon arrival at our designated place, and the supplier shall always be liable for any quality issue.

BUSINESS

LOGISTICS AND WAREHOUSES AND INVENTORY MANAGEMENT

We cooperate with logistics service providers to operate our logistics network to meet the diverse logistics needs of us and our customers. Our products undergo strict quality inspection before shipping and we require our logistics service providers to strictly adhere to relevant transportation quality requirements to ensure our products are transported under appropriate conditions. To meet the sales and shipping of our products, we tailor our transportation solutions and the layout of our warehouses based on customers' requirements. We employ regular public bidding and phased negotiations to ensure our transportation expenses remain competitive with market standards.

We operate warehouses at each of our production bases. Our raw materials are stored in monitored storage conditions with controlled temperature and humidity to minimize the risk of food deterioration. Our finished products are placed in designated areas and labeled pursuant to their respective product lines and dates of production. We implement strict market quality control mechanisms and specify quality control requirements for warehousing and logistics, and have incorporated such requirements into the contractual terms of our standard distribution agreement to ensure effective implementation across our nationwide sales network.

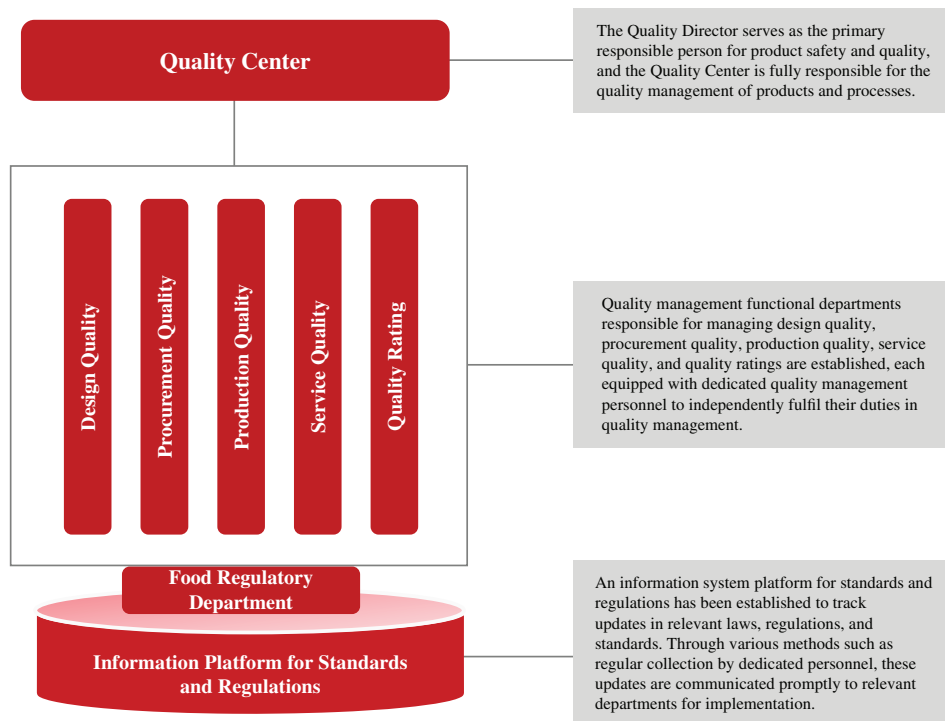
Our inventories primarily consist of raw materials, work in progress and finished goods. We closely monitor the market prices of key raw materials, and manage the inventory levels to ensure that scheduled production meets anticipated market demand. During the Track Record Period, we did not experience any material shortage. We have implemented a strict inventory management mechanism across our production bases, covering procurement, material supply, material receipt and returns, inventory checks and scrapping.

QUALITY CONTROL

We are dedicated to delivering safe and high-quality products to our customers. Our quality control team is responsible for formulating, managing, and supervising our comprehensive quality control system to ensure all products meet our stringent standards. As of the Latest Practicable Date, we have established an efficient and professional quality control team responsible for formulating, managing, and supervising our quality control system. Most of the team members have educational backgrounds in food science and quality inspection-related areas, and the majority have many years of work experience in the condiments industry. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from customers in connection with product quality or food safety.

BUSINESS

Our operations adhere to the widely recognized and advanced quality and food safety standards, including ISO9001, ISO22000, FSSC22000, China HACCP, BRC, FSMA, and IFS. We have established a quality center responsible for overall management of our quality control system. We also have a dedicated food regulations department researching on the latest domestic and international laws and regulations where we sell products. Our quality control department is divided into several departments across the whole production processes, namely design quality control, procurement quality control, production quality control, service quality control and quality control rating. The chart below outlines the functions of our quality control system:



- **Design Quality Control.** Design quality control involves the management and control of our product designs, including maintaining thorough documentation for design process, as well as conducting regular design reviews to confirm the design meets standards and customers’ needs. These steps collectively ensure a robust and high-quality design process.
- **Procurement Quality Control.** We have implemented rigorous procedures for selecting and managing our suppliers to ensure the high quality of raw materials. We choose suppliers who meet our quality criteria and regularly assess our suppliers’ performance, and we terminate contracts with those who do not meet our standards. Our quality requirements for raw materials are more stringent than the relevant Chinese national standards. Our quality control team tests raw materials upon delivery and rejects any that do not meet the specified quality standards in our contracts. See “— Suppliers and Supply Chain Management — Suppliers Management”.

BUSINESS

- **Production Quality Control.** During the Track Record Period, our Guangdong Gaoming Production Base, Jiangsu Suqian Production Base, Guangxi Nanning Production Base and Hubei Wuhan Production Base achieved 100% certification for both the ISO 9001 Quality Management standard and the ISO/FSSC 22000 Food Safety standard. We follow our standardized production procedures and strict quality control standards to ensure consistent product quality.
- **Service Quality Control.** We are committed to partnering with our customers to build a healthy lifestyle by implementing a comprehensive inspection procedure before the products reach our customers. We also engage through transparent labeling and provide detailed information about the nutritional content and sourcing of our products. To ensure high standards in our products and services, we have established a customer-centric service system, continuously striving for excellence in quality and customer satisfaction.
- **Quality Control Rating.** We developed a quality control rating system by reviewing and overseeing our ratings to ensure continual compliance. Regular training sessions are conducted for employees to improve their understanding and execution of quality standards, ensuring adherence to best practices. We have also established a standardized and responsive product recall system, which enables us to promptly respond and initiate our product recall procedure should such concern arise. If the product recall is necessary, we will promptly notify all relevant teams, including production, quality control, warehousing, and procurement, to ascertain the specific product batch and inform the relevant parties, including the distributors responsible for the regions. During the Track Record Period and up to the Latest Practicable Date, we did not have any material product recalls or returns, or product liability claims. See “Risk Factors — Risks Relating to Our Business and Industry — Product quality and food safety issues related to our products, or concerns about the safety and quality of our products may adversely affect our business and financial performance.”

RESEARCH AND DEVELOPMENT

Technology has always been the cornerstone of our development. We maintain our competitiveness and lead the sustainable development through our technological advantages. As a leader in the condiments industry with extensive experience, expertise, and advanced R&D capabilities, we have actively contributed to the drafting of various national and industrial standards. As of September 30, 2024, we have led or participated in the formation or revision of a total of 49 national, industry and group standards, such as the industrial standard Green Factory Evaluation Requirements for Condiment (QB/T 5978-2024) and the national standards for Soy Sauce (T/GBAS 11-2022) and Oyster Sauce (T/GBAS 12-2022).

BUSINESS

Our R&D department is divided into five teams that focus on product development, production technology development, market research, new technology application, intelligent equipment design and food safety inspection. As of September 30, 2024, we had a total of 1,375 employees in our R&D and Technology department. We also collaborated with external academies, universities, and research institutions, focusing on the development and application of key technologies in the condiments industry. As of September 30, 2024, we actively participated in government R&D projects, especially the Fourteenth Five-Year Plan “National Key Research and Development Program” including, among others, Green and Efficient Intelligent Production for Soy Sauce and Fermented Sauce and Industrialization (醬油和發酵醬綠色高效智能製造技術研究及產業化示範), Key Technologies for Reducing Salt and Green Production of New Flavor Enhancers (減鹽關鍵技術與新型鹹味劑綠色製造) and the R&D of Green Processing Technologies for Bulk Seafood and By-Product Condiment and Their Industrial Application (大宗海產品及副產物調味料綠色加工技術研發與產業化應用).

In 2022, 2023, and the nine months ended September 30, 2023 and 2024, our research and development costs amounted to RMB751.3 million, RMB715.4 million, RMB501.7 million and RMB602.7 million, respectively, representing 2.9%, 2.9%, 2.7% and 3.0% of our revenue for the same periods.

Product R&D

Our market-oriented and customer-centric product R&D focuses on customers’ needs and experiences, striving to continually upgrade and iterate on existing products and diligently develop new products to swiftly respond to the ever-changing market. We recognize the changing market demand towards healthier, more convenient, and cost-effective products. Therefore, we are committed to enhancing the flavor, healthiness, convenience and value for money of our products through focused R&D activities.

To meet customers’ expectations of healthy and tasty products, we have launched products such as high-umami and reduced-salt, organic and gluten-free soy sauce products to meet market demand. At the same time, we are aware of the market trend towards convenience and have developed a series of convenient compound condiments that allow customers to easily complete the preparation for deliciousness dishes with just one sauce. We also continued to develop new products based on the regional taste preference of customers and the different consumption scenarios for customers in different channels. We have successively launched different series of condiment products to meet the taste preferences across various regions in China. We also provide certain products with customized specifications for catering businesses and food processing enterprises.

BUSINESS

Digitization and intelligence are the cornerstones of our product development system. We have established a dedicated team to bring the frontline market insights to offline product development. We collect the voice and feedback from distributors and customers and rapidly consolidate market insights thereof, together with our well-established know-how, facilitating the product development. We have also developed new product monitoring system and new product trial sales model, which enable us to allocate the marketing resources by predicting the market responses.

We have established a standardized front-to-end product R&D process that integrates product development, technical research, production and supply chain management, and marketing. Our standardized R&D process includes the following:

- *Market Insights and Demand Assessment:* We have established a kaleidoscope information system to collect internal and external market insights. By combining market data and customer feedback, we identify market opportunities and new product concepts, forming effective inputs for product development.
- *Project Evaluation:* We have a dedicated product evaluation team, including multiple functional departments to assess the expected value and feasibility of new product R&D projects. Through comprehensive project evaluation, we align goals and parallel development work across product development, brand design, technical research, packaging development, production support, marketing testing and promotion, and corresponding R&D activities.
- *Pilot and Intermediate Testing:* After the project is launched, specialized modules such as product development, brand design, technical research, and packaging development conduct concurrent research and advancement. The overall project manager coordinates the project to ensure efficient implementation.
- *Launch Evaluation:* The product decision evaluation team conducts a comprehensive assessment of the project's expected sales value, gross profit margin, R&D goal and production efficiency. It develops a marketing and brand planning strategy for the new product's launch.
- *Lifecycle Management:* After the new product completes the launch sale and marketing promotion stages, each product division uses our self-developed PLM system to continually enhance product competitiveness through product quality upgrades, packaging and specification optimization, and production efficiency improvements.

BUSINESS

With the growing health-conscious trend in recent years, we are aware of customers’ expectations for healthy and delicious condiment products. We set up a cross-department team to analyze the feasibility, cost-effectiveness and market needs of high-umami and reduced-salt products. Our R&D team conducts research on how to lower the sodium content in soy sauce without compromising flavor. We innovated the source of fermentation and strain selection, and developed our patented High-Umami Reduced-Salt Fermentation Technology (高鮮減鹽發酵技術), which selects flavor-enhancing aspergillus strains and aroma-boosting yeast strains, achieving high umami flavor with reduced salt.

We focus on the customer’s experience and are committed to making our products more convenient and customer-friendly. We developed the “easy-squeeze” bottles based on our insights into pain points in product use (e.g. condiment products are not easy to pour from glass bottles, and condiment products in glass bottles are inconvenient to transport). Our product R&D team quickly launched an R&D project upon receiving the feedback, involving the processes from design to production and established a task force to ensure collaboration across multiple departments. Our R&D team researched end-customers’ habits and experiences and refined the design of “easy-squeeze” bottles to ensure the bottle was easy to hold, aesthetically pleasing, and functional, with a clean spout and minimal residue. There were technical difficulties in ensuring that the bottle material would not be deformed during hot filling and would have moderate hardness for being easy to hold and use. As of September 30, 2024, nearly 400 million bottles of our “easy-squeeze” bottle oyster sauce products have been sold. We expanded the application of “easy-squeeze” bottles to other product categories and successfully developed “easy-squeeze” bottle soybean sauce products, which have also received widespread acclaim from the market.

Production R&D

Our master craftsmen’s heritage know-how has been integrated and transformed into automated, intelligent and digitalized production processes. We have made continual breakthroughs in our core technologies and production facilities, covering multiple production steps from raw material inspection to product delivery. Our production R&D advancements focus on three key aspects: flavor, safety and quality as well as efficiency.

- **Flavor.** We understand that flavor is fundamental to customers’ preference for our products. Using our patented umami enhancement technology, we achieve initial umami through enhanced enzyme activity. Our fermentation of high-quality soybeans and umami enhancement technology in increased low-molecular-weight peptide content enhances the lingering umami and significantly improves product flavor and nutritional content. During the fermentation stage, we use advanced technology to monitor the growth state of koji, ensuring that soybeans are sufficiently fermented to achieve a rich flavor. In the product inspection stage, we have innovatively developed an AI-driven intelligent nose system with hundreds of olfactory data points and evaluation parameters for intelligent modeling, ensuring high standards, precision, and efficiency in producing high-umami products.

BUSINESS

- **Safety and Quality.** Safety and quality are critical to our products. We use highly-automated production line that is automatically linked and enclosed, minimizing product contamination risks during the transportation and handling of semi-finished products. Production steps are strictly monitored and tested to ensure our products meet the highest safety standards and full data inspection. From a soybean to soy sauce, our production process undergoes 494 inspection points with over 2,000 testing indicators. We have developed an intelligent product inspection system, achieving efficient and accurate quality inspection. Through our extensive historical data validation, we have digitalized quality control parameters that were traditionally reliant on human experience. After our products enter into market, any issues can be traced through digital product codes, allowing us to respond promptly to customers’ feedback. Our tracing system enhances our production management and increases customers’ trust in our products. Through these measures, we are dedicated to ensuring that every bottle of our products meets food safety standards from production to packaging, safeguarding the health and safety of our customers.
- **Efficiency.** We prioritize efficiency throughout our production process. In the raw material selection stage, we use advanced technology to remove impurities. The automated system performs rapid screening of approximately 13,000 soybeans per second, effectively improving production efficiency. In strain breeding, we apply our self-developed high-throughput strain screening platform, featuring optimal breeding methods. This has greatly improved breeding efficiency and shortened the breeding cycle, efficiently cultivating high-yield salt-tolerant strains and high-umami and reduced-salt strains compared to traditional screening methods. During the koji propagation and fermentation stages, we developed AI algorithms that learn from extensive historical data in fermentation tanks to set optimal fermentation parameters and models. In terms of production facilities, we upgraded our facilities to better support our production and operation, such as our self-developed koji propagation disk, digitalized and automated screening system, and our proprietary AI algorithms developed for fermentation process control. These advancements have significantly enhanced our production efficiency, allowing us to meet market demand more effectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Sustainable development is one of our fundamental strategies and we are committed to creating sustainable value for our stakeholders. Guided by the philosophy of “Conscience, Care and Responsibility,” we set out clear sustainable development goals that are relevant to our business operations. By actively taking on social responsibilities, we integrate the sustainable development of the wider community into the growth and expansion of our Company.

BUSINESS

ESG Governance

To implement our ESG measures, we have established a sustainable development management framework known as the "Governance–Management–Execution," which operates under the direct leadership of our Directors and senior management. We have established a sustainable development department with three main functions: systematical development of ESG governance structure, sustainable development related risk control, and energy technological innovation. The members of our sustainable development department all have ESG-related educational or professional backgrounds.

Our ESG management framework operates through a multi-level matrix: (i) horizontally, the ESG execution level works closely with the sustainable development execution steering group, including ESG topic leaders, board secretary office, finance department, risk control department, sustainable development department, etc.; and (ii) vertically, the ESG execution level establishes topic groups based on different issues. Each topic group comprises members from headquarters' functional departments/industrial parks.

Our current ESG governance structure is divided into three key aspects:

- **Governance:** Includes the Board of Directors and Board Strategy & Sustainable Development Committee. The Board leads sustainable development decision-making, overseeing company-wide sustainability efforts, making decisions on major sustainability issues, and approving ESG reports. The Board Strategy & Sustainable Development Committee serves as the research and guidance body for our sustainable development work.
- **Management:** The Sustainable Development Management Committee serves as the management level, chaired by our president, with vice presidents and board secretary as vice-chairs, and department heads as members. Main responsibilities include developing sustainability strategy, objectives, and mid-to-long-term planning.
- **Execution:** Consists of the sustainable development execution steering group, topic groups, and headquarters' functional departments and industrial parks. Topic groups are established for different issues, with members from functional departments/industrial parks. Each group has a lead unit coordinating work and regularly reporting progress to the Sustainable Development Management Committee.

BUSINESS

We are committed to safeguarding the rights and interests of all stakeholders as part of the ESG initiatives. Our stakeholders include shareholders and investors, government and regulatory bodies, suppliers, distributors, customers and employees. We have established multiple communication channels to maintain efficient and close communication with stakeholders to identify the demands of different stakeholders, listen to the opinions of all parties and give timely feedback. Through a series of improvement measures, we address stakeholders’ concerns, strengthen the company’s governance structure, and continually enhance our corporate governance level. We aim to build a more stable and harmonious network of stakeholder relationships, promote the company’s long-term sustainable development, and create greater value for all stakeholders.

Risks and Opportunities Assessment

We recognize that our business will be affected by ESG-related risks and therefore continually optimize our ESG risk management and opportunity identification system.

We conduct materiality assessments for ESG issues in light of our business characteristics and operational status while aligning with national and regional policies. To ensure our stakeholders’ engagement, we have developed a survey plan to gather insights from various stakeholders regarding the significance of each ESG issue. By integrating the senior management’s opinions with the survey results, we rank the materiality of the identified ESG topics and present the ESG issue matrix to the Board of Directors for confirmation.

During the Track Record Period, we were not subject to any material administrative penalties for violating health, safety, or environmental regulations. During the Track Record Period, we won numerous social honors and recognition in terms of brand value, enterprise strength, and ESG practices. We are the only condiments company that was awarded the “2023 Excellent ESG Cases of Chinese Enterprises” by the China Enterprise Reform and Development Society in the “2023 Boao Forum for Entrepreneurs” (2023中國企業家博鰲論壇).

Environment

We regard green development as the top priority for our business growth and continually strive for innovation in both production and management to instill the concept of sustainable development throughout our operation.

BUSINESS

Energy Management

We have actively responded to the national “dual-carbon” policy and taken various measures to enhance our energy management. These measures have yielded remarkable results both environmentally and economically. We strictly abide by the Energy Conservation Law of the PRC and other laws and regulations, and have established energy management measures as follows:

- **Energy conservation and carbon reduction.** We are committed to establishing and optimizing our environmental protection system, improving our green operations, and continually enhancing our resource utilization efficiency, energy conservation and emission reduction in order to achieve our long-term goal of sustainable development. For the nine months ended September 30, 2024, we successfully launched 75 energy-saving and carbon-reducing projects, expecting to result in savings of over 3.2 million kilowatt-hours of electricity and more than 21,000 tons of steam, which collectively reduced carbon emissions by over 8,070 tons.
- **Clean energy initiatives.** We have continually expanded our photovoltaic (PV) power generation scale, resulting in a significant lean production optimization increase in both installed PV capacity and the PV power generation. By September 30, 2024, the installed PV capacity reached 14.5 MW, with an annual compound growth rate of 56.4% from 2022 to 2023. By September 30, 2024, the PV power generation reached 12.1 million kWh, resulting in savings of 1,483 tons of standard coal and a reduction of 6,880 tons of carbon dioxide emissions. The annual compound growth rate for PV electricity generation during the period from 2022 to 2023 was 213.8 % and 31.8% from September 30, 2023 to September 30, 2024. By 2025, we will achieve a PV installed capacity of more than 20 MW. We have also launched the biogas reuse project by bio-degrading the Chemical Oxygen Demand (“COD”) in wastewater to convert biogas into a large amount of heat (steam) by burning it directly in boilers or co-firing it with other fuels. For the nine months ended September 30, 2024, 3.8 million Nm³ of the biogas have been recovered and utilized, resulting in savings of 3,548.6 tons of standard coal and a reduction of 47,365.7 tons of carbon dioxide emissions.
- **Waste recycling.** We are committed to effectively managing and reducing waste throughout our business operations and promoting resource recycling to facilitate the transition towards a recycling economy. Our production mainly generates three types of waste: waste gas, wastewater, and solid waste. Apart from the waste gas treatment facilities mentioned above, we optimized our wastewater disposal process to ensure compliance with higher environmental standards. Solid waste includes hazardous and general waste. Hazardous waste is disposed of by licensed third-party contractors, while general waste, such as soybean residue, is recycled and sold, achieving nearly 100% reuse.

BUSINESS

Water Resources Management

We have implemented a comprehensive water resources management strategy, upholding the concept of “building a benchmark for water saving” and the management principle of “reducing the negative impact of production on water resources and enhancing the awareness of water saving in the whole chain”. Through the implementation of steam condensate recycling, cooling water substitution, and other measures, we optimized our water management system and effectively reduced the consumption of water resources and the discharge of wastewater. We also implemented a series of other measures to effectively reduce the risks of water resource utilization, including conducting water resource risk assessments to identify and assess the risk level of water resources at all factories in each production base and conducting employee water-saving training.

Packaging Material Management

We follow the “Reduce-Reuse-Recycle-Regeneration-Rejection” principle of green packaging to achieve the sustainability of packaging. During the Track Record Period, through design optimization and technological innovation, we successfully adopted lightweight packaging approach, reducing our products’ environmental impacts. We promote the green packaging initiative by collaborating with suppliers. At the same time, we encourage customers to recycle these materials through e-commerce platform promotional pages, product labels, and other channels.

Climate-Related Risks and Greenhouse Gas Emission

We have also identified several climate change-related risks that may adversely affect our business operations, including:

Climate Change-related Risk

- | | | |
|-----------|------------------|---|
| 1 | Physical risks | Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuations in supply, and physical damage to our factories and offices. They also pose safety risks to our staff and can lead to delayed deliveries to our customers, among other consequences. |
| 2 | Transition risks | Policy risks, technology risks, market access risks, goodwill risks, etc., associated with the transition to a low-carbon economy. Additional costs may be incurred to purchase new energy, replace biodegradable packaging, promote sustainable sourcing, and engage in low-carbon product development. |

BUSINESS

By reviewing our internal policies, understanding current situations in business operations, and studying relevant industry practices, we have established effective procedures to manage such climate change risks:

- To address physical risks, we have developed contingency plans and preventive measures for severe weather conditions. We strategically reduce our dependence on a single source of supply by establishing partnerships with suppliers in different regions to mitigate climate risks of raw materials.
- To manage transition risks, we actively track policy changes to ensure compliance with regulations. We are implementing a phased facility retrofit program to progressively upgrade equipment. We have also established a special budget dedicated to investing in energy conservation and emission reduction projects, enhancing both our production processes and energy efficiency, while promoting waste recycling. Furthermore, we are committed to developing new products in line with sustainable trends, expanding our range of better-for-you product lines, and reducing our carbon footprint of our products by decreasing energy consumption in production and utilizing green logistics and environmentally friendly packaging.

Raw Material Procurement

We recognize that the selection and procurement of raw materials extends beyond economic considerations to include environmental and social factors. Our approach to raw material procurement is grounded in the principles of sustainable development, ensuring that the materials we source align with our sustainability goals. We actively encourage our suppliers to meet our stringent procurement standards, which encompass not only the quality and safety of raw materials but also adherence to best practices in environmental protection, labor standards and employee health. By fostering partnerships with suppliers who share our values, we aim to create a supply chain that is both resilient and responsible. We implement regular assessments and audits of our suppliers to comply with our ESG criteria. These evaluations help us identify areas for improvement and drive continual advancements in sustainability practices across our supply chain.

Society

Nutrition and Health Opportunities

Adhering to the strategic mission of bringing “healthier, lighter, and more nutritious” products to the public our positioning strategies for different product lines are continually adapted in response to these insights, allowing us to better meet customers’ demands. Our strong innovation and R&D strength enables us to achieve a more comprehensive product coverage, and preserve the taste and quality of our products, ensuring our products are both appealing and health conscious.

BUSINESS

Responsible Brands

We are dedicated to building a responsible brand that empowers our customers to understand the nutritional content of our products and the significance of a balanced daily diet. By fostering informed purchasing choices, we aim to promote healthy and active lifestyles.

We take product promotion materials as a vehicle for conveying the concept of nutritious and healthy eating to customers. Through this approach, we not only demonstrate our unwavering commitment to healthy eating but also assist customers in making more informed choices when selecting products and planning their diets. We also leverage a variety of online platforms, such as WeChat account, Weibo account and other social media platform accounts to create a healthy and nutritious lifestyle together with our customers.

We have also introduced the “Yummy’s Sunny Castle” industrial tourist attraction project which presents our production in a transparent and engaging manner. Through the project, tourists can gain valuable insights into the brewing process of soy sauce and how to evaluate the quality of soy sauce products. We are dedicated to guiding our customers toward healthier choices and fostering a culture of informed decision-making. Our initiatives reflect our commitment to quality nutrition, balanced diets, and personal empowerment, ultimately improving the well-being of our customers and the communities we serve.

Employee Rights and Well-Being

We are committed to cultivating our human resources system of “selecting, training, utilizing, and retaining people” to achieve fair employment, protect employee’s rights, and provide more learning opportunities, promotional channels, benefits, and care for employees, allowing employees to share the achievements of corporate development.

- *Employee benefits.* We are committed to establishing a fair and competitive salary performance system and implementing a comprehensive incentive mechanism to effectively motivate employees and improve work efficiency and sense of responsibility. We implement the “dual driver” system of organizational performance and employee performance management. We advocate the remuneration concept of “high remuneration, high efficiency, and high responsibility”, designing a targeted remuneration system and structure, implementing a comprehensive remuneration system including monthly salaries, bonuses, allowances, benefits, and long-term incentives, and ensuring that employees are paid in full and on-time. We implement the PRC Labor Law, the PRC Social Insurance Law, the Regulations on Paid Annual Leave for Employees and other labor laws, and other regulations and policy requirements, follow the national and local government arrangements for annual leave, marriage leave, maternity leave and other holidays, pay pension, medical, unemployment, work-related injury, and maternity insurance for employees, and pay housing provident funds for employees.

BUSINESS

- *Employee development and training.* We have established an advanced talent training system from training process management, training approval management and other levels according to the Training Management System to help employees develop their careers and improve their professional skills. For the nine months ended September 30, 2024, we organized and conducted 287 online courses and 154 onsite courses, with a total of over 158,000 participants. We established a scientific, fair, smooth and motivating employee career development management system in accordance with the administrative measures for qualifications, aiming at providing employees with broad career development space and promoting the common growth of employees and the Company. Our career development system provides employees with two main career channels — management channel and professional channel — and establishes a clear position and rank system so that employees can clearly understand and choose their own career development path.
- *Human rights and labor rights and interests.* We strictly abide by the PRC Labor Law, the PRC Labor Contract Law and other laws and regulations on labor and social security policy. We practice the principles of employment in accordance with the law, equality and anti-discrimination in the whole process of “selecting, training, utilizing, and retaining people”. It fully respects and protects the legitimate rights and interests of every employee in recruitment, training and development, job transfer and promotion, salary and welfare, attendance and vacation, dissolution or termination of employment relations, etc. We also strictly abide by relevant laws and regulations on children’s rights and international labor standards, and explicitly prohibit the use of child labor. We have implemented strict control policies and preventive measures in recruitment, entry, and other important aspects to eliminate the use of child labor.
- *Diversity and inclusion.* We are committed to providing employees with a diverse and non-discriminatory working environment, and do not treat employees differently because of gender, nationality, race, religious belief, age, marital status, family status, disability, and other differences. We recruit college graduates from all over the country and the world, and we had more than 800 ethnic minority employees as of September 30, 2024. We promise to treat every employee of different races, nationalities, genders, and ages fairly and impartially, and fully respect their freedom in religious beliefs and living habits. We implement policies in accordance with the Law of the People’s Republic of China on the Protection of Women’s Rights and Interests, the Special Rules on the Labor Protection of Female Employees, and other regulations and policies, and set up a dedicated mother and baby room to respect and protect the rights and interests of female employees and help them balance family and work.
- *Health and safety.* We regard the health and safety of employees as an important basis for the sustainability of enterprises and are committed to fully protecting the occupational health and safety of employees and providing a safe and comfortable working environment for employees. We have established an occupational health and safety management system in accordance with ISO 45001 and have formulated

BUSINESS

occupational safety management policies at different levels, We continue to carry out hazard identification and potential risk assessment covering all posts and operations and establish post safety standards based on the evaluation results.

Community Engagement

We adhere to the philosophy of "Conscience, Care and Responsibility," combining corporate growth with fulfilling social responsibilities. Over the years, we have actively participated in charitable and public welfare activities, demonstrating social responsibility and Haitian undertakings.

- *Social devotion.* While providing quality, tasty and healthy products, we actively embrace social responsibility by extending care to the community through a comprehensive charitable strategy that includes diversified charitable activities in the form of material donations, educational support, and disaster and poverty relief. Recognizing the significant influence of rural development and agricultural issues on national living standards and sustainable economic growth, we have aligned with the country's rural revitalization strategy by establishing the "Haitian Rural Revitalization Development Fund", underscoring our commitment to fostering sustainable social development.

Corporate Governance

We are committed to achieving a high level of internal governance, focusing on improving our internal organizational structure and internal management policies to enhance the level of corporate governance. We continually improve our corporate governance structure and internal control policies, such as the shareholders' meeting, the Board of Directors, and the Board of Supervisors, in strict accordance with the requirements of the relevant laws and regulations.

We continue to strictly adhere to the Anti-Monopoly Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China, among other laws and regulations, and pay attention to the implementation within the enterprise. Haitian has formulated and implemented within the Company the Code of Conduct for Employees of Haitian Corporation, the Self-Discipline Code for Employees of Haitian Corporation, the Anti-Fraud Management Policy of Haitian Flavoring, and other related policies. Meanwhile, the Company signed of the Integrity Agreements with suppliers to clarify various prohibited behaviors, and suppliers are required to formulate anti-corruption policies and conduct internal business ethics and compliance reviews based on relevant policies. With the help of the above measures, we are committed to creating a clean and transparent working atmosphere inside and outside the Company. During the Track Record period, we conducted business ethics training for new recruits.

BUSINESS

EMPLOYEES

As of September 30, 2024, we had 8,722 full-time employees, primarily located in China. The table below sets out a breakdown of our employees by function as of September 30, 2024:

Function	Employees	Percentage
Production	3,050	35.0%
Sales	2,967	34.0%
R&D and Technology	1,375	15.8%
Finance	161	1.8%
Administration	1,169	13.4%
Total	<u>8,722</u>	<u>100%</u>

We place significant emphasis on recruiting, staff training and development. We provide continual education and training programs to our employees to improve their skills and knowledge. We incentivize our employees’ enthusiasm and creativity by ensuring a transparent internal promotion channel and encouraging entrepreneurial spirit. We offer competitive remuneration packages and various benefits, including share-based incentive plans, to attract and retain talented and experienced employees. For details, see “— Environmental, Social and Governance Matters — Society — Employee Rights and Well-Being.” As required by PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including pension, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund.

We typically enter into standard employment agreements with our employees. Our standard employment contract includes confidentiality obligations regarding our know-how and trade secrets. In addition, we enter into non-competition and intellectual property protection agreements with key employees and senior management. The non-competition and intellectual property protection agreement includes standard non-competition covenants that prohibit an employee from competing with us, directly or indirectly, for a specific period after the termination of his or her employment, provided that we have paid compensation in accordance with applicable laws and regulations.

We have established labor unions for our employees. We have maintained a good working relationship with our employees and labor unions. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labor disputes that could have a material and adverse effect on our business, financial conditions, or results of operations.

BUSINESS

COMPETITION

We operate in a highly competitive and rapidly evolving market. We currently compete with a large and growing number of condiments brands with diverse flavor profiles in China based on a number of factors, including brand reputation, product quality, production capacity, sales capability, as well as customers’ recognition.

We believe that our multi-category product portfolio and extensive sales network enable us to meet the needs of a wide range of customers, while our comprehensive and efficient integrated management system and advanced technology layout facilitate our sustainable development. We are committed to building emotional resonance and trust with customers through long-term efforts to become a household name in China and a super brand. Our rich brand heritage, professional brand image, and trustworthy reputation differentiate us from our competitors, and provide us with a long-term competitive advantages.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our success and competitiveness. As of September 30, 2024, our Company and our Major Subsidiaries had over 1,500 registered trademarks, over 500 authorized patents, over 70 software copyrights and other copyrights and over ten domain names in China and over 1,800 registered trademarks in other countries or regions. See “Appendix VI — Statutory and General Information — A. Further Information About Our Business — 2. Intellectual Property Rights.”

Certain proprietary know-how that is not patentable and processes for which patents are difficult to enforce are also of significant importance to our operations. We believe that certain elements in our operations are not covered by patents or copyrights. We have taken security measures to protect these elements. For a discussion of the risks associated with the protection of our intellectual property rights, see “Risk Factors — Risks Relating to Our Business and Industry — Our ability to protect our intellectual property rights may affect our operation.”

We seek to protect our intellectual property through a combination of patents, trademarks, trade secrets, confidentiality agreements and others. Our employees have confidentiality obligations to us under the standard employment agreements. Our senior employees and senior management are also required to comply with the non-compete and confidentiality obligations under the non-compete and intellectual property protection agreements with us. These agreements also require that the intellectual property created by employees in pursuit of work objectives, tasks, or through the majority use of company-provided material and technical resources belongs to the Company.

We have implemented a comprehensive management system in place to address infringement incidents. Our front-line sales personnel, who maintain close communication with points of sale, would actively conduct inspections to identify any suspected infringements and report to the designated regional managers, who would then report to our legal department. After discovering incidences of infringements, we will collect detailed information, make an

BUSINESS

assessment on whether an infringement has actually taken place, and analyze the feasibility of defending our rights and the approaches we may take. Based on different product infringements and specific circumstances, with the support of intellectual property experts or legal consultants, we defend our rights through strategic approaches, including, but not limited to, engaging legal counsels to issue warning letters, filing administrative complaints, litigation and reporting to the ministry of public security.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any pending or threatened disputes or legal proceedings regarding intellectual property that could have a material and adverse effect on our business, financial conditions, or results of operations.

INSURANCE

We primarily maintain property insurance with respect to our fixed assets and inventories. Such insurance covers risk of property damage and damage due to natural disasters and certain accidents such as fire and explosion. We also provide social insurance for our employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. We believe our practice in relation to insurances is consistent with industry practice in the PRC.

PROPERTIES

Our corporate headquarters is located at Foshan, Guangdong Province, China. As of the Latest Practicable Date, all of our production bases were located in China.

As of September 30, 2024, we did not have any single property with a book value accounting for 15% or more of our total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of September 30, 2024, our Company and our Major Subsidiaries owned land use rights of seven parcels of land which occupied over 3,000 sq.m., with an aggregate site area of approximately 2,732,774.1 sq.m. in China, which were primarily for production, warehousing and management purposes. As of September 30, 2024, our Company and our Major Subsidiaries owned 64 buildings which occupied over 3,000 sq.m., with an aggregate floor area of approximately 1,021,994.6 sq.m. in China. All of these land parcels and buildings have been granted land use right certificates and ownership certificates. As of the Latest Practicable Date, we had not received any claims from third-parties disputing the ownership of our properties.

BUSINESS

Leased Properties

As of September 30, 2024, our Company and our Major Subsidiaries leased six parcels of land which occupied over 3,000 sq.m., with an aggregate site area of approximately 167,140.5 sq.m. in China. As of September 30, 2024, our Company and our Major Subsidiaries leased four properties which occupied over 3,000 sq.m., with an aggregate floor area of approximately 76,862.7 sq.m. in China. According to applicable PRC administrative regulations, the lessor and the lessee to a lease agreement are required to file the lease agreement with relevant government authorities within 30 days after the execution of the lease agreement. As of September 30, 2024, we had not filed our lease agreements for four properties we leased with the local housing administration authorities. As advised by our PRC Legal Advisor, the absence of registrations will not affect the validity of the lease agreements, nor materially and adversely affect the operations of our Company and our Major Subsidiaries.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time become involved in various legal proceedings in the ordinary course of our business. See “Risk Factors — Risks Related to the Local Laws and Regulations of the Jurisdictions Where We Conduct Business — We may be subject to litigation and other legal proceedings and may not always be successful in defending ourselves against such claims or proceedings.”

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, or administrative proceedings, and we were not aware of any material 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

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the PRC that are applicable to our operations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

We face various risks in our operations and have established risk management systems with relevant policies and procedures that we believe are suitable for our business. These policies and procedures cover the management of procurement and production, as well as the monitoring of sales performance and product quality.

To ensure the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted, or will continue to adopt, the following measures:

- **Audit Committee:** Establish an Audit Committee to review and supervise our financial reporting process and internal control system. For details on the qualifications and experience of the committee members, see "Directors, Supervisors and Senior Management."
- **Compliance Policies:** Adopt various policies to ensure adherence to the Listing Rules, including those related to risk management and connected transactions.
- **Training Programs:** Provide periodic training to senior management and employees on professional behavior and ethics standards to enhance their knowledge and compliance with applicable laws and regulations. Include relevant policies against non-compliance in our employee discipline measures and supervision guidelines.
- **Director Training:** Organize training sessions for our Directors and senior management on the relevant requirements of the Listing Rules and the duties of directors of companies listed in Hong Kong.
- **Reporting and Records System:** Enhance our reporting and records system for production facilities, centralizing quality control and safety management systems, and conducting regular inspections.
- **Emergency Procedures:** Establish a set of emergency procedures for major quality-related issues.
- **Quality Assurance Training:** Provide enhanced training programs on quality assurance and product safety procedures.

To embed a culture of compliance into our daily workflow and set expectations for individual behavior across the organization, we will regularly review our risk management policies and internal management procedures, adopt strict internal accountability, and conduct compliance training.

BUSINESS

Data Privacy Policy

We process certain customers' personal information in our daily operations, but only to the extent necessary for the sale and delivery of our products and services in conformity with the relevant laws and regulations. We have developed an in-house database with corresponding security mechanisms. Our data security system is built according to industry standards, and we collaborate with external service providers to ensure both technical and procedural security. During the Track Record Period, we had not experienced any major IT system failures or data and network security incidents.

We present our privacy policy to customers before processing their personal information. The policy states that we will follow the principles of legality, legitimacy, and necessity in collecting and processing personal information and ensure we have a legitimate reason for doing so. We will only store personal information for as long as necessary for the purposes stated in the privacy policy (unless mandatory storage is required by regulations) and will anonymize or delete personal information at the end of the storage period.

We highly value the protection of our customers' privacy and personal information, treating and processing it with great care. We have institutional and technical safeguards in place to ensure information security, complying with applicable data protection regulations and our privacy policy. Additionally, with database audits, high-strength firewalls, and security reinforcement from established security vendors, we regularly test and perform security scans on our systems. We have also provided employees with training on information security regulations to ensure the safety of relevant business information.

BUSINESS

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our products, technology, and innovation, significant ones of which are set forth below:

Year	Award/Recognition	Awarding Institution
2024 . . .	No. 1 in the soy sauce, oyster sauce, flavored sauce and vinegar markets (醬油、蠔油、醬料、食醋四項細分品類榜單第一)	China Brand Power Index SM (C-BPI)
2024 . . .	National Quality Leading Enterprise in Condiments Industry, National Leading Brand in Condiments Industry, National Certified Stable and Quality Product, and National Product and Service Quality Integrity Model Enterprise (全國調味品行業質量領先企業、全國調味品行業質量領先品牌、全國質量檢驗穩定合格產品、全國產品和服務質量誠信示範企業)	China Association for Quality Inspection (中國質量檢驗協會)
2023 . . .	Top 50 Enterprises in China’s Light Industry Food Industry, Top 100 Technology Enterprises in China’s Light Industry, and Top 200 Enterprises in China’s Light Industry (中國輕工業食品行業五十強企業、中國輕工業科技百強企業、中國輕工業二百強企業)	China National Light Industry Council (中國輕工業聯合會)
2023 . . .	Top 500 Private Manufacturing Enterprises in China (中國製造業民營企業500強)	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
2023 . . .	ESG Model Case of Chinese Enterprises (中國企業ESG優秀案例)	China Enterprise Reform and Development Society (中國企業改革與發展研究會)

BUSINESS

Year	Award/Recognition	Awarding Institution
2023 . . .	Green Manufacturing List (Green Factory) (綠色製造名單(綠色工廠))	General Office of the Ministry of Industry and Information Technology (工業和信息化部辦公廳)
2023 . . .	Gold Award in the Traditional Fermented Food Innovation Competition (2023傳統發酵食品創新大賽金獎)	National Food Fermentation Standardization Center (全國食品發酵標準化中心)
2023 . . .	“Xinhua Credit Golden Orchid Cup” ESG Environmental Practice Pioneer Case (“新華信用金蘭杯” ESG環境實踐先鋒案例)	China Economic Information Service (中國經濟信息社)
2022 . . .	Provincial Water-saving Benchmark Enterprise in 2022 (2022年省級節水標桿企業)	Department of Industry and Information Technology of Guangdong Province, Water Resources Department of Guangdong Province (廣東省工業和信息化廳、廣東省水利廳)
2022 . . .	National Intellectual Property Advantage Enterprise (國家知識產權優勢企業)	China National Intellectual Property Administration (國家知識產權局)
2022 . . .	The First Prize of Science and Technology Progress Award of Guangdong Province (廣東省科技進步獎一等獎)	People’s Government of Guangdong Province (廣東省人民政府)

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board consists of nine Directors, including six executive Directors and three independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

The Supervisory Committee is primarily responsible for supervising the performance of the Board and senior management and the financial operations, internal control and risk management. Our Supervisory Committee consists of three Supervisors including one employee representative Supervisor. Our Supervisors are elected for a term of three years and may be subject to re-election.

DIRECTORS

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Executive Directors						
Ms. Cheng Xue (程雪) . . .	54	Executive Director and Chairwoman of the Board	July 1992	November 25, 2010	Responsible for overall development strategies, major decisions and overall management of the Group	None
Mr. Guan Jianghua (管江華) . . .	51	Executive Director and President	July 1998	December 9, 2022	Responsible for overall development strategies, business plans and overall operation of the Group	None
Mr. Huang Wenbiao (黃文彪) . . .	57	Executive Director	June 1989	September 19, 2024	Responsible for technology research and development and product research of our Group	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Wen Zhizhou (文志州). . .	46	Executive Director	July 1998	November 22, 2019	Responsible for the operation of subsidiaries and overall management of the Group	None
Mr. Liao Changhui (廖長輝). . .	48	Executive Director	July 1999	December 9, 2022	Responsible for human resource, investment and audit management of the Group	None
Mr. Dai Wen (代文). . . .	42	Executive Director	July 2005	September 19, 2024	Responsible for sales management of the Group	None
Independent non-executive Directors						
Mr. Zhang Kechun (張科春). . .	46	Independent non-executive Director	September 2024	September 19, 2024	Responsible for providing independent advice on the operation and management of our Company	None
Mr. Qu Wenzhou (屈文洲). . .	52	Independent non-executive Director	September 2024	September 19, 2024	Responsible for providing independent advice on the operation and management of our Company	None
Mr. Ding Bangqing (丁邦清). . .	59	Independent non-executive Director	September 2024	September 19, 2024	Responsible for providing independent advice on the operation and management of our Company	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Cheng Xue (程雪), aged 54, is our executive Director and chairwoman of our Board.

Ms. Cheng joined our Group in 1992 and successively held several positions in our Group, including corporate planning director, vice president, and executive vice president.

She obtained a bachelor's degree in economic geography and urban and rural planning from Sun Yat-sen University (中山大學) in Guangdong Province, the PRC, in July 1992.

Mr. Guan Jianghua (管江華), aged 51, is our executive Director and president.

Mr. Guan joined our Group in 1998 and successively held several positions in our Group, including sales department manager, operations director, deputy general manager of marketing, general manager of operations, assistant general manager and vice president.

He obtained a bachelor's degree in taxation from Dongbei University of Finance and Economics (東北財經大學) in Liaoning Province, the PRC, in June 1998.

Mr. Huang Wenbiao (黃文彪), aged 57, is an executive Director of our Company.

Mr. Huang joined our Group in 1989 and successively held several positions in our Group, including deputy head of the quality inspection section, director of the quality inspection department, director of the product research center, manager of the science and technology department, deputy director of technology, and director of the technology center and vice president.

He obtained a bachelor's degree in industrial analysis from Guangdong Institute of Technology (廣東工學院) (currently known as Guangdong University of Technology (廣東工業大學)) in Guangdong Province, the PRC, in July 1989, and a master's degree in fine chemical industry from Guangdong Institute of Technology in July 1992.

Mr. Wen Zhizhou (文志州), aged 46, is an executive Director of our Company.

Mr. Wen joined our Group in 1998 and successively held several positions in our Group, including soy sauce factory director, production department manager, deputy director of the engineering equipment center, chairman of the Gaoming Haitian Trade Union (高明海天工會), and chairman of the supervisory board.

He obtained a master's degree in business administration from University of Northampton in the United Kingdom, in September 2023.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liao Changhui (廖長輝), aged 48, is an executive Director of our Company.

Mr. Liao joined our Group in 1999 and successively held several positions in our Group, including warehouse department manager, general manager of the investment department, director of the audit department, and director of the public relations center.

He obtained a bachelor's degree in technology and information from Zhengzhou Institute of Aeronautics (鄭州航空工業管理學院) in Henan Province, the PRC, in July 1999.

Mr. Dai Wen (代文), aged 42, is an executive Director of our Company.

Mr. Dai joined our Group in 2005 and successively held several positions in our Group, including marketing department manager, regional marketing director, and general manager of the regional marketing center.

He obtained a bachelor's degree in accounting from Zhengzhou University (鄭州大學) in Henan Province, the PRC, in June 2005.

Independent non-executive Directors

Mr. Zhang Kechun (張科春), aged 46, is an independent non-executive Director of our Company.

He has previously served as an assistant professor and a tenured professor at the University of Minnesota from 2010 to 2019. He has been a professor at Westlake University (西湖大學) since 2019.

He obtained a bachelor's degree in chemistry in polymer science and engineering from the University of Science and Technology of China (中國科學技術大學) in the PRC in June 2001 and a doctorate degree in chemistry from the California Institute of Technology in the United States in June 2007.

Mr. Qu Wenzhou (屈文洲), aged 52, is an independent non-executive Director of our Company.

Mr. Qu conducted postdoctoral research at Tsinghua University (清華大學) from 2004 to 2005. He served as an associate professor from 2005 to 2007 and has been a professor since 2007 at the School of Management at Xiamen University (廈門大學管理學院). Mr. Qu has been the director of the China Capital Market Research Centre (廈門大學中國資本市場研究中心) and a doctoral supervisor at the School of Management since 2008. He served as the deputy director of the Institute of Financial Management and Accounting at Xiamen University (廈門大學財務管理與會計研究院) from 2010 to 2016. He has been the director of the Jinyuan Institute (廈門大學金圓研究院) since 2016 and the director of the MBA Centre since 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

He obtained a bachelor's degree in applied mathematics in July 1995, a master's degree in finance in June 1999, a master's degree in business administration in October 2001 and a doctorate degree in finance in December 2003 from Xiamen University (廈門大學) in the PRC. He has been a certified public accountant in China since November 2003 and obtained a certificate of Chartered Financial Analyst in November 2004.

Mr. Ding Bangqing (丁邦清), aged 59, is an independent non-executive Director of our Company.

Mr. Ding served as the vice chairman and president of Guangdong Advertising Group Co., Ltd. (廣東省廣告集團股份有限公司) from 2014 to 2017. He was the deputy director of the Academic Committee of the China Advertising Association (中國廣告協會學術委員會) from 2016 to 2022. He has been the chairman of Guangzhou Qixidi Aroma Group Co., Ltd. (廣州七溪地芳香集團有限公司) since 2017 and the deputy director of the Academic and Education Working Committee of the China Advertising Association (中國廣告協會學術與教育工作委員會) since 2023.

He obtained a master's degree in history of philosophy from Wuhan University (武漢大學) in Hubei Province, the PRC in August 1990.

SUPERVISORS

The following table sets out information regarding our Supervisors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Supervisor	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. Chen Min (陳敏)	43	Chairwoman of the Supervisory Committee	July 2004	November 25, 2019	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None
Mr. Huang Shuliang (黃樹亮) . . .	49	Supervisor	July 1998	September 19, 2024	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None
Mr. He Tao (何濤)	44	Employee Supervisor	July 2004	September 19, 2024	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Chen Min (陳敏), aged 43, is the chairwoman of the supervisory board of our Company.

Ms. Chen joined our Group in 2004 and has successively held several positions in our Group, including manager of the procurement business department, deputy director of the business management division, director of the company office, and director of the organizational performance center.

She obtained a bachelor's degree in food science and engineering from Zhanjiang Ocean University (湛江海洋大學) (currently known as Guangdong Ocean University (廣東海洋大學)), in Guangdong Province, the PRC, in June 2004.

Mr. Huang Shuliang (黃樹亮), aged 49, is a Supervisor of our Company.

Mr. Huang joined our Group in 1998 and has successively held several positions in our Group, including IT department manager, senior manager of the information center, director of the digital information center, and director.

He obtained a bachelor's degree in management engineering from Guangdong University of Technology in June 1998.

Mr. He Tao (何濤), aged 44, is an employee Supervisor on the Supervisory Committee of our Company.

Mr. He joined our Group in 2004 and has successively held several positions in our Group, including deputy director of the sauce factory, general manager of the fermentation sauce division, general manager of Vinegar Group, general manager of Guangdong Hailian Biological Technology Co., Ltd. (廣東海蓮生物科技有限公司), and general manager of Foshan Haitian (Nanning) Seasoning Food Co., Ltd. (佛山市海天(南寧)調味食品有限公司).

He obtained a bachelor's degree in food science and engineering from Zhengzhou Institute of Light Industry (鄭州輕工業學院) (currently known as Zhengzhou University of Light Industry (鄭州輕工業大學)) in Henan Province, the PRC in July 2004.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of our senior management:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a senior manager	Roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Guan Jianghua (管江華) . . .	51	Executive Director and President	July 1998	November 22, 2016	Responsible for overall development strategies, business plans, and overall operation of the Group	None
Mr. Gui Junqiang (桂軍強) . . .	40	Vice President	July 2007	December 9, 2022	Responsible for production management of our Group	None
Mr. Liu Zhiqing (柳志青) . . .	38	Vice President	July 2008	September 19, 2024	Responsible for procurement and supply chain management of our Group	The spouse of Ms. Ke Ying
Mr. Xia Zhendong (夏振東) . . .	41	Vice President	July 2006	September 19, 2024	Responsible for sales management of our Group	None
Ms. Ke Ying (柯瑩)	39	Secretary to the Board and Joint Company Secretary	July 2008	September 19, 2024	Responsible for corporate governance and compliance of our Group	The spouse of Mr. Liu Zhiqing
Mr. Li Jun (李軍)	41	Chief Financial Officer	July 2008	December 9, 2022	Responsible for the financial operations of our Group	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Guan Jianghua (管江華) is an executive Director and general manager of our Company. See “— Directors — Executive Directors” in this section for his biographical details.

Mr. Gui Junqiang (桂軍強), aged 40, is a vice president of our Company.

Mr. Gui joined our Group in 2007 and has successively held several positions in our Group, including manager of the oyster sauce factory, manager of the process department, manager of the quality inspection department, general manager of Vinegar Group, and general manager of the Gaoming Haitian.

He obtained a bachelor’s degree in biotech from Harbin Institute of Technology (哈爾濱工業大學) in Heilongjiang Province, the PRC in July 2007.

Mr. Liu Zhiqing (柳志青), aged 38, is a vice president of our Company.

Mr. Liu joined our Group in 2008 and has successively held several positions in our Group, including manager of the warehousing department, deputy general manager of the logistics center, director of the procurement center, director of the agile center, general manager of the customization division, and rotating director of the president’s office.

He obtained a master’s degree in industrial engineering from Jinan University (暨南大學) in Guangdong Province, the PRC, in June 2021.

Mr. Xia Zhendong (夏振東), aged 41, is a vice president of our Company.

Mr. Xia joined our Group in 2006 and has successively held several positions in our Group, including regional marketing manager, regional marketing director, general manager of the regional marketing company, and rotating director of the marketing business committee.

He obtained a bachelor’s degree in bioengineering from Hubei University of Technology (湖北工業大學) in Hubei Province, the PRC in June 2006.

Ms. Ke Ying (柯瑩), aged 39, is the secretary of our Board and one of our joint company secretaries.

Ms. Ke has successively held several positions in our Group since 2008, including director of the office, deputy director of the talent development center, deputy director of the public relations center, director of the marketing human resources center, and director of the legal center of our Group.

She obtained a master’s degree in business administration from Sun Yat-sen University (中山大學) in Guangdong Province, the PRC in June 2022.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Jun (李軍), aged 41, is the chief financial officer of our Company.

Mr. Li has successively held several positions in our Group, including director of the finance department, financial information manager, deputy director of the finance center, and supervisor.

He obtained a bachelor’s degree in accounting from Chongqing Institute of Technology (重慶工學院) (currently known as Chongqing University of Technology (重慶理工大學)) in the PRC, in June 2008. Mr. Li has been an intermediate accountant since January 2014.

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Saved as disclosed above, none of our Directors, Supervisors and senior management had been a director of any public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of our Directors and Supervisors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

JOINT COMPANY SECRETARIES

Ms. Ke Ying (柯瑩), aged 39, is the secretary of our Board and our joint company secretary. See “— Senior Management” in this section for her biographical details.

Ms. Zhang Xiao (張瀟), is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over ten years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2019.

Ms. Zhang obtained a bachelor’s degree in computer science from The Chinese University of Hong Kong in 2010, a master’s degree in corporate governance from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in 2018 and a master’s degree in Accountancy from Hong Kong Baptist University in 2024.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code and the Listing Rules, our Company has formed four Board committees, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination committee and the Strategy and Sustainability Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Qu Wenzhou, Mr. Zhang Kechun and Mr. Ding Bangqing. Mr. Qu Wenzhou, being the chairperson of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, but are not limited to, the following:

- reviewing and evaluating the work of external auditors;
- monitoring and making recommendations concerning the internal audit work of our Company;
- reviewing and making recommendations concerning the financial reports of our Company;
- evaluating the effectiveness of internal control work;
- ensuring coordination between the management, internal audit department and relevant departments and external auditors; and
- performing other duties and responsibilities as assigned by our Board.

Remuneration and Evaluation Committee

We have established a Remuneration and Evaluation Committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration and Evaluation Committee consists of five Directors, namely Mr. Qu Wenzhou, Mr. Zhang Kechun, Mr. Ding Bangqing, Ms. Cheng and Mr. Guan. Mr. Qu Wenzhou serves as the chairperson of the Remuneration and Evaluation Committee. The primary duties of the Remuneration and Evaluation Committee include, but are not limited to, the following:

- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- making recommendations to our Board concerning our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, including, but not limited to, performance evaluation standards, procedures and evaluation systems;
- conducting the evaluation of the annual performance of all Directors and senior management;
- monitoring remuneration payable to all Directors and senior management;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and
- performing other duties and responsibilities as assigned by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination committee consists of five Directors, namely Mr. Zhang Kechun, Mr. Qu Wenzhou, Mr. Ding Bangqing, Ms. Cheng and Mr. Dai Wen. Mr. Zhang Kechun serves as the chairperson of the Nomination committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- reviewing and making recommendations to the Board on the composition and number of our Board and senior management with reference to our Company's business activities, the scale of assets and shareholding structure;
- identifying individuals suitably qualified to become a member of our Board and senior management, and making recommendations to our Board on the selection of individuals nominated for directorships and senior management;
- reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors;
- accessing and making recommendations to the selection of other senior management appointed by our Board; and
- performing other duties and responsibilities as assigned by our Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Strategy and Sustainability Committee

We have established a Strategy and Sustainability Committee with written terms of reference. The Strategy and Sustainability Committee consists of five Directors, namely Ms. Cheng, Mr. Guan, Mr. Huang Wenbiao, Mr. Wen and Mr. Liao. Ms. Cheng serves as the chairperson of the Strategy and Sustainability Committee. The primary duties of the Strategy and Sustainability Committee include but not limited to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, remuneration in the form of salaries, allowances and benefits in kind and performance related bonuses and pension scheme contributions. Our independent non-executive Directors receive remuneration with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the aggregate amount of remuneration paid or payable to our Directors and Supervisors amounted to RMB29.3 million, RMB26.7 million and RMB11.9 million, respectively. Under the arrangement currently in force, we estimate the total remuneration before taxation to be accrued to our Directors and Supervisors for the year ending December 31, 2025 to be approximately RMB28.0 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

During the Track Record Period, no remuneration was paid to our Directors or any of 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 receivable by, any of 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. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the [REDACTED], receive recommendations from our Remuneration and Evaluation Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management and the performance of our Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company complies or intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the 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 Listing Rules after the [REDACTED].

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including, but not limited to, gender, skills, age, professional experience, knowledge, cultural background, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our board currently consists of one female Director and eight male Directors. Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, engineering, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including accounting, engineering and biotech. This diverse academic background allows the Board to approach challenges and opportunities from multiple angles, fostering innovative solutions and comprehensive strategies. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the [REDACTED], our Nomination committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness, and, when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in 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.

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 would 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 December 30, 2024 and (ii) understands the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer under the Listing Rules and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

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) there are no other factors that may affect his independence at the time of his appointment.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances, including:

- (a) before the publication of any regulatory announcement, circular or financial report;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (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 our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment of our Compliance Advisor will commence on the [REDACTED] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

On December 27, 2023, Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao (the “**Concert Party Group**”) entered into the Concert Party Agreement, pursuant to which each of them, as a shareholder of Guangdong Haitian, undertook to vote unanimously when electing directors of Guangdong Haitian and exercising their voting rights in respect of the Shares in our Company directly or indirectly held by Guangdong Haitian.

As of the Latest Practicable Date, the total issued share capital of our Company was directly and indirectly (through Foshan Haipeng) held as to approximately 58.38% by Guangdong Haitian, in which the Concert Party Group held approximately 73.59% interest. The Concert Party Group is directly interested in the total issued share capital of the Company as to approximately 13.75% in aggregate (with Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao having approximately 9.57%, 3.17%, 0.61%, 0.21%, 0.16% and 0.03% interest in the total issued share capital of our Company, respectively). Together with Guangdong Haitian’s interest in our Company, the Concert Party Group is interested in the total issued share capital of our Company as to approximately 72.12% in aggregate.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Guangdong Haitian and the Concert Party Group will, directly and indirectly and by virtue of the Concert Party Agreement, be interested in the total issued share capital of our Company as to approximately [REDACTED]%. Accordingly, Guangdong Haitian, Foshan Haipeng and the Concert Party Group will be regarded as a group of Controlling Shareholders upon [REDACTED].

CLEAR BUSINESS DELINEATION

Our Business

We are China’s clear leader in the condiments industry, ranking among the world’s top five and as Asia’s largest player in terms of revenue in 2023. According to Frost & Sullivan, we have maintained the leading position with highest sales volume for 27 consecutive years in China, where the market size reached RMB479.3 billion in 2023, and we have maintained the number one position in terms of market share of 4.5% in 2023, with a revenue over twice that of our nearest competitor. Our soy sauce and oyster sauce products have consistently ranked first in terms of sales volume in China’s condiments market, while our flavored sauce, vinegar and cooking wine also hold leading positions in China.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Business of Guangdong Haitian

Guangdong Haitian is an investment holding company incorporated under the laws of the PRC on March 6, 2000. Apart from the business of our Company, Guangdong Haitian also make investments in companies engaged in various industries including but not limited to investment management and manufacturing services. We have entered into certain transactions in the ordinary and normal course of our business with certain subsidiaries of Guangdong Haitian and/or its associates. See "Connected Transactions".

Each of Guangdong Haitian and the Concert Party Group has confirmed that he/she/it does not have any interests in any business (apart from the business of our Group) that competes or is likely to compete, directly or indirectly, with our principal business, which is required to be disclosed under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKINGS

Guangdong Haitian has executed a non-competition undertaking on March 15, 2011, pursuant to which Guangdong Haitian undertakes that, among others:

- (a) it is not and, for so long as Guangdong Haitian exercises direct or indirect control over the Company, will not be engaged in the same or similar business as the business of the Company and its controlled companies or business that constitutes substantial competition with the business of the Company and its controlled companies (the "**Competing Businesses**"); and
- (b) it is not and, for so long as Guangdong Haitian exercises direct or indirect control over the Company, will not be engaged or participate in Competing Businesses through its control over other companies, organizations or business that economic entities.

In the event that it fails to fulfill its obligations and responsibilities conferred by the undertaking, it will bear the corresponding legal consequences pursuant to the relevant laws, rules and regulations.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED], taking into consideration the factors below.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board consists of nine Directors, comprising six executive Directors and three independent non-executive Directors. For more details, see "Directors, Supervisors and Senior Management".

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders and their respective close associates from a management perspective for the following reasons:

- (a) certain of our Directors and senior management hold non-executive roles and positions in Guangdong Haitian or its close associates, which are non-executive in nature as they are not involved in the day-to-day management and operations of Guangdong Haitian's business, and are capable to contribute sufficient time and efforts to manage the daily operations of our Group;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;
- (d) we have three independent non-executive Directors with extensive experience in their respective areas of expertise to ensure that the decisions of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole. Certain matters of our Company must always be referred to the independent non-executive Directors for review and approval; and
- (e) our Company is an A-share listed company and has adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and Guangdong Haitian which would support our independent management. See "— Corporate Governance" below for details.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our daily operations. We have our own organizational structure with self-governing departments specializing in various aspects in relation to our business development, including but not limited to production, supply chain, sales and marketing, financing, human resources, administration, internal audit and legal and compliance which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our businesses.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance infrastructure, to operate the business independently. We are also in possession of all relevant licenses, certificates, facilities, intellectual property rights and approvals and permits from the relevant regulatory authorities necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

We entered into certain continuing connected transactions with our connected persons. See section headed "Connected Transactions" for more details. Considering that the amounts of the relevant transactions during the Track Record Period are not significant to our Group, our Directors believe that such transactions will not have any impact on the operational independence of our Group.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have our own internal control and accounting systems and an independent finance department in charge of our treasury function and making financial decisions based on our Group's needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their respective close associates. We do not expect to rely on our Controlling Shareholders and their respective close associates for financing after the [REDACTED] as we expect that our working capital will be funded by the cash, cash equivalents on hand as well as the [REDACTED] from the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In addition, we are capable of obtaining financing from Independent Third Parties, if necessary, without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates. As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by our Controlling Shareholders or their respective close associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently from, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE

Our Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of implementing good corporate governance and effective internal control measures in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders and their respective close associates:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders and their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [REDACTED]. In particular, our Articles of Association provides that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;
- (c) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Group enters into connected transactions with our Controlling Shareholders and their respective close associates, we will comply with the applicable Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere with the exercise of their independent judgment in any material manner, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. See "Directors, Supervisors and Senior Management" for details of the independent non-executive Directors;
- (e) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our Shareholders;
- (f) 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 of any conflicts of interests between our Group and our Controlling Shareholder;
- (g) where our Directors reasonably request the advice of independent professionals or advisors, such as financial advisors, valuers or legal advisors, the appointment of such independent professionals or advisors will be made at our Company's expenses;
- (h) we have appointed Somerley Capital Limited as our Compliance Advisor to provide us with advice and guidance in respect of compliance with the applicable laws and regulations and the Listing Rules, including various requirements relating to Directors' duties and corporate governance; and
- (i) we have established our Audit Committee, Remuneration and Evaluation Committee, Nomination Committee and Strategy and Sustainability Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [REDACTED].

CONNECTED TRANSACTIONS

Upon [REDACTED], certain transactions between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Guangdong Haitian is an investment company, which has made investments in companies engaged in various industries including but not limited to investment management and manufacture. We have entered into certain transactions in the ordinary and normal course of our business with Guangdong Haitian (together with its subsidiaries, “**Guangdong Haitian Group**”) and/or its associates, which will constitute continuing connected transactions upon the [REDACTED]:

Name of our connected persons	Connected relationship
Guangdong Haitian	As of the Latest Practicable Date, Guangdong Haitian was directly and indirectly interested in 58.38% in our Company and was our Controlling Shareholder. Accordingly, the Guangdong Haitian Group constitutes a connected person of our Company under the Listing Rules.
Jiaxing Haitian Small Loan	Jiaxing Haitian Small Loan is a subsidiary held as to 80% by Guangdong Haitian.
Haitian Commercial Factoring	Haitian Commercial Factoring is a wholly-owned subsidiary of Guangdong Haitian.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

No.	Transaction	Counterparty	Applicable Listing Rule	Waiver sought	Historical amounts	Proposed annual cap
					<i>(RMB in millions)</i>	<i>(RMB in millions)</i>
Fully Exempt Continuing Connected Transactions						
1 . . .	Provision of goods to Guangdong Haitian Group	Guangdong Haitian Group	14A.76(1)	N/A	N/A	N/A
2 . . .	Lease of premises by Guangdong Haitian Group from our Group	Guangdong Haitian Group	14A.76(1)	N/A	N/A	N/A

CONNECTED TRANSACTIONS

No.	Transaction	Counterparty	Applicable Listing Rule	Waiver sought	Historical amounts <i>(RMB in millions)</i>	Proposed annual cap <i>(RMB in millions)</i>
3. . .	Cooperation with Jiaxing Haitian Small Loan on its provision of loans to our distributors	Jiaxing Haitian Small Loan	14A.76(1)	N/A	N/A	N/A
4. . .	Procurement of energy from Guangdong Haitian Group	Guangdong Haitian Group	14A.76(1)	N/A	N/A	N/A
5. . .	Procurement of services from Guangdong Haitian Group	Guangdong Haitian Group	14A.76(1)	N/A	N/A	N/A
Partially Exempt Continuing Connected Transactions						
6. . .	Provision of Supporting Services to Guangdong Haitian Group	Guangdong Haitian Group	14A.35, 14A.49, 14A.71, 14A.76(2) and 14A.105	Announcement	For the year ended December 31, 2022: 22.6 2023: 28.2 For the nine months ended September 30, 2024: 22.0	2025: 32 2026: 34 2027: 38
7. . .	Procurement of Raw Materials from Guangdong Haitian Group	Guangdong Haitian Group	14A.35, 14A.49, 14A.71, 14A.76(2) and 14A.105	Announcement	For the year ended December 31, 2022: 385.5 2023: 530.9 For the nine months ended September 30, 2024: 383.2	2025: 648 2026: 739 2027: 847

CONNECTED TRANSACTIONS

No.	Transaction	Counterparty	Applicable Listing Rule	Waiver sought	Historical amounts <i>(RMB in millions)</i>	Proposed annual cap <i>(RMB in millions)</i>
8 . . .	Procurement of Packaging Materials from Guangdong Haitian Group	Guangdong Haitian Group	14A.35, 14A.49, 14A.71, 14A.76(2) and 14A.105	Announcement	For the year ended December 31, 2022: 740.8 2023: 589.9 For the nine months ended September 30, 2024: 437.4	2025: 668 2026: 742 2027: 825
9 . . .	Procurement of assets from Guangdong Haitian Group	Guangdong Haitian Group	14A.35, 14A.49, 14A.71, 14A.76(2) and 14A.105	Announcement	For the year ended December 31, 2022: 122.5 2023: 139.6 For the nine months ended September 30, 2024: 106.5	2025: 150 2026: 150 2027: 200
10 . . .	Cooperation with Haitian Commercial Factoring on its financing to our suppliers	Haitian Commercial Factoring	14A.35, 14A.49, 14A.71, 14A.76(2) and 14A.105	Announcement	For the year ended December 31, 2023: 328.6 For the nine months ended September 30, 2024: 267.4	2025: 1,000 2026: 1,000 2027: 1,000

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Provision of goods to Guangdong Haitian Group

We expect to continue to provide certain goods, including raw materials, as well as condiments gift boxes to Guangdong Haitian Group for the purpose of employee benefits. The consideration for the provision of goods has been arrived at after arm’s length negotiations between our Group and Guangdong Haitian Group, with reference to, among others, the market price of the goods.

CONNECTED TRANSACTIONS

The provision of goods to Guangdong Haitian Group has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and all applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%. Therefore, the provision of goods to Guangdong Haitian Group will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

2. Lease of premises by Guangdong Haitian Group from our Group

Our Group has entered into lease agreements with Guangdong Haitian Group, pursuant to which our Group agreed to lease to the Guangdong Haitian Group certain premises in various places in PRC, including Foshan, for production and office purposes. The rent was determined by the parties at arm's length negotiations with reference to prevailing market rent of comparable properties.

Such lease agreements were entered into and has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and all applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%. Therefore, the lease of premises by Guangdong Haitian Group from our Group will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

3. Cooperation with Jiaxing Haitian Small Loan on its provision of loans to our distributors

The Group has entered into a cooperation agreement with Jiaxing Haitian Small Loan, pursuant to which we will, with the consent from our distributors, provide relevant information of our distributors to Jiaxing Haitian Small Loan for its reference, and Jiaxing Haitian Small Loan will provide the distributors with loans and financing at their request using its own funds (the "Loan Services"). Jiaxing Haitian Small Loan has sole discretion on the loan amount and interest rate for the Loan Services and our Group is not involved in the decision-making process of the loans and financing provided by Jiaxing Haitian Small Loan to our distributors, nor the terms of the Loan Services provided by Jiaxing Haitian Small Loan to our distributors. The above loan and financing arrangements do not affect the purchase and sales transactions between us and the distributors, including but not limited to sales prices, sales conditions and sales procedures. Such distributors would not receive any preferential treatment with respect to its business cooperation with us from the above financing arrangements with Jiaxing Haitian Small Loan. In addition, as distributors are typically required to make prepayments to us before we deliver our products, the distributors generally designate Jiaxing Haitian Small Loan to make prepayments directly to us with the loans received by the distributors as its prepayments for our goods.

Jiaxing Haitian Small Loan is principally engaged in small amount loan services. The Group's cooperation with Jiaxing Haitian Small Loan on its provision of loans to our distributors can broaden financing channels for our distributors and relieve their liquidity pressure, which is beneficial to the business development of the Group and our cooperation with distributors.

CONNECTED TRANSACTIONS

As the above cooperation with Jiaxing Haitian Small Loan has been conducted in the ordinary and usual course of business and on normal commercial terms, and our Group did not charge any fees on the provision of distributors' information to Jiaxing Haitian Small Loan, and therefore, the cooperation with Jiaxing Haitian Small Loan will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

4. Procurement of Energy from Guangdong Haitian Group

We expect to continue to procure energy from Guangdong Haitian Group, primarily including steam used for production by our Guangxi Nanning Production Base. The consideration for procurement of energy from Guangdong Haitian Group have been determined based on arm's length negotiation between our Group and Guangdong Haitian Group with reference to, among others, the scale of energy required for our production base and the market prices for the energy provided.

The procurement of fuel and energy from Guangdong Haitian Group has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and all applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%. Therefore, the procurement of fuel and energy from Guangdong Haitian Group will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

5. Procurement of Services from Guangdong Haitian Group

We expect to continue to procure services from Guangdong Haitian Group, which mainly include warehousing services for our products and packaging materials, as well as property management and R&D service provided by Guangdong Haitian Group. The consideration for procurement of services by Guangdong Haitian Group has been determined based on arm's length negotiation between our Group and Guangdong Haitian Group with reference to, among others, the type and scale of services required and the prevailing market conditions.

The procurement of services from Guangdong Haitian Group has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and all applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%. Therefore, the procurement of services from Guangdong Haitian Group will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

CONNECTED TRANSACTIONS

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

6. Provision of Supporting Services to Guangdong Haitian Group

On [●], our Group entered into a framework agreement with Guangdong Haitian Group (“**Provision of Supporting Services Framework Agreement**”), pursuant to which, our Group would provide to Guangdong Haitian Group supporting services which include logistics, engineering and property management services (the “**Supporting Services**”) as their production and operation may require from time to time.

The initial term of the Provision of Supporting Services Framework Agreement will commence on the [REDACTED] and will end on December 31, 2027, subject to renewal upon the mutual agreement of both parties thereto. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions for the provision of Supporting Services according to the principles provided in the Provision of Supporting Services Framework Agreement.

Reasons for the transaction

Our Group has operating locations in Foshan, Guangdong province and other parts of China, which are proximate to where Guangdong Haitian Group operates, and our Group has the experience and resources for provision of the Supporting Services in such areas.

Consideration and pricing policies

The fee relating to provision of Supporting Services to Guangdong Haitian Group pursuant to the Provision of Supporting Services Framework Agreement shall be determined based on arm’s length negotiation between our Group and Guangdong Haitian Group with reference to historical transaction price, taking into account various factors including but not limited to the nature of services and the prices for the provision of services of similar nature and type in the market and costs associated thereunder. The terms are to be no less favorable to our Group compared to those transactions between our Group and Independent Third Parties.

Historical amounts

For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the historical transaction amounts with respect to the provision of Supporting Services to Guangdong Haitian Group were RMB22.6 million, RMB28.2 million and RMB22.0 million, respectively.

CONNECTED TRANSACTIONS

Annual caps

The following table sets forth the proposed annual caps for the transaction amounts to be paid by Guangdong Haitian Group to us under the Provision of Supporting Services Framework Agreement:

	Year ending December 31,		
	2025	2026	2027
	<i>(RMB in millions)</i>		
Total fees paid to us by Guangdong Haitian Group	32	34	38

The proposed annual caps are determined based on:

- (i) the historical amounts of the transactions between our Group and Guangdong Haitian Group during the Track Record Period in respect of our provision of Supporting Services; and
- (ii) our projected costs and expenses relating to labor for provision of Supporting Services.

Listing Rules implications

As the highest applicable percentage ratio of the transactions contemplated under the Provision of Supporting Services Framework Agreement for the three years ending December 31, 2027 calculated for the purpose of Chapter 14A of the Listing Rules will exceed 0.1% but be less than 5%, on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

7. Procurement of Raw Materials from Guangdong Haitian Group

On [●], our Group entered into a framework agreement with Guangdong Haitian Group (“**Raw Material Procurement Framework Agreement**”), pursuant to which, Guangdong Haitian Group would supply to our Group raw materials including but not limited to oyster extracts, starch and other food raw materials (collectively, the “**Raw Materials**”) as we may require for the production of our seasoning products from time to time.

CONNECTED TRANSACTIONS

The initial term of the Raw Material Procurement Framework Agreement will commence on the [REDACTED] and will end on December 31, 2027, subject to renewal upon the mutual agreement of both parties thereto. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions for the procurement of Raw Materials according to the principles provided in the Raw Material Procurement Framework Agreement.

Reasons for the transaction

Guangdong Haitian Group manufactures and sells the Raw Materials which we may require for the production of our seasoning products. We procured Raw Materials from Guangdong Haitian Group mainly due to the competitiveness of the prices and quality of the Raw Materials produced by Guangdong Haitian Group.

Our Group has a long-term and stable business cooperation with Guangdong Haitian Group, and Guangdong Haitian Group is familiar with our business needs, quality standards and operational requirements. Our Directors believe that maintaining a stable and quality business relationship with Guangdong Haitian Group will facilitate our business growth.

Consideration and pricing policies

The pricing relating to procurement of the Raw Materials from Guangdong Haitian Group pursuant to the Raw Material Procurement Framework Agreement shall be determined based on arm's length negotiation between our Group and Guangdong Haitian Group with reference to historical and market transaction price, taking into account various factors including but not limited to the type of products, transaction volume and the prices for the procurement of products of similar nature, type and quantity by our Group from Independent Third Parties in the market. The terms are to be no less favorable to our Group compared to those transactions between our Group and Independent Third Parties.

Historical amounts

For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the historical transaction amounts with respect to the procurement of the Raw Materials from Guangdong Haitian Group were RMB385.5 million, RMB530.9 million and RMB383.2 million, respectively.

CONNECTED TRANSACTIONS

Annual caps

The following table sets forth the proposed annual caps for the transaction amounts to be paid by us to Guangdong Haitian Group under the Raw Materials Procurement Framework Agreement:

	Year ending December 31,		
	2025	2026	2027
	<i>(RMB in millions)</i>		
Total fees paid by us to Guangdong Haitian Group	648	739	847

The proposed annual caps are determined based on:

- (i) the historical amounts of the transactions between our Group and Guangdong Haitian Group during the Track Record Period in respect of our procurement of the Raw Materials;
- (ii) the expected amount of procurement of the Raw Materials by our Group from Guangdong Haitian Group to meet the needs of our future business development; and
- (iii) other factors including but not limited to the expected unit prices of the Raw Materials and their potential fluctuations, taking into account the costs and expenses relating to labor and market trends.

Listing Rules implications

As the highest applicable percentage ratio of the transactions contemplated under the Raw Material Procurement Framework Agreement for the three years ending December 31, 2027 calculated for the purpose of Chapter 14A of the Listing Rules will exceed 0.1% but be less than 5%, on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

8. Procurement of Packaging Materials from Guangdong Haitian Group and its associates

On [●], our Group entered into a framework agreement with Guangdong Haitian Group (on behalf of itself and its associates)(“**Packaging Material Procurement Framework Agreement**”), pursuant to which, Guangdong Haitian Group and its associates would supply to our Group packaging materials, mainly including glass bottles (collectively, “**Packaging Materials**”) as we may require from time to time.

CONNECTED TRANSACTIONS

The initial term of the Packaging Material Procurement Framework Agreement will commence on the [REDACTED] and will end on December 31, 2027, subject to renewal upon the mutual agreement of both parties thereto. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions for the procurement of Packaging Materials according to the principles provided in the Packaging Material Procurement Framework Agreement.

Reasons for the transaction

Guangdong Haitian Group and its associates manufactures and sells glass bottles and other packaging materials which we may require for the production of our seasoning products. We procured Packaging Materials from Guangdong Haitian Group and its associates mainly due to the competitiveness of the prices and quality of the Packaging Materials produced by Guangdong Haitian Group and its associates.

Our Group has a long-term and stable business cooperation with Guangdong Haitian Group and its associates, and Guangdong Haitian Group and its associates are familiar with our business needs, quality standards and operational requirements. Our Directors believe that maintaining a stable and quality business relationship with Guangdong Haitian Group and its associates will facilitate our business growth.

Consideration and pricing policies

The fee relating to procurement of the Packaging Materials from Guangdong Haitian Group and its associates pursuant to the Packaging Material Procurement Framework Agreement shall be determined based on arm's length negotiation between our Group and Guangdong Haitian Group and its associates with reference to historical transaction price, taking into account various factors including but not limited to the type of products, transaction volume and the prices for the procurement of products of similar nature, type and quantity by our Group from other Independent Third Parties in the market. The terms are to be no less favorable to our Group compared to those transactions between our Group and Independent Third Parties.

Historical amounts

For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the historical transaction amounts with respect to the procurement of the Packaging Materials from Guangdong Haitian Group and its associates were RMB740.8 million, RMB589.9 million and RMB437.4 million, respectively.

CONNECTED TRANSACTIONS

Annual caps

The following table sets forth the proposed annual caps for the transaction amounts to be paid by us to Guangdong Haitian Group and its associates under the Packaging Materials Procurement Framework Agreement:

	Year ending December 31,		
	2025	2026	2027
	<i>(RMB in millions)</i>		
Total fees paid by us to Guangdong Haitian Group and its associates	668	742	825

The proposed annual caps are determined based on:

- (i) the historical amounts of the transactions between our Group and Guangdong Haitian Group and its associates during the Track Record Period in respect of our procurement of the Packaging Materials;
- (ii) the expected amount of procurement of the Packaging Materials by our Group from Guangdong Haitian Group and its associates to meet the needs of our future business development; and
- (iii) other factors including but not limited to the expected unit prices of the Packaging Materials, taking into account the costs and expenses relating to labor and market trends.

Listing Rules implications

As the highest applicable percentage ratio of the transactions contemplated under the Packaging Material Procurement Framework Agreement for the three years ending December 31, 2027 calculated for the purpose of Chapter 14A of the Listing Rules will exceed 0.1% but be less than 5%, on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

9. Procurement of Assets from Guangdong Haitian Group

On [●], our Group entered into a framework agreement with Guangdong Haitian Group (“**Assets Procurement Framework Agreement**”), pursuant to which, Guangdong Haitian Group would supply to our Group certain assets which are primarily brewing equipment and packaging equipment as we may require from time to time.

CONNECTED TRANSACTIONS

The initial term of the Assets Procurement Framework Agreement will commence on the [REDACTED] and will end on December 31, 2027, subject to renewal upon the mutual agreement of both parties thereto. Both parties or their respective subsidiaries will enter into separate underlying agreements which will set out the specific terms and conditions for the procurement of assets according to the principles provided in the Assets Procurement Framework Agreement.

Reasons for the transaction

Guangdong Haitian Group manufactures and sells brewing equipment and packaging equipment. We procured brewing and packaging equipment from Guangdong Haitian Group to manufacture our products, taking into consideration that Guangdong Haitian Group is familiar with our business needs, quality standards and operational requirements.

Consideration and pricing policies

The fee relating to procurement of assets from Guangdong Haitian Group pursuant to the Assets Procurement Framework Agreement shall be determined based on arm’s length negotiation between our Group and Guangdong Haitian Group with reference to historical transaction price, taking into account various factors including but not limited to the type and specification of products, transaction volume and the cost of production of equipments of similar nature.

Historical amounts

For the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the historical transaction amounts with respect to the procurement of assets from Guangdong Haitian Group were RMB122.5 million, RMB139.6 million and RMB106.5 million, respectively.

Annual caps

The following table sets forth the proposed annual caps for the transaction amounts to be paid by us to Guangdong Haitian Group under the Assets Procurement Framework Agreement:

	Year ending December 31,		
	2025	2026	2027
	<i>(RMB in millions)</i>		
Total fees paid by us to Guangdong Haitian Group	150	150	200

CONNECTED TRANSACTIONS

The proposed annual caps are determined based on:

- (i) the historical amounts of transactions between our Group and Guangdong Haitian Group during the Track Record Period in respect of procurement of assets;
- (ii) the expected increasing procurement of brewing equipment and packaging equipment from Guangdong Haitian Group to meet our future needs of business development; and
- (iii) other factors including but not limited to the expected unit prices of the brewing equipment and packaging equipment, taking into account the costs and expenses and market trends.

Listing Rules implications

As the highest applicable percentage ratio of the transactions contemplated under the Assets Procurement Framework Agreement for the three years ending December 31, 2027 calculated for the purpose of Chapter 14A of the Listing Rules will exceed 0.1% but be less than 5%, on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

10. Cooperation with Haitian Commercial Factoring on its financing to our suppliers

On May 18, 2023, our Group entered into a cooperation framework agreement with Haitian Commercial Factoring with a term of two years, which will be renewed after arm's length negotiation on May 18, 2025 upon expiration ("**Haitian Commercial Factoring Cooperation Framework Agreement**"), pursuant to which, we cooperate with Haitian Commercial Factoring on its financing to our suppliers. Based on accounts receivable from us under suppliers' contracts, our suppliers could make an application on the financing platform operated by Haitian Commercial Factoring, and we would issue an electronic certificate to such supplier with an amount of our payables to such supplier. Upon the issuance of such electronic certificate, we are only obligated to make payments to Haitian Commercial Factoring based on the actual amount under such electronic certificate. Such supplier could choose to receive payments from Haitian Commercial Factoring based on credit terms between the supplier and our Group, or transfer such electronic certificate to Haitian Commercial Factoring for financing before the expiry of the credit terms. Haitian Commercial Factoring has sole discretion over the interest rate for financing granted to these suppliers and would provide loans to such suppliers with the amount under the electronic certificate after deduction of interests for providing the financing. Such suppliers would not receive any preferential treatment with respect to its business cooperation with Haitian Commercial Factoring by virtue of the above arrangements.

The term of the Haitian Commercial Factoring Cooperation Framework Agreement, upon renewal by our Group and Haitian Commercial Factoring, is expected to be from [REDACTED] to December 31, 2027.

CONNECTED TRANSACTIONS

Reasons for the transaction

Haitian Commercial Factoring is principally engaged in factoring business. The above-mentioned cooperation with Haitian Commercial Factoring on its provision of financing to our suppliers broadens financing channels for our suppliers and relieves their liquidity pressure, which in turn is beneficial to our supply chain development.

Consideration and pricing policies

Our Group shall pay Haitian Commercial Factoring the amount under the electronic certificate issued to our suppliers.

Historical amounts

For the year ended December 31, 2023 and the nine months ended September 30, 2024, the maximum daily amount payable to Haitian Commercial Factoring under the Haitian Commercial Factoring Cooperation Framework Agreement (the “**Maximum Daily Amount Payable to Haitian Commercial Factoring**”) were RMB328.6 million and RMB267.4 million, respectively.

Annual caps

The following table sets forth the proposed annual caps for the transaction amounts of the Maximum Daily Amount Payable to Haitian Commercial Factoring under the Haitian Commercial Factoring Cooperation Agreement:

	Year ending December 31,		
	2025	2026	2027
	<i>(RMB in millions)</i>		
Maximum Daily Amount Payable to Haitian Commercial Factoring	1,000	1,000	1,000

Pursuant to the Notice on Strengthening the Supervision and Administration of Commercial Factoring Enterprise issued by the China Banking and Insurance Regulatory Commission, the maximum leverage for a commercial factoring enterprise shall not exceed 10 times of its net assets. The proposed annual caps are determined with reference to the net asset of Haitian Commercial Factoring as of September 30, 2024 and the leverage of Haitian Commercial Factoring under such requirements, as well as the expected maximum balance under the electronic certificates to be issued by us.

CONNECTED TRANSACTIONS

Listing Rules implications

As the highest applicable percentage ratio of the transactions contemplated under the Haitian Commercial Factoring Cooperation Framework Agreement for the three years ending December 31, 2027 calculated for the purpose of Chapter 14A of the Listing Rules will exceed 0.1% but be less than 5% on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, and the announcement requirement under Rule 14A.35 of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favorable to us than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the audit committee under the Board is responsible for the review on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Board and various internal departments of our Company are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- the Audit Committee under the Board, the Board and various internal departments of our Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of our Company also regularly reviews the pricing policies of the framework agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation in accordance with Rules 14A.55 and 14A.56 of the Listing Rules; and
- when considering the service fees and other fees provided by us to the above connected persons, our Company will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between our Company and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties. For the specific internal control procedures for each of the continuing connected transaction under their framework agreements, please refer to the relevant disclosure for the respective continuing connected transaction in this section.

CONNECTED TRANSACTIONS

CONFIRMATION BY DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that the continuing connected transactions set out above have been and will continue to be carried out in our ordinary and usual course of business of our Company and on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions (where applicable) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the aforesaid partially exempt continuing connected transactions, (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group. Based on the above, the Joint Sponsors are of the view that the aforesaid partially-exempt continuing connected transactions, for which a waiver has been sought, have been entered into in the ordinary and usual course of our business on normal commercial terms or better terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of such partially-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

In respect of the continuing connected transactions as described above under the Provision of Supporting Services Framework Agreement, the Raw Material Procurement Framework Agreement, the Packaging Material Procurement Framework Agreement, the Assets Procurement Framework Agreement and the Haitian Commercial Factoring Cooperation Framework Agreement, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2027 will be more than 0.1% but less than 5% on an annual basis. Accordingly, the continuing connected transactions under these framework agreements are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

CONNECTED TRANSACTIONS

As the above continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirement will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the aforesaid partially-exempt continuing connected transactions, provided that the total amount of transactions for each of the three years ending December 31, 2027 will not exceed the relevant proposed annual caps as set out in this section. The independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation in accordance with Rules 14A.55 and 14A.56 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (and assuming the [REDACTED] is not exercised), the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company:

Name of Shareholder	Nature of interest	Class and number of Shares directly and indirectly held	Approximate percentage of interest in the total issued share capital of our Company as of the Latest Practicable Date	Assuming that the [REDACTED] are not exercised		Assuming that the [REDACTED] are fully exercised	
				Approximate % of shareholding in our A Shares immediately after the [REDACTED]	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED]	Approximate % of shareholding in our A Shares immediately after the [REDACTED]	Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED]
Guangdong Haitian ⁽¹⁾⁽²⁾ . . .	Beneficial owner	3,239,509,183 A Shares	58.26%	58.26%	[REDACTED]%	58.26%	[REDACTED]%
	Interest held by controlled corporation	6,492,001 A Shares	0.12%	0.12%	[REDACTED]%	0.12%	[REDACTED]%
Mr. Pang ⁽¹⁾ . . .	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	58.38%	[REDACTED]%	58.38%	[REDACTED]%
	Beneficial owner	532,115,177 A shares	9.57%	9.57%	[REDACTED]%	9.57%	[REDACTED]%
Ms. Cheng ⁽¹⁾ . . .	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	58.38%	[REDACTED]%	58.38%	[REDACTED]%
	Beneficial owner	176,365,478 A Shares	3.17%	3.17%	[REDACTED]%	3.17%	[REDACTED]%
Mr. Guan ⁽¹⁾⁽³⁾ . . .	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	58.38%	[REDACTED]%	58.38%	[REDACTED]%
	Beneficial owner	15,409,690 A Shares	0.28%	0.28%	[REDACTED]%	0.28%	[REDACTED]%
	Interest of spouse	18,312,589 A Shares	0.33%	0.33%	[REDACTED]%	0.33%	[REDACTED]%
Mr. Chen ⁽¹⁾ . . .	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	58.38%	[REDACTED]%	58.38%	[REDACTED]%
	Beneficial owner	11,762,384 A Shares	0.21%	0.21%	[REDACTED]%	0.21%	[REDACTED]%
Mr. Wen ⁽¹⁾ . . .	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	58.38%	[REDACTED]%	58.38%	[REDACTED]%
	Beneficial owner	8,885,967 A Shares	0.16%	0.16%	[REDACTED]%	0.16%	[REDACTED]%
Mr. Liao ⁽¹⁾ . . .	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	58.38%	[REDACTED]%	58.38%	[REDACTED]%
	Beneficial owner	1,538,323 A Shares	0.03%	0.03%	[REDACTED]%	0.03%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) As of the Latest Practicable Date, pursuant to a concert party agreement dated December 27, 2023, Guangdong Haitian was controlled by the Concert Party Group as to 73.59% interest in total (with Mr. Pang, Ms. Cheng, Mr. Guan, Mr. Chen, Mr. Wen and Mr. Liao having approximately 50.63%, 16.78%, 3.27% (including 1.79% equity interest held by Mr. Guan’s spouse), 1.17%, 1.11% and 0.62% interests in Guangdong Haitian, respectively). See “— Relationship with our Controlling Shareholders”.
- (2) As of the Latest Practicable Date, Foshan Haipeng, which held 0.12% A Shares in our Company, was a wholly-owned subsidiary of Guangdong Haitian. As such, Guangdong Haitian will be deemed to be interested in the A Shares held by Foshan Haipeng.
- (3) As of the Latest Practicable Date, the spouse of Mr. Guan held 18,312,589 A Shares and Mr. Guan was deemed to be interested in the A Shares held by his spouse.

Save as disclosed above and in section headed “Appendix VI — Statutory and General Information — C. Further Information about our Directors, Supervisors and Senior Management”, our Directors are not aware of any other person who will, immediately following the completion of 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 the Company 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.

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued capital of our Company was 5,560,600,544 A Shares of nominal value of RMB1.00 each, which are all listed on the main board of the Shanghai Stock Exchange.

UPON COMPLETION OF THE [REDACTED]

Immediately following the [REDACTED], assuming the [REDACTED] is not exercised, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage to total share capital</u> (%)
A Shares in issue	5,560,600,544	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>[100]%</u>

Immediately following the [REDACTED], assuming the [REDACTED] is exercised in full, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage to total share capital</u> (%)
A Shares in issue	5,560,600,544	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>[100]%</u>

SHARE CAPITAL

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

OUR SHARES

Our H Shares in issue upon completion of the [REDACTED], and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by mainland Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. Our H Shares can be subscribed for or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by mainland Chinese investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for listing and trading on the Hong Kong Stock Exchange.

SHARE CAPITAL

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to issue H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the shareholders’ general meeting of our Company held on December 30, 2024 and is subject to the following conditions:

- (i) *Size of the offer.* The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED]% of the total issued share capital enlarged by the H Shares to be issued pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be issued pursuant to the full exercise of the [REDACTED] shall not exceed [REDACTED]% of the total number of H Shares to be [REDACTED] initially under the [REDACTED].
- (ii) *Method of [REDACTED].* The method of [REDACTED] shall be by way of [REDACTED] and international placement of new shares.
- (iii) *Target investors.* Institutional investors, enterprises and natural persons outside China, as well as qualified domestic institutional investors and other investors in compliance with regulatory requirements.
- (iv) *[REDACTED] basis.* Fully considering the interests of the Company’s existing shareholders, the acceptability of investors, the domestic and overseas capital markets and the issuance risks, and adopting a market-based pricing method according to international practices, market subscriptions, roadshows and bookkeeping results.
- (v) *Validity period.* The [REDACTED] of H Shares and [REDACTED] of H Shares on the Hong Kong Stock Exchange shall be completed within 24 months from the date of passing the resolution at the shareholders’ meeting held on December 30, 2024.

There are no other approved [REDACTED] plans for our Shares except the [REDACTED].

SHAREHOLDERS’ GENERAL MEETINGS

For details regarding convening of shareholders’ general meeting, see “Appendix V — Summary of Articles of Association — Shareholders and Shareholders’ General Meetings” to this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our historical financial information, included in the Accountants’ Report in Appendix I, together with the respective accompanying notes. Our historical financial information has been prepared in accordance with the IFRS.

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, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed “Risk Factors” and “Business,” and elsewhere in this document. For further details, see “Forward-Looking Statements.”

OVERVIEW

We are China’s leading condiments company with centuries of heritage, driven by innovation, and we embrace a global vision. We are dedicated to providing quality, tasty and healthy condiment products serving the seasoning needs of global customers’ home cooking and dining experiences. Our key products include soy sauce, oyster sauce, flavored sauce, specialty condiment products and others. Our revenue decreased by 4.1% from RMB25,609.7 million in 2022 to RMB24,559.3 million in 2023. Our revenue subsequently increased by 9.4% from RMB18,650.2 million in the nine months ended September 30, 2023 to RMB20,399.3 million in the nine months ended September 30, 2024. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we recorded net profits of RMB6,203.2 million, RMB5,642.2 million, RMB4,338.9 million and RMB4,828.9 million, respectively. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our net profit margin was 24.2%, 23.0%, 23.3% and 23.7%, respectively.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable IFRS. Further details of the material accounting policy information adopted are set out in Note 2 to the Accountants’ Report included in Appendix I to this document.

The IASB has issued a number of new and revised IFRS. For the purpose of preparing the historical financial information, our Group has adopted all applicable new and revised IFRS effective for the accounting period beginning January 1, 2024, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1,

FINANCIAL INFORMATION

2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2024 are set out in Note 36 to the Accountants' Report included in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects:

Market Demand for Our Products

As a leader in China's condiments industry, our product portfolio is comprehensive, and main product categories include soy sauce, oyster sauce, flavored sauce products, and specialty condiment products and others. Our results of operations have been and will continue to be largely dependent on our ability to grasp and meet changing market demand.

According to Frost & Sullivan, China is the second-largest country in the global condiments industry. The market size of China's condiments industry was RMB479.3 billion in 2023 in terms of revenue. Driven by factors such as growth in per capita disposable income, rising urbanization rate, diversification of condiment categories and sales channels, the market size of China's condiments industry is expected to increase to RMB677.0 billion by 2028, with a CAGR of 7.2% from 2023 to 2028. According to Frost & Sullivan, as living standards improve, customer needs for healthy food, taste, and packaging are becoming increasingly refined. Our well-established product portfolio and industry-leading research and development capabilities enable us to continuously upgrade existing products, as well as launch new ones that cater to changing customer demands.

Since the COVID-19 pandemic, consumer behavior and the catering industry have experienced a series of changes. For example, in 2022, consumers had to reduce dining out, which affected the catering industry, leading to a slowdown in the overall inventory turnover of condiments and a residual impact on the overall sales of condiments in 2023. However, as condiment products are commonly used in consumers' daily meals, the demand for such products are stable and relatively resilient against economic fluctuations. In addition, the pandemic has also accelerated the diversification of distribution channels for condiments in China, and further enhanced customer demand for quality, tasty and healthy and diversified products.

FINANCIAL INFORMATION

In response to these trends, leveraging our strengths in brand and product, distribution channels, advanced core technologies, research and development, production capacity and economies of scale accumulated over the years, we proactively implemented a series of strategic adjustment measures in 2023. These measures include optimizing our product portfolio, refining our sales strategies to better meet market demand, and adopting technologies to enhance production efficiency and operational efficiency. Whilst these strategic adjustment measures had certain short-term impacts on our product sales in 2023 as we witnessed a decrease in revenue compared to 2022, they gradually took effect and we recorded a revenue growth in the nine months ended September 30, 2024. We believe these measures will continue to benefit our long-term development. Our revenue from product sales increased from RMB17,354.7 million for the nine months ended September 30, 2023 to RMB18,965.6 million for the nine months ended September 30, 2024. See “— Description of Major Components of Our Results of Operations — Revenue.”

Our Sales and Distribution Network

We primarily sell our products to distributors. We have established an extensive and in-depth sales and distribution network in China that enables our products to reach customers nationwide. Our distributors in turn resell our products to their downstream channels, which mainly include supermarkets, grocery stores, wholesale markets and e-commerce channels, or directly sell to end customers. We generally require the distributors to make full upfront payment to us before we ship our products, and require the distributors to meet certain sales targets during the term of the distribution agreements. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our sales to distributors amounted to RMB23,384.1 million, RMB22,366.8 million, RMB17,003.2 million and RMB18,497.2 million, respectively, representing 98.3%, 98.0%, 98.0% and 97.5% of our total revenue from product sales in each period.

During the Track Record Period, we proactively managed, upgraded and empowered our network of distributors, expanding the coverage of our sales and increasing the sales volume. The pandemic has accelerated the diversification of distribution channels for condiments in China and generated new demands that are specific to certain channels. We manage the distribution network closely and effectively so as to be closer to distributors and points of sale and become more responsive to their demands. We have dedicated sales personnel to communicate with distributors, so as to enhance their distribution capabilities and establish a streamlined and responsive distributor management system. In addition, we have optimized our sales and distribution network to include distributors with specialization in emerging channels such as e-commerce and food processing enterprises, as well as to improve the overall quality of distributors. See “Business — Our Sales and Distribution Network — Distributorship.”

FINANCIAL INFORMATION

Our direct sales customers primarily include catering businesses, food processing enterprises, corporate welfare programs and individual customers via self-operated stores on e-commerce platforms. As different customer types may have diverse consumption needs, we have improved our operational efficiency in various respects. These efforts have significantly enhanced our responsiveness and service capabilities to our direct sales customers, enabling us to meet their diversified needs more rapidly. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, the revenue from direct sales amounted to RMB409.8 million, RMB448.3 million, RMB351.6 million, and RMB468.4 million, respectively, accounting for 1.7%, 2.0%, 2.0% and 2.5% of our total revenue from product sales in the same periods.

Our Product Portfolio

We have strategically curated our product portfolio by offering diversified products with excellent quality and affordability, catering to different consumption preferences in different sales channels and enhancing the penetration of our products across sales channels. Our highly competitive product portfolio allowed us to effectively address varied needs across household and commercial applications. As of September 30, 2024, our comprehensive product portfolio included multiple product lines with over 1,300 SKUs strategically covered across a number of main product categories including soy sauce, oyster sauce, flavored sauce products, specialty condiment products and others.

We have established leadership across multiple product categories demonstrated by our bestselling product series, including seven product series with annual sales revenue exceeding RMB1 billion and 25 products with annual sales revenue exceeding RMB100.0 million. Our diverse range of products is crafted to meet a variety of consumption needs from daily cooking scenarios to professional catering service and food processing business, ensuring our ability to capture varied market opportunities in different channels. Our diversified product portfolio allows distributors to enhance their market coverage, and increase their scale of operations and profitability, as well as promote long-term and stable business relationships with their downstream customers. See “Business — Our Brand and Products.”

In particular, soy sauce products remain a cornerstone of our product portfolio, and revenue from sales of soy sauce products accounted for the majority of our total revenue during the Track Record Period. In 2022 and 2023 and the nine months ended September 30, 2023 and 2024, the revenue from sales of soy sauce products amounted to RMB13,861.2 million, RMB12,637.4 million, RMB9,626.4 million and RMB10,338.5 million, respectively, representing 54.1%, 51.5%, 51.6% and 50.7% of our total revenue in the same periods. In addition, we actively expanded into other product categories, namely oyster sauce products, flavored sauce products and specialty condiment products and others, so as to diversify our product offerings to our customer base. In 2022 and 2023 and the nine months ended September 30, 2023 and 2024, revenue from sales of oyster sauce products, flavored sauce products and specialty condiment products and others, in aggregate, amounted to RMB9,932.7 million, RMB10,177.7 million, RMB7,728.3 million and RMB8,627.1 million, respectively, representing 38.8%, 41.4%, 41.5% and 42.3% of our total revenue in the same periods, demonstrating a steady growth in absolute amounts and as a percentage of our total revenue.

FINANCIAL INFORMATION

Based on insights on customer needs and diversified channels, we have upgraded existing products and consistently launched new products in terms of flavors, ingredients and packaging, leveraging our flexible production lines and agile R&D capabilities to adapt accordingly. We consistently upgrade and expand our product portfolio, so as to capture ever-changing market demand and to better align with diversified customer preferences. We have continued to upgrade our existing products, such as (i) launching better-for-you product lines, including the reduced-salt products, so as to satisfy customers' health-conscious demands, and (ii) upgrading some of our existing oyster sauce products with "easy-squeeze" bottle packaging. Further, in order to capture the market opportunities from an increased market trend of diversified channel, we introduced a variety of product sizes and categories that are better suited to each channel.

Our revenue will be impacted by our abilities to continuously develop and launch successful products. By leveraging our market-oriented innovation capabilities and marketing activities, our continuously upgraded and expanded product portfolio has propelled our sustained and robust business growth.

Our Ability to Effectively Improve Operating Efficiency by Investing in Technological Innovation and Digitalization Capabilities

As technology is the cornerstone of our success, our technological innovation and digitalization capabilities are critical to our business operations. Such capabilities enable us to improve operational efficiency, reduce costs, create high-quality, value-for-money products and gain insights into customer demand and the trend of diversified channels. Our enhanced intelligence and digitalization capabilities have significantly contributed to our operational efficiency across our supply chain, production, sales and marketing activities during the Track Record Period. By investing in advanced technologies to further enhance digitalization, we have improved production efficiency, our supply chain management, as well as inventory tracking and logistics efficiency. Such improvements enable us to effectively mitigate the impact of fluctuations in the market prices of raw materials and finished products.

In particular, our digital transformation initiatives have enabled us to gain better market insights and data analytics. We have established a designated team to lead the direction of R&D through multi-directional insights into market demand from distributors, end customers of our products. We have built data analytics platforms integrating information across all production processes. This platform leverages the data and information we have accumulated over the years and supports product R&D, operational management and decision-making through presenting our business process and big data analytics in a digital and transparent way, which improves the transparency of business operations and empowers us through the utilization of past experience. This has also empowered us to make more informed decisions regarding product development, marketing strategies and production planning. As a result, we have been able to diversify product portfolio and marketing strategies to remain competitive while maintaining healthy profit margins.

FINANCIAL INFORMATION

Our commitment to technology and digitalization not only enhances our operational efficiency but also strengthens our ability to adapt to the rapidly evolving market landscape. Our research and development costs amounted to RMB751.3 million, RMB715.4 million, RMB501.7 million and RMB602.7 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 2.9%, 2.9%, 2.7% and 3.0% of our revenue in the same periods. By continuing to invest in technological innovation and digitalization, we endeavor to further improve our operational efficiency and maintain sustainable growth in an increasingly competitive industry.

Our Ability to Manage Costs of Sales Efficiently

Our ability to manage cost of sales and strengthen our supply chain is critical to our operations. Our ability to manage these costs has benefited greatly from the improved efficiency and market insights brought about by our technology investments and digital capabilities, economies of scale, long-standing relationships with our suppliers, excellent supplier management system and extensive industry experience. See “— Our Ability To Effectively Improve Operating Efficiency by Investing in Technology Innovation and Digitalization Capabilities.”

Our cost of sales primarily consists of the cost of raw materials and packaging materials. Our raw materials for production mainly include soybeans, oyster extracts, sugar and salt. Our packaging materials mainly include corrugated fiberboard and glass. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, the cost of raw materials and packaging materials amounted to RMB12,554.8 million, RMB12,208.7 million, RMB9,194.9 million and RMB9,746.3 million, respectively, representing 49.0%, 49.7%, 49.3% and 47.8% of our revenue in the same periods. In particular, the prices of key raw materials, such as soybeans and sugar, are subject to volatility due to market supply and demand, climate, environmental conditions, commodity price fluctuations, currency fluctuations, changes in governmental policies and natural disasters.

We have taken various measures to mitigate the impact of price fluctuation of raw materials and packaging materials. For instance, we have enhanced our ability to manage raw material costs by upgrading our procurement and production processes, streamlining management structure, promoting potential operational efficiency, applying advanced technology and data-based management measures. Other measures to mitigate the impact of price fluctuations include maintaining diversified suppliers, adopting a centralized procurement system to leverage our scale of procurement and enhance our bargaining power over suppliers, and leveraging our established brand reputation and market position and advantages from economies of scale, to negotiate more favorable terms. We closely monitor the market prices of key raw materials, and manage the inventory levels to ensure that scheduled production meets anticipated market demand. We typically collaborate with multiple suppliers for each major raw material needed for production to avoid over-reliance on any single supplier. Since our inception, we have established stable, trustworthy relationships with reliable suppliers for each major raw material. We collaborate closely with our strategic suppliers to empower their operational efficiencies, which include measures to improve the quality of their supplies, logistics and warehousing arrangements. As we continue to scale up our business, we also seek to leverage our improved economies of scale to reduce operating costs and enhance operational efficiency, which will improve our profit margins.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICY INFORMATION

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating 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 results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between 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.

Set forth below are discussions of the 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 financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial position and results of operation and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this document.

Revenue Recognition

Income is classified by the Group as revenue when it arises from the sale of goods or 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 our Group's revenue and other income recognition policies are as follows:

Revenue From Contracts With Customers

We are the principal for our revenue transactions and recognize revenue on a gross basis. In determining whether we act as principal or as agents, we consider whether we obtain control of the products before they are transferred to the customers. Control refers to our Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax.

Sales of Flavoring Products

Revenue is recognized when the products are delivered to customers at the locations specified in the sales orders or sales contracts, or when the products are despatched if the customers designate our Group as the carrier. Revenue is recognized based on the price agreed in the contract net of the expected sales rebates and customer incentives paid to customers.

FINANCIAL INFORMATION

Revenue From Transportation Services

Revenue from transportation services is recognized over time.

Other Practical Expedients Applied

For sales contracts that had an original expected duration of one year or less, our Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

Revenue From Other Sources and Other Income

Rental Income From Operating Leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

Interest Income

Interest income is recognized using the effective interest method. The 'effective interest rate' is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Government Grants

Government grants are recognized in the consolidated statements of financial position when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them.

Grants that compensate our Group 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 our Group for the cost of an asset are recognized by setting up the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

Dividends

Dividend income is recognized in profit or loss on the date on which our Group's right to receive payment is established.

FINANCIAL INFORMATION

Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any 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).

Any gains or losses on disposal of an item of property, plant and equipment are recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss:

Land-use rights, other leased properties, machinery and equipment are depreciated over the unexpired term of lease	
Buildings	5 – 30 years
Machinery and equipment	2 – 15 years
Vehicles	3 – 10 years
Office equipment and others	2 – 10 years
Leasehold improvements	2 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest expense capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable 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.

FINANCIAL INFORMATION

Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

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 items recognized directly in equity or in other comprehensive income ("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 in each year/period during the Track Record Period. 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 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
- differences 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.

FINANCIAL INFORMATION

We recognize deferred tax assets and deferred tax liabilities separately in relation to lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses 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 individual subsidiaries in our Group. Deferred tax assets are reviewed in each year/period during the Track Record Period 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.

Deferred tax assets and liabilities are offset only if certain criteria are met.

KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	25,609,652	24,559,312	18,650,165	20,399,308
Cost of sales	(16,679,019)	(16,222,544)	(12,183,194)	(13,058,814)
Gross profit	8,930,633	8,336,768	6,466,971	7,340,494
Other revenue	894,358	748,533	437,082	501,635
Other net income	151,254	225,143	183,322	171,277
Selling and marketing expenses	(1,378,054)	(1,305,747)	(1,016,114)	(1,198,151)
Administrative expenses	(449,008)	(534,411)	(373,673)	(417,599)
Research and development costs	(751,339)	(715,418)	(501,708)	(602,739)
(Provision for)/reversal of expected credit losses on trade and other receivables.	(2,592)	(203)	2,029	(1,584)
Provision for impairment losses	(16,551)	(3,739)	–	(97,555)
Profit from operations	7,378,701	6,750,926	5,197,909	5,695,778
Finance costs	(14,496)	(11,888)	(9,913)	(20,866)
Profit before taxation	7,364,205	6,739,038	5,187,996	5,674,912
Income tax	(1,161,039)	(1,096,851)	(849,116)	(846,038)
Profit for the year/period . .	6,203,166	5,642,187	4,338,880	4,828,874

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we mainly derived revenue from sales of products in China.

Revenue by Product Category

During the Track Record Period, revenue from product sales accounted for a majority of our total revenue. In particular, we derived 92.9%, 92.9%, 93.1% and 93.0% of our total revenue from product sales in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

The following table sets forth a breakdown of our revenue by product category, in absolute amounts and as percentages of our total revenue, for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Product sales								
Soy sauce								
products	13,861,182	54.1	12,637,386	51.5	9,626,407	51.6	10,338,455	50.7
Oyster sauce								
products	4,416,535	17.2	4,251,221	17.3	3,221,510	17.3	3,427,140	16.8
Flavored sauce								
products	2,584,009	10.1	2,427,007	9.9	1,866,380	10.0	2,034,489	10.0
Specialty								
condiment								
products and								
others	2,932,177	11.5	3,499,473	14.2	2,640,451	14.2	3,165,501	15.5
Subtotal	23,793,902	92.9	22,815,087	92.9	17,354,748	93.1	18,965,585	93.0
Others⁽¹⁾	1,815,749	7.1	1,744,225	7.1	1,295,417	6.9	1,433,723	7.0
Total	25,609,652	100.0	24,559,312	100.0	18,650,165	100.0	20,399,308	100.0

Note:

- (1) Others primarily consist of (i) sales of raw materials, packaging materials, by-products and others, (ii) logistics and transportation services and (iii) rental income.

For details in relation to the changes in our revenue by product category during the Track Record Period, see “— Period-to-Period Comparison of Results of Operations.”

FINANCIAL INFORMATION

The following table sets forth a breakdown of our sales volume and average selling price of our key products by product category for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	<i>(tonnes)</i>	<i>(RMB/ton)</i>	<i>(tonnes)</i>	<i>(RMB/ton)</i>	<i>(tonnes)</i>	<i>(RMB/ton)</i>	<i>(tonnes)</i>	<i>(RMB/ton)</i>
Soy sauce products	2,502,658	5,539	2,298,231	5,499	1,729,891	5,565	1,916,100	5,396
Oyster sauce products	877,936	5,031	861,076	4,937	651,566	4,944	688,096	4,981
Flavored sauce products	284,712	9,076	283,546	8,559	213,179	8,755	242,376	8,394
Specialty condiment products and others	510,056	5,749	616,036	5,681	468,964	5,630	536,654	5,899
Total/over	<u>4,175,362</u>	<u>5,699</u>	<u>4,058,889</u>	<u>5,621</u>	<u>3,063,599</u>	<u>5,665</u>	<u>3,383,226</u>	<u>5,606</u>

Revenue of Product Sales by Customer Type

The following table sets forth a breakdown of revenue from product sales by customer type in absolute amounts and as a percentage of our total revenue from product sales for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Sales to distributors	23,384,100	98.3	22,366,817	98.0	17,003,178	98.0	18,497,227	97.5
Direct sales	409,802	1.7	448,270	2.0	351,570	2.0	468,359	2.5
Total	<u>23,793,902</u>	<u>100.0</u>	<u>22,815,087</u>	<u>100.0</u>	<u>17,354,748</u>	<u>100.0</u>	<u>18,965,585</u>	<u>100.0</u>

During the Track Record Period, the majority of our revenue was primarily derived from our product sales to distributors. Revenue from sales to distributors amounted to RMB23,384.1 million, RMB22,366.8 million, RMB17,003.2 million and RMB18,497.2 million, in 2022, 2023, and the nine months ended September 30, 2023 and 2024, respectively, accounting for 98.3%, 98.0%, 98.0% and 97.5% of our revenue from the product sales of the same period. We also proactively developed our direct sales to catering businesses, food processing enterprises, corporate welfare programs and individual customers via self-operated stores on e-commerce platforms. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, revenue from direct sales amounted to RMB409.8 million, RMB448.3 million, RMB351.6 million, and RMB468.4 million, respectively, accounting for 1.7%, 2.0%, 2.0% and 2.5% of our total revenue from product sales in the same periods.

FINANCIAL INFORMATION

Revenue of Product Sales by Geographical Region

The following table sets forth a breakdown of revenue from product sales by geographical region in absolute amounts and as a percentage of our total revenue from product sales for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Northern Region . . .	6,223,006	26.2	5,925,391	26.0	4,509,598	26.0	4,815,772	25.4
Central Region	5,270,030	22.1	5,049,409	22.1	3,887,493	22.4	4,204,794	22.2
Eastern Region	4,694,852	19.7	4,354,221	19.1	3,311,279	19.1	3,693,083	19.5
Southern Region . . .	4,599,431	19.3	4,499,796	19.7	3,331,322	19.2	3,809,859	20.1
Western Region	3,006,583	12.6	2,986,269	13.1	2,315,057	13.3	2,442,077	12.9
Total	23,793,902	100.0	22,815,087	100.0	17,354,748	100.0	18,965,585	100.0

Cost of Sales

Our cost of sales primarily consisted of costs of raw materials and packaging materials. The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of our total cost of sales, for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Raw materials	8,206,541	49.2	8,486,385	52.3	6,377,562	52.3	6,713,459	51.4
Packaging materials	4,348,304	26.1	3,722,280	22.9	2,817,319	23.1	3,032,867	23.2
Transportation expenses	757,336	4.5	690,289	4.3	514,324	4.2	534,257	4.1
Depreciation	669,429	4.0	708,352	4.4	530,441	4.4	538,559	4.1
Manufacturing expenses	564,590	3.4	550,968	3.4	404,809	3.3	464,668	3.6
Employee benefits expenses	416,943	2.5	408,954	2.5	300,473	2.5	360,147	2.8
Others ⁽¹⁾	1,715,876	10.3	1,655,316	10.2	1,238,266	10.2	1,414,857	10.8
Total	16,679,019	100.0	16,222,544	100.0	12,183,194	100.0	13,058,814	100.0

Note:

(1) Others primarily consist of certain costs related to by-products and service fees.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB8,930.6 million, RMB8,336.8 million, RMB6,467.0 million and RMB7,340.5 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. Our gross profit margin was 34.9%, 33.9%, 34.7% and 36.0% in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

Gross Profit and Gross Profit Margin of Product Sales by Product Category

The following table sets forth a breakdown of our gross profit and gross profit margin of our products by product category for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Gross profit margin (%)	Gross profit margin (%)	Gross profit margin (%)	Gross profit margin (%)	Gross profit margin (%)	Gross profit margin (%)	Gross profit margin (%)	
Gross profit	(%)	Gross profit	(%)	Gross profit	(%)	Gross profit	(%)	
<i>(RMB in thousands, except for percentages)</i>								
				<i>(Unaudited)</i>		<i>(Unaudited)</i>		
Soy sauce products . . .	5,584,058	40.3	5,387,720	42.6	4,180,462	43.4	4,610,168	44.6
Oyster sauce products . . .	1,486,261	33.7	1,232,950	29.0	952,929	29.6	1,156,743	33.8
Flavored sauce products . . .	963,396	37.3	861,438	35.5	682,319	36.6	762,850	37.5
Specialty condiment products and others	797,045	27.2	765,753	21.9	594,110	22.5	791,867	25.0
Total/overall . .	<u>8,830,759</u>	<u>37.1</u>	<u>8,247,861</u>	<u>36.2</u>	<u>6,409,820</u>	<u>36.9</u>	<u>7,321,628</u>	<u>38.6</u>

The gross profit margin of our products is largely affected by (i) fluctuations in market prices of key raw materials, and (ii) the product mix. As product categories have varying gross profit margins, changes in sales contribution from product categories with different gross profit margins may offset the effects and contribute to the overall changes of gross profit margin. In 2022 and 2023 and the nine months ended September 30, 2023 and 2024, the overall gross profit margin for our products was 37.1%, 36.2%, 36.9% and 38.6%, respectively. See “—Period-to-Period Comparison of Results of Operations” in relation to changes in revenue and gross profit margin of our products by product category.

FINANCIAL INFORMATION

For details in relation to the changes in our gross profit and gross margin during the Track Record Period, see “— Period-to-Period Comparison of Results of Operations.”

Other Revenue

Our other revenue primarily consisted of (i) interest income and (ii) government grants. During the Track Record Period, government grants mainly included subsidies in relation to our contributions to the local economy. Our other revenue amounted to RMB894.4 million, RMB748.5 million, RMB437.1 million and RMB501.6 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

The following table sets forth a breakdown of our other revenue for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Interest income . . .	750,174	83.9	604,372	80.8	393,188	90.0	358,768	71.5
Government grants.	143,894	16.1	73,704	9.8	43,626	10.0	70,511	14.1
Additional deduction for								
VAT	—	—	70,457	9.4	268	0.0	72,356	14.4
Others	290	0.0	—	—	—	—	—	—
Total	<u>894,358</u>	<u>100.0</u>	<u>748,533</u>	<u>100.0</u>	<u>437,082</u>	<u>100.0</u>	<u>501,635</u>	<u>100.0</u>

Other Net Income

Our other net income primarily included (i) net fair value changes on other financial assets at FVPL, (ii) net gains/(losses) on disposal of property, plant and equipment and (iii) net foreign exchange gains/(losses).

FINANCIAL INFORMATION

The following table sets forth a breakdown of our other net income for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Net fair value								
changes on other								
financial assets								
at FVPL	134,372	88.8	230,126	102.2	183,657	100.2	181,366	105.9
Net gains/(losses)								
on disposal of								
property, plant								
and equipment . .	851	0.6	(951)	(0.4)	(549)	(0.3)	(1,794)	(1.0)
Net foreign								
exchange gains/								
(losses).	3,767	2.5	1,374	0.6	1,605	0.9	(13,117)	(7.7)
Others	12,264	8.1	(5,406)	(2.4)	(1,391)	(0.8)	4,822	2.8
Total	<u>151,254</u>	<u>100.0</u>	<u>225,143</u>	<u>100.0</u>	<u>183,322</u>	<u>100.0</u>	<u>171,277</u>	<u>100.0</u>

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) employee benefits expenses and (ii) advertising and promotion expenses. Our selling and marketing expenses amounted to RMB1,378.1 million, RMB1,305.7 million, RMB1,016.1 million and RMB1,198.2 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 5.4%, 5.3%, 5.4% and 5.9% of our total revenue in the same periods.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our selling and marketing expenses in absolute amounts and as a percentage of our total selling and marketing expenses for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Employee benefits expenses	634,554	46.0	671,484	51.4	495,837	48.8	622,472	52.0
Advertising and promotion expenses	552,980	40.1	362,565	27.8	314,984	31.0	369,254	30.8
Office and travel expenses	133,282	9.7	184,339	14.1	140,782	13.9	134,573	11.2
Depreciation and amortization . . .	32,870	2.4	38,521	3.0	28,614	2.8	37,446	3.1
Others ⁽¹⁾	24,368	1.8	48,838	3.7	35,897	3.5	34,406	2.9
Total	<u>1,378,054</u>	<u>100.0</u>	<u>1,305,747</u>	<u>100.0</u>	<u>1,016,114</u>	<u>100.0</u>	<u>1,198,151</u>	<u>100.0</u>

Note:

(1) Others primarily include service fees.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefits expenses, and (ii) depreciation and amortization, which mainly related to equipment and office premises. Our administrative expenses amounted to RMB449.0 million, RMB534.4 million, RMB373.7 million and RMB417.6 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 1.8%, 2.2%, 2.0% and 2.0% of our total revenue in the same periods.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our administrative expenses in absolute amounts and as a percentage of our total administrative expenses for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Employee benefits expenses	219,843	49.0	265,195	49.6	193,380	51.8	225,127	53.9
Depreciation and amortization . . .	74,731	16.6	94,085	17.6	72,852	19.5	58,636	14.0
Office and travel expenses	64,927	14.5	76,218	14.3	48,352	12.9	62,407	14.9
Intellectual property and software expenses	39,997	8.9	39,849	7.5	28,358	7.6	24,818	5.9
Professional services expenses	13,131	2.9	18,155	3.4	10,293	2.8	7,466	1.8
Others ⁽¹⁾	36,379	8.1	40,909	7.6	20,438	5.4	39,145	9.5
Total	<u>449,008</u>	<u>100.0</u>	<u>534,411</u>	<u>100.0</u>	<u>373,673</u>	<u>100.0</u>	<u>417,599</u>	<u>100.0</u>

Note:

(1) Others primarily include bank charges, service fees and recruitment fees.

Research and Development Costs

Our research and development costs primarily consisted of (i) raw materials and consumables used in the R&D process, and (ii) employee benefits expenses. Our research and development costs amounted to RMB751.3 million, RMB715.4 million, RMB501.7 million and RMB602.7 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 2.9%, 2.9%, 2.7% and 3.0% of our total revenue in the same periods.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our research and development costs in absolute amounts and as a percentage of our total research and development expenses for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Raw materials and consumables used	552,399	73.5	505,152	70.6	352,223	70.2	417,123	69.2
Employee benefits expenses	131,097	17.4	139,734	19.5	96,830	19.3	115,517	19.2
Others ⁽¹⁾	67,843	9.1	70,532	9.9	52,655	10.5	70,099	11.6
Total	<u>751,339</u>	<u>100.0</u>	<u>715,418</u>	<u>100.0</u>	<u>501,708</u>	<u>100.0</u>	<u>602,739</u>	<u>100.0</u>

Note:

(1) Others primarily include energy consumption and testing expenses, as well as depreciation.

(Provision for)/Reversal of Expected Credit Losses on Trade and Other Receivables

We made certain provisions in relation to expected credit losses on trade and other receivables. Our provision for expected credit losses on trade and other receivables amounted to RMB2.6 million, RMB0.2 million and RMB1.6 million in 2022, 2023 and the nine months ended September 30, 2024, respectively. We recorded a reversal of expected credit losses on trade and other receivables of RMB2.0 million in the nine months ended September 30, 2023.

Provision for Impairment Losses

Our provision for impairment losses represent provisions of impairment of goodwill and inventories. Our provision for impairment losses amounted to RMB16.6 million, RMB3.7 million, nil and RMB97.6 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Finance Costs

Our finance costs included (i) interest on bank loans and other borrowing, and (ii) interest on lease liabilities. Our finance costs amounted to RMB14.5 million, RMB11.9 million, RMB9.9 million and RMB20.9 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

The following table sets forth a breakdown of our finance costs in absolute amounts and as a percentage of our total finance costs for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Interest on bank loans and other borrowing	12,380	85.4	9,737	81.9	8,396	84.7	19,290	92.4
Interest on lease liabilities	2,116	14.6	2,151	18.1	1,517	15.3	1,576	7.6
Total	<u>14,496</u>	<u>100.0</u>	<u>11,888</u>	<u>100.0</u>	<u>9,913</u>	<u>100.0</u>	<u>20,866</u>	<u>100.0</u>

Income Tax

Our income tax amounted to RMB1,161.0 million, RMB1,096.9 million, RMB849.1 million and RMB846.0 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. We are subject to varying tax rates in different jurisdictions. See Note 9 of the Accountants’ Report in Appendix I to this document.

PRC

The income tax provision of our Group in respect of its operations in mainland China was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretation and practices in respect thereof, except for the subsidiaries below:

- Certain subsidiaries in mainland China were approved as “High and New Technology Enterprises”, and they were subject to a preferential corporate income tax rate of 15%;

FINANCIAL INFORMATION

- Certain subsidiaries were entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries and the preferential tax rate of 9% applicable to one subsidiary. These subsidiaries, located in certain areas of mainland China, can enjoy the preferential tax rate upon fulfilment of certain requirements of the respective local governments application conditions of relevant preferential policies; and
- Certain subsidiaries in mainland China fulfil the micro and small enterprises qualification under the PRC corporate income tax system. Therefore, partial assessable profits of these subsidiaries were subject to the preferential income tax rate of 20%.

Hensil Worldwide, which was incorporated in the British Virgin Islands, was deemed as domestic registered resident enterprise since 2014 and subject to EIT tax rate of 25% on the assessable profits. In addition, equity investment income included dividends, received from other resident enterprise by Hensil Worldwide was qualified for income tax exemption since 2014.

The additional deduction for qualified research and development expenses mainly represents an additional 100% tax deduction on eligible research and development expenses incurred by certain subsidiaries during the years ended December 31, 2022 and 2023, and the nine months ended September 30, 2023 and 2024.

Hong Kong

The provision for Hong Kong Profits Tax for the year ended December 31, 2023 and the nine months ended September 30, 2023 and 2024 is calculated at 16.5% of the estimated assessable profits for the year/period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% for the year ended December 31, 2023 and the nine months ended September 30, 2023 and 2024.

Other jurisdictions

The income tax rates of the subsidiaries in Vietnam and Indonesia are 20% and 22%, respectively.

As of the Latest Practicable Date, we did not have any dispute with any tax authority. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any tax investigation, enquiries, penalties or surcharges.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2024 Compared With Nine Months Ended September 30, 2023

Revenue

Our revenue increased by 9.4% from RMB18,650.2 million in the nine months ended September 30, 2023 to RMB20,399.3 million in the nine months ended September 30, 2024 primarily due to the gradual effects of strategic adjustment measures we proactively implemented in 2023, which included: (i) the upgrade of our sales and distribution network by optimizing regional sales management organization with nationwide coverage to continuously strengthen our reach to customers. In addition, we have deepened collaboration with the distributors that are specialized in emerging channels, such as e-commerce and food processing enterprises; (ii) the accelerated upgrade and iteration of our existing products and the launch of new products based on our insights into customer needs. We strengthened our flexible production lines and agile R&D capabilities to adapt to evolving trends and enhance penetration of our products across sales channels; and (iii) the optimization of our internal management organization in product portfolio, production, sales and R&D by making our management structure more streamlined, closer to the customers and more agile in decision-making, so as to improve operational efficiency. As these strategic adjustment measures gradually took effect, we recorded a revenue growth in the nine months ended September 30, 2024, facilitating our long-term development.

- Our revenue from sales of soy sauce products increased by 7.4% from RMB9,626.4 million in the nine months ended September 30, 2023 to RMB10,338.5 million in the nine months ended September 30, 2024, primarily due to an increase in sales volume which was mainly attributable to the above-mentioned measures. In particular, these changes are mainly attributable to (i) product upgrades, (ii) the adjustment of product mix to accommodate the demands from different sales channels, and (iii) the enhanced efforts in launching new products and corresponding promotions.
- Our revenue from sales of oyster sauce products increased by 6.4% from RMB3,221.5 million in the nine months ended September 30, 2023 to RMB3,427.1 million in the nine months ended September 30, 2024, primarily due to an increase in sales volume resulting from the above-mentioned factors. In particular, the increase in sales volume was mainly attributable to (i) product upgrades such as “easy-squeeze” bottle packaging and (ii) the launch of new product lines, such as reduced-salt oyster sauce.

FINANCIAL INFORMATION

- Our revenue from sales of flavored sauce products increased by 9.0% from RMB1,866.4 million in the nine months ended September 30, 2023 to RMB2,034.5 million in the nine months ended September 30, 2024, primarily due to an increase in sales volume resulting from the above-mentioned factors. In particular, these changes are mainly attributable to (i) the adjustment of product specifications and a change in product mix to accommodate the demand from different channels; and (ii) the increased efforts in launching new products and corresponding promotions.
- Our revenue from sales of specialty condiment products and others increased by 19.9% from RMB2,640.5 million in the nine months ended September 30, 2023 to RMB3,165.5 million in the nine months ended September 30, 2024, primarily due to (i) an increase in sales volume of products, such as vinegar, cooking wine and compound flavored products, and (ii) an increase in average selling price. In particular, we launched new products based on customer demand, and improved penetration of products across certain sales channels.

Cost of Sales

Our cost of sales increased by 7.2% from RMB12,183.2 million in the nine months ended September 30, 2023 to RMB13,058.8 million in the nine months ended September 30, 2024, in line with the increase in sales volume.

Gross Profit and Gross Profit Margin

Our gross profit increased by 13.5% from RMB6,467.0 million in the nine months ended September 30, 2023 to RMB7,340.5 million in the nine months ended September 30, 2024. Our gross profit margin increased from 34.7% in the nine months ended September 30, 2023 to 36.0% in the nine months ended September 30, 2024, primarily due to (i) a decrease in the market prices of certain raw materials, and (ii) the adoption of technologies and digitalization tools to upgrade our production and logistics processes, enhancing supply chain flexibility and improving operational efficiency.

- The gross profit margin for soy sauce products increased from 43.4% in the nine months ended September 30, 2023 to 44.6% in the nine months ended September 30, 2024, primarily due to (i) a decrease in procurement costs of certain raw materials, such as soybeans, driven by a decrease in market prices, and (ii) the upgrade of our production, logistics and supply chain, which improved operational efficiency.
- The gross profit margin for oyster sauce products increased from 29.6% in the nine months ended September 30, 2023 to 33.8% in the nine months ended September 30, 2024, primarily due to (i) a decrease in procurement costs of certain raw materials, such as oyster extracts, in light of a decrease in market prices, and (ii) the upgrade of our production, logistics and supply chain, which improved operational efficiency.

FINANCIAL INFORMATION

- The gross profit margin for flavored sauce products increased from 36.6% in the nine months ended September 30, 2023 to 37.5% in the nine months ended September 30, 2024, primarily due to (i) a decrease in procurement costs of certain raw materials, such as soybeans, driven by a decrease in market prices, and (ii) the upgrade of our production, logistics and supply chain, which improved operational efficiency.
- The gross profit margin for specialty condiment products and others increased from 22.5% in the nine months ended September 30, 2023 to 25.0% in the nine months ended September 30, 2024, primarily due to (i) a change in product mix, and (ii) the increase in production volume of certain new products, which improved economies of scale.

Other Revenue

Our other revenue increased by 14.8% from RMB437.1 million in the nine months ended September 30, 2023 to RMB501.6 million in the nine months ended September 30, 2024, primarily due to the introduction of the additional value-added tax credit policy for advanced manufacturing enterprises.

Other Net Income

Our other net income decreased by 6.6% from RMB183.3 million in the nine months ended September 30, 2023 to RMB171.3 million in the nine months ended September 30, 2024, primarily due to an increase in net foreign exchange losses.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 17.9% from RMB1,016.1 million in the nine months ended September 30, 2023 to RMB1,198.2 million in the nine months ended September 30, 2024, primarily due to (i) the increase in employee benefit expenses, which was attributable to an increase in the number of sales personnel for our regional teams that are closer to distributors and points of sale; and (ii) an increase in advertising and promotion expenses. In particular, our selling and marketing expenses, as a percentage of our total revenue, increased from 5.4% in the nine months ended September 30, 2023 to 5.9% in the nine months ended September 30, 2024.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses increased by 11.8% from RMB373.7 million in the nine months ended September 30, 2023 to RMB417.6 million in the nine months ended September 30, 2024, primarily due to an increase in employee benefits expenses as the number of administrative personnel increased, so as to support our business expansion and digitalization efforts. In particular, our administrative expenses, as a percentage of our total revenue, remained relatively stable at 2.0% in the nine months ended September 30, 2023 and 2024, respectively.

Research and Development Costs

Our research and development costs increased by 20.1% from RMB501.7 million in the nine months ended September 30, 2023 to RMB602.7 million in the nine months ended September 30, 2024, primarily due to an increase in raw materials and consumables used in the R&D process, which may vary from time to time depending on the phases of our R&D projects.

(Provision for)/Reversal of Expected Credit Losses on Trade and Other Receivables

We recorded a reversal of expected credit losses on trade and other receivables of RMB2.0 million in the nine months ended September 30, 2023, primarily due to the subsequent recovery of receivables. Our provision for expected credit losses on trade and other receivables amounted to RMB1.6 million in the nine months ended September 30, 2024, primarily due to an increase in the balance of certain trade receivables as of September 30, 2024.

Provision for Impairment Losses

Our provision for impairment losses amounted to RMB97.6 million in the nine months ended September 30, 2024, primarily due to an increase in provision for impairment losses on goodwill.

Finance Costs

Our finance costs increased by 110.5% from RMB9.9 million in the nine months ended September 30, 2023 to RMB20.9 million in the nine months ended September 30, 2024, primarily due to an increase in interest on bank loan and other borrowing.

Income Tax

Our income tax remained relatively stable at RMB849.1 million and RMB846.0 million in the nine months ended September 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Profit for the Period

As a result of the foregoing, our profit for the period was RMB4,338.9 million and RMB4,828.9 million in the nine months ended September 30, 2023 and 2024, respectively.

Year Ended December 31, 2023 Compared With Year Ended December 31, 2022

Revenue

Our revenue decreased by 4.1% from RMB25,609.7 million in 2022 to RMB24,559.3 million in 2023, primarily due to that the strategic adjustment measures we adopted in 2023 after pandemic had some short-term impacts on our operations. See “— Nine Months Ended September 30, 2024 Compared with Nine Months Ended September 30, 2023 — Revenue” for details of the measures implemented. Whilst these measures had certain short-term impacts on our product sales in 2023, they have laid a more solid foundation for our long-term development.

- Our revenue from sales of soy sauce products decreased by 8.8% from RMB13,861.2 million in 2022 to RMB12,637.4 million in 2023, primarily due to the decrease in sales volume in 2023 as affected by the aforementioned strategic adjustment measures, whilst average selling price of soy sauce products remained relatively stable.
- Our revenue from sales of oyster sauce products decreased by 3.7% from RMB4,416.5 million in 2022 to RMB4,251.2 million in 2023, primarily due to the overall decrease in sales volume and average selling price in 2023 as affected by the aforementioned strategic adjustment measures.
- Our revenue from sales of flavored sauce products decreased by 6.1% from RMB2,584.0 million in 2022 to RMB2,427.0 million in 2023, primarily due to an overall decrease in average selling price. In particular, the decrease in average selling price was mainly attributable to our increased efforts in launching new products and corresponding promotions.
- Our revenue from sales of specialty condiment products and others increased by 19.3% from RMB2,932.2 million in 2022 to RMB3,499.5 million in 2023, primarily due to (i) our efforts to develop and launch new and successful products, so as to capture emerging and unmet market demand, and (ii) enriched product offerings from the acquisition of certain subsidiaries in 2022.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales decreased by 2.7% from RMB16,679.0 million in 2022 to RMB16,222.5 million in 2023, primarily due to an overall decrease in the costs of key raw materials, in line with the decrease in sales volume.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 6.6% from RMB8,930.6 million in 2022 to RMB8,336.8 million in 2023. Our gross profit margin decreased from 34.9% in 2022 to 33.9% in 2023, primarily due to (i) our investments in production facilities, which led to an increase in manufacturing expenses and depreciation; and (ii) a change in product mix. The decrease in gross profit was partially offset by a decrease in procurement costs in light of a decrease in market prices of certain raw materials.

- The gross margin for soy sauce products increased from 40.3% in 2022 to 42.6% in 2023, primarily due to a decrease in procurement cost of certain raw materials driven by an decrease in the market prices.
- The gross margin for oyster sauce products decreased from 33.7% in 2022 to 29.0% in 2023, primarily due to (i) an increase in procurement costs of certain raw materials driven by an increase in market prices, and (ii) an increase in depreciation, as certain production lines for oyster sauce products commenced operations.
- The gross margin for flavored sauce products decreased from 37.3% in 2022 to 35.5% in 2023, primarily due to a change in product mix.
- The gross margin for specialty condiment products and others decreased from 27.2% in 2022 to 21.9% in 2023, primarily due to (i) a change in product mix, and (ii) certain new products in the initial market introduction stage, thus unable to benefit from economies of scale in light of their limited production scale.

Other Revenue

Our other revenue decreased by 16.3% from RMB894.4 million in 2022 to RMB748.5 million in 2023, primarily due to (i) a decrease in interest income, and (ii) a decrease in government grants, partially offset by an increase in additional deduction for VAT.

Other Net Income

Our other net income increased by 48.9% from RMB151.3 million in 2022 to RMB225.1 million in 2023, primarily due to an increase in net fair value changes on other financial assets at FVPL in 2023. Other financial assets at FVPL mainly related to the wealth management products we purchased with commercial banks in China.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 5.2% from RMB1,378.1 million in 2022 to RMB1,305.7 million in 2023, primarily due to a decrease in advertising and promotion expenses, partially offset by an increase in our employee benefits expenses. In particular, our selling and marketing expenses, as a percentage of our total revenue, remained relatively stable at 5.4% and 5.3% in 2022 and 2023, respectively.

Administrative Expenses

Our administrative expenses increased by 19.0% from RMB449.0 million in 2022 to RMB534.4 million in 2023, primarily due to (i) an increase in employee benefits expenses as the number of administrative personnel increased in 2023, so as to support our business expansion, and (ii) an increase in depreciation and amortization. In particular, our administrative expenses, as a percentage of our total revenue, remained relatively stable at 1.8% and 2.2% in 2022 and 2023, respectively.

Research and Development Costs

Our research and development costs decreased by 4.8% from RMB751.3 million in 2022 to RMB715.4 million in 2023, primarily due to (i) a decrease in raw materials and consumables used in the R&D process, and (ii) a decrease in depreciation and amortization, partially offset by an increase in employee benefit expenses as the number of R&D personnel increased.

(Provision for)/Reversal of Expected Credit Losses on Trade and Other Receivables

Our provision for expected credit losses on trade and other receivables decreased by 92.2% from RMB2.6 million in 2022 to RMB0.2 million in 2023, primarily due to recovery of trade receivables as of December 31, 2023.

Provision for Impairment Losses

Our provision for impairment losses decreased by 77.4% from RMB16.6 million in 2022 to RMB3.7 million in 2023, primarily due to a decrease in provision for impairment losses of goodwill.

FINANCIAL INFORMATION

Finance Costs

Our finance costs decreased by 18.0% from RMB14.5 million in 2022 to RMB11.9 million in 2023, primarily due to a decrease in interest on bank loans and other borrowing.

Income Tax

Our income tax decreased by 5.5% from RMB1,161.0 million in 2022 to RMB1,096.9 million in 2023, in line with the decrease in profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year was RMB6,203.2 million and RMB5,642.2 million in 2022 and 2023, respectively.

DISCUSSION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth summary information from our consolidated statements of financial position as of the dates indicated, which has been extracted from our historical financial information included in Appendix I to this document.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Total current assets	26,973,588	30,774,419	28,153,491
Total non-current assets	7,085,587	7,649,098	7,854,647
Total assets	34,059,175	38,423,517	36,008,138
Total current liabilities	6,719,291	8,936,237	5,723,511
Total non-current liabilities	455,405	454,304	403,708
Total liabilities	7,174,696	9,390,541	6,127,219

FINANCIAL INFORMATION

Non-Current Assets and Liabilities

The following table sets forth our non-current assets and liabilities as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Non-current assets			
Property, plant and equipment	5,397,675	6,073,857	6,409,210
Right-of-use assets	681,871	857,180	856,320
Investment property	4,131	3,775	3,521
Intangible assets	46,202	40,128	36,945
Goodwill	210,428	210,428	112,937
Other financial assets at fair value			
through profit or loss (“FVPL”)	100	100	100
Other receivables	91,854	9,708	59,278
Deferred tax assets	653,326	453,922	376,336
Total non-current assets	<u>7,085,587</u>	<u>7,649,098</u>	<u>7,854,647</u>
Non-current liabilities			
Bank loans and other borrowing	112,653	89,270	62,750
Lease liabilities	29,746	30,186	32,429
Deferred income	279,166	303,224	273,636
Deferred tax liabilities	33,840	31,624	34,893
Total non-current liabilities	<u>455,405</u>	<u>454,304</u>	<u>403,708</u>

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of buildings, machinery and equipment. Our property, plant and equipment increased by 12.5% from RMB5,397.7 million as of December 31, 2022 to RMB6,073.9 million as of December 31, 2023, and further increased by 5.5% to RMB6,409.2 million as of September 30, 2024, primarily due to the commencement of operations of our Guangxi Nanning Production Base.

FINANCIAL INFORMATION

Right-of-Use Assets

Our right-of-use assets primarily consisted of land-use rights. Our right-of-use assets increased by 25.7% from RMB681.9 million as of December 31, 2022 to RMB857.2 million as of December 31, 2023, primarily due to our acquisition of land-use rights. Our right-of-use assets remained relatively stable at RMB857.2 million and RMB856.3 million as of December 31, 2023 and September 30, 2024, respectively.

Goodwill

Goodwill is measured at cost less accumulated impairment losses. As of December 31, 2022 and 2023 and September 30, 2024, our goodwill amounted to RMB210.4 million, RMB210.4 million and RMB112.9 million, respectively. The decrease in goodwill from RMB210.4 million as of December 31, 2023 to RMB112.9 million as of September 30, 2024 was primarily due to impairment losses of goodwill.

Intangible Assets

Our intangible assets primarily consisted of (i) trademarks and others, (ii) our enterprise resource planning system and (iii) other software. Our intangible assets decreased by 13.1% from RMB46.2 million as of December 31, 2022 to RMB40.1 million as of December 31, 2023, and further decreased by 7.9% from RMB40.1 million as of December 31, 2023 to RMB36.9 million as of September 30, 2024, primarily due to the amortization of trademarks and others.

Net Current Assets

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,		As of September 30,	As of November 30,
	2022	2023	2024	2024
	<i>(RMB in thousands)</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current assets				
Inventories	2,391,641	2,618,773	1,911,799	2,082,292
Trade receivables	188,395	223,149	258,315	252,931
Other receivables	88,582	402,107	154,362	254,486
Other financial assets				
at FVPL	6,081,663	5,841,005	7,290,244	6,920,747
Term deposits and				
certificates of deposits . . .	9,040,109	8,830,381	11,663,967	11,344,941
Restricted cash	31,163	17,924	20,602	19,520
Cash and cash equivalents . .	9,152,035	12,841,080	6,854,202	8,883,689
Total current assets	<u>26,973,588</u>	<u>30,774,419</u>	<u>28,153,491</u>	<u>29,758,606</u>

FINANCIAL INFORMATION

	As of December 31,		As of September 30,	As of November 30,
	2022	2023	2024	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current liabilities				
Trade payables	1,300,262	1,861,489	1,784,161	2,193,551
Other payables	1,864,286	1,505,192	1,578,211	1,240,258
Contract liabilities	2,948,111	4,527,027	1,681,110	2,041,556
Bank loans	136,698	381,249	312,715	297,232
Lease liabilities	15,287	12,741	17,982	10,957
Current taxation	328,856	222,925	239,388	205,769
Other current liabilities	125,791	425,614	109,944	162,463
Total current liabilities	6,719,291	8,936,237	5,723,511	6,151,786
Net current assets	20,254,297	21,838,182	22,429,980	23,606,820

Our net current assets increased by 7.8% from RMB20,254.3 million as of December 31, 2022 to RMB21,838.2 million as of December 31, 2023, primarily due to an increase in cash and cash equivalents of RMB3,689.0 million, partially offset by (i) an increase in contract liabilities of RMB1,578.9 million, (ii) a decrease in other financial assets at FVPL of RMB240.7 million, and (iii) a decrease in term deposits and certificates of deposits of RMB209.7 million.

Our net current assets increased by 2.7% from RMB21,838.2 million as of December 31, 2023 to RMB22,430.0 million as of September 30, 2024, primarily due to (i) a decrease in contract liabilities of RMB2,845.9 million, (ii) an increase in term deposits and certificates of deposits of RMB2,833.6 million, and (iii) an increase in other financial assets at FVPL of RMB1,449.2 million, partially offset by a decrease in cash and cash equivalents of RMB5,986.9 million.

Our net current assets increased by 5.2% from RMB22,430.0 million as of September 30, 2024 to RMB23,606.8 million as of November 30, 2024, primarily due to (i) an increase in cash and cash equivalents of RMB2,029.5 million, and (ii) a decrease in other payables of RMB338.0 million, partially offset by (i) an increase in trade payables of RMB409.4 million, (ii) a decrease in other financial assets at FVPL of RMB369.5 million, (iii) an increase in contract liabilities of RMB360.4 million, and (iv) a decrease in term deposits and certificates of deposits of RMB319.0 million.

FINANCIAL INFORMATION

Inventories

Our inventories primarily consisted of (i) work in progress, (ii) finished goods and (iii) raw materials. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Work in progress	1,553,902	1,469,434	1,309,371
Finished goods	421,402	832,177	294,495
Raw materials	318,101	212,772	208,210
Packaging materials	64,976	69,687	60,280
Low value consumables	34,323	34,545	31,674
Others	–	3,897	10,230
Less: write down of inventories	<u>(1,063)</u>	<u>(3,739)</u>	<u>(2,461)</u>
Total	<u>2,391,641</u>	<u>2,618,773</u>	<u>1,911,799</u>

Our inventories increased by 9.5% from RMB2,391.6 million as of December 31, 2022 to RMB2,618.8 million as of December 31, 2023, primarily due to an increase in the stock up of finished goods in preparation for the peak sales season during the Chinese New Year, partially offset by a decrease of raw materials and work in progress. Our inventories decreased by 27.0% from RMB2,618.8 million as of December 31, 2023 to RMB1,911.8 million as of September 30, 2024, primarily due to the decrease in finished goods as we typically prepare more finished goods at year end in anticipation of the sales before the Chinese New Year.

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
	<i>(Unaudited)</i>		
Inventory turnover days ⁽¹⁾	49.8	55.6	46.8

Note:

- (1) Inventory turnover days are calculated using the average of opening balance and closing balance of inventories for a year/period divided by cost of sales for the relevant year/period and multiplied by the number of days during such period (i.e. 360 days for a fiscal year and 270 days for the nine months ended September 30, 2024).

FINANCIAL INFORMATION

Our inventory turnover days increased from 49.8 days in 2022 to 55.6 days in 2023, primarily due to (i) a decrease in sales volume of our products in 2023 and (ii) an increased year-end stock up of products in anticipation of Chinese New Year. Our inventory turnover days decreased from 55.6 days in 2023 to 46.8 days in the nine months ended September 30, 2024, primarily because we typically prepare more finished goods in anticipation of the sales before the Chinese New Year.

As of November 30, 2024, RMB1,764.4 million, or 92.2% of inventories as of September 30, 2024, had been used, consumed or sold.

Trade Receivables

Our trade receivables primarily consisted of (i) trade receivables and (ii) bills receivable. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Trade receivables	199,771	234,511	270,305
Bills receivable	–	–	800
Less: loss allowance	<u>(11,376)</u>	<u>(11,362)</u>	<u>(12,790)</u>
Total	<u>188,395</u>	<u>223,149</u>	<u>258,315</u>

Our trade receivables increased by 18.4% from RMB188.4 million as of December 31, 2022 to RMB223.1 million as of December 31, 2023, in line with the increase in product sales to certain limited number of customers to whom we offer credit terms. Our trade receivables increased by 15.8% from RMB223.1 million as of December 31, 2023 to RMB258.3 million as of September 30, 2024, in line with the increase in product sales to such customers in the nine months ended September 30, 2024.

We generally require the distributors to make full advance payment to us before we ship our products. For a limited number of customers, we engaged in credit sales with them during the Track Record Period, and we usually grant credit terms of up to 90 days, but we impose a maximum credit limit on such customers. We seek to maintain strict control over our outstanding receivables. Our finance team is responsible for minimizing credit risks.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Within one year	196,567	232,540	269,339
One year to two years	2,644	1,611	1,291
Two years to three years	329	74	115
After three years	231	286	360
Total	199,771	234,511	271,105

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
	<i>(Unaudited)</i>		
Trade receivables turnover days ⁽¹⁾	1.7	3.0	3.2

Note:

- (1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables for a year/period divided by revenue for the relevant year/period and multiplied by the number of days during such period (i.e. 360 days for a fiscal year and 270 days for the nine months ended September 30, 2024).

Our trade receivables turnover days increased from 1.7 days in 2022 to 3.0 days in 2023, primarily due to the increase in product sales by certain operating subsidiaries that offer credit terms to the customers. Our trade receivables turnover days remained relatively stable at 3.0 days and 3.2 days in 2023 and the nine months ended September 30, 2024, respectively.

As of November 30, 2024, RMB235.3 million, or 87.1% of our trade receivables as of September 30, 2024, had been settled.

FINANCIAL INFORMATION

Other Receivables

Our other receivables primarily consisted of (i) deductible input VAT and others, and (ii) prepayments for materials. The following table sets forth a breakdown of our other receivables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Deductible input VAT and others	52,540	201,275	97,089
Prepayments for materials	25,304	19,263	37,483
Amounts due from related parties	2,190	3,559	7,358
Deposits for a derivative financial instrument	–	150,000	–
Others	<u>8,548</u>	<u>28,010</u>	<u>12,432</u>
Total	<u>88,582</u>	<u>402,107</u>	<u>154,362</u>

Our other receivables increased by 353.9% from RMB88.6 million as of December 31, 2022 to RMB402.1 million as of December 31, 2023, primarily due to (i) an increase in deductible input VAT and others, and (ii) an increase in deposits for a derivative financial instrument. Our other receivables decreased by 61.6% from RMB402.1 million as of December 31, 2023 to RMB154.4 million as of September 30, 2024, primarily due to (i) a decrease in deposits for a derivative financial instrument, and (ii) a decrease in deductible input VAT and others, partially offset by an increase in prepayments for materials.

Other Financial Assets at FVPL

Our other financial assets at FVPL as of the end of each period during the Track Record Period mainly included wealth management products. The wealth management products we purchased were issued by commercial banks in China. See Note 19 to the Accountants’ Report included in Appendix I to this document. The current financial product portfolio could be subject to the impact of macroeconomic environment conditions, and we monitor the portfolio mix closely. We had other financial assets at FVPL of RMB6,081.7 million, RMB5,841.0 million and RMB7,290.2 million as of December 31, 2022 and 2023 and September 30, 2024, respectively.

We have adopted a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. Our management, including our finance department, has extensive experience in managing the financial aspects of an enterprise’s operations. Upon the [REDACTED], we intend to continue our investments strictly in accordance with our internal

FINANCIAL INFORMATION

control policy, Articles of Association and, to the extent that such investment is a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders’ approval requirements (if applicable).

Our investment strategy related to such products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating reasonable investment returns. To control our risk exposure, we make investment decisions related to wealth management products, after thoroughly considering a number of factors, including, but not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions and the expected profit or potential loss of the investment.

Trade Payables

Our trade payables consist of (i) trade payables and (ii) bills payable. The following table sets forth a breakdown of our trade payables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Trade payables	1,300,262	1,403,495	1,190,373
– third parties	1,124,517	1,269,873	1,065,864
– related parties	175,745	133,622	124,509
Bills payable	–	457,994	593,788
Total	<u>1,300,262</u>	<u>1,861,489</u>	<u>1,784,161</u>

Our trade payables increased from RMB1,300.3 million as of December 31, 2022 to RMB1,861.5 million as of December 31, 2023, primarily due to an increase in procurement volume. Our trade payables decreased from RMB1,861.5 million as of December 31, 2023 to RMB1,784.2 million as of September 30, 2024, primarily due to a decrease in procurement in the third quarter as compared to year end when we typically prepare for an anticipated sales peak closer to the Chinese New Year.

FINANCIAL INFORMATION

The trade payables are typically settled within 60 days. The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Within one year	<u>1,300,262</u>	<u>1,403,495</u>	<u>1,190,373</u>
Total	<u>1,300,262</u>	<u>1,403,495</u>	<u>1,190,373</u>

The following table sets forth our trade payables turnover days for the periods indicated:

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
	<i>(Unaudited)</i>		
Trade payables turnover days ⁽¹⁾	36.4	35.1	37.7

Note:

- (1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year/period divided by cost of sales used for the relevant year/period and multiplied by the number of days during such period (i.e. 360 days for a fiscal year and 270 days for the nine months ended September 30, 2024).

Our trade payables turnover days remained relatively stable at 36.4 days, 35.1 days and 37.7 days for 2022, 2023 and the nine months ended September 30, 2024, respectively.

As of November 30, 2024, RMB1,133.2 million, or 95.2% of our trade payables as of September 30, 2024, had been settled.

FINANCIAL INFORMATION

Other Payables

Our other payables primarily consisted of (i) payroll payables, (ii) accrual for marketing expenses, and (iii) accrual for transportation expenses. The following table sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>
Other taxes payable	150,142	63,930	103,255
Payroll payables	669,279	593,659	516,380
Amounts due to related parties	3,087	4,815	6,149
Deposits due to suppliers	149,941	156,203	153,348
Accrual for marketing expenses	310,028	273,963	326,173
Accrual for transportation expenses	291,017	225,064	240,361
Payables for equipment and construction	201,447	148,837	160,018
Consideration for acquisition of a subsidiary	18,900	–	–
Others	70,445	38,721	72,527
Total	<u>1,864,286</u>	<u>1,505,192</u>	<u>1,578,211</u>

Our other payables decreased by 19.3% from RMB1,864.3 million as of December 31, 2022 to RMB1,505.2 million as of December 31, 2023, primarily due to (i) a decrease in other taxes payable, (ii) a decrease in payroll payables, (iii) a decrease in accrual for transportation expenses. Our other payables increased by 4.9% from RMB1,505.2 million as of December 31, 2023 to RMB1,578.2 million as of September 30, 2024, primarily due to (i) an increase in accrual for marketing expenses, and (ii) an increase in other taxes payables, partially offset by a decrease in payroll payables.

Current Taxation

Our current taxation represents 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. Our current taxation amounted to RMB328.9 million, RMB222.9 million and RMB239.4 million as of December 31, 2022 and 2023 and September 30, 2024, respectively.

FINANCIAL INFORMATION

Contract Liabilities

Our contract liabilities represent advance payments made by customers while the underlying goods are yet to be provided. Our contract liabilities amounted to RMB2,948.1 million, RMB4,527.0 million and RMB1,681.1 million as of December 31, 2022 and 2023 and September 30, 2024, respectively. We typically record a higher level of contract liabilities close to the end of a calendar year, primarily due to our customers planning to stock up our products in anticipation of the Chinese New Year holiday.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from proceeds from our business operations. After the [REDACTED], we intend to finance our future capital requirements primarily through cash generated from our business operations and the net [REDACTED] from the [REDACTED]. We do not anticipate any changes to the availability of financing to fund our operations in the future.

Cash Flow

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

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
			<i>(RMB in thousands)</i>	
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash generated from operating activities	3,830,314	7,355,651	3,456,158	2,752,550
Net cash used in investing activities	(4,658,528)	(820,002)	(612,756)	(4,770,466)
Net cash used in financing activities	(4,017,763)	(2,850,630)	(2,010,668)	(3,968,949)
Cash and cash equivalents at the beginning of year/ period	14,000,798	9,152,035	9,152,035	12,841,080
Effect of foreign exchange rate changes	(2,786)	4,026	–	(13)
Cash and cash equivalents at the end of year/period	9,152,035	12,841,080	9,984,769	6,854,202

FINANCIAL INFORMATION

Net Cash Flows Generated From Operating Activities

In the nine months ended September 30, 2024, we had net cash generated from operating activities of RMB2,752.6 million, which represents our cash generated from operations of RMB3,501.3 million, as adjusted by income tax paid of RMB748.7 million.

In 2023, we had net cash generated from operating activities of RMB7,355.7 million, which represents our cash generated from operations of RMB8,361.2 million, as adjusted by income tax paid of RMB1,005.6 million.

In 2022, we had net cash generated from operating activities of RMB3,830.3 million, which represents our cash generated from operations of RMB5,065.8 million, as adjusted by income tax paid of RMB1,235.5 million.

Net Cash Flows Used in Investing Activities

In the nine months ended September 30, 2024, our net cash flows used in investing activities was RMB4,770.5 million, which was primarily attributable to (i) purchase of financial assets at FVPL of RMB8,747.8 million, (ii) placement of term deposits and certificates of deposits of RMB6,006.1 million, and (iii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,195.1 million, partially offset by (i) proceeds from disposal of other financial assets at FVPL of RMB7,479.9 million, and (ii) proceeds from maturity of term deposits and certificates of deposits of RMB3,182.1 million.

In 2023, our net cash flows used in investing activities was RMB820.0 million, which was primarily attributable to (i) purchase of financial assets at FVPL of RMB7,212.6 million, (ii) placement of term deposits and certificates of deposits of RMB6,376.0 million and (iii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,924.2 million, partially offset by (i) proceeds from disposal of other financial assets at FVPL of RMB7,683.4 million, and (ii) proceeds from maturity of term deposits and certificates of deposits of RMB6,780.0 million.

In 2022, our net cash flows used in investing activities was RMB4,658.5 million, which was primarily attributable to (i) placement of term deposits and certificates of deposits of RMB8,016.1 million, (ii) purchase of financial assets at FVPL of RMB7,674.0 million, and (iii) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB1,517.9 million, partially offset by (i) proceeds from disposal of other financial assets at FVPL of RMB7,111.5 million, and (ii) proceeds from maturity of term deposits and certificates of deposits of RMB4,940.0 million.

Net Cash Flows Used in Financing Activities

In the nine months ended September 30, 2024, our net cash flows used in financing activities were RMB3,968.9 million, primarily attributable to (i) dividends paid to equity shareholders of the Company of RMB3,660.4 million, and (ii) payment for expired bills payable due to a subsidiary from the Company of RMB1,050.0 million, partially offset by proceeds from discount of bills receivable due from the Company by a subsidiary of RMB1,193.8 million.

FINANCIAL INFORMATION

In 2023, our net cash flows used in financing activities were RMB2,850.6 million, primarily attributable to (i) dividends paid to equity shareholders of the Company of RMB3,243.7 million, and (ii) payment for expired bills payable due to a subsidiary from the Company of RMB600.0 million, partially offset by proceeds from discount of bills receivable due from the Company by a subsidiary of RMB1,050.0 million.

In 2022, our net cash flows used in financing activities were RMB4,017.8 million, primarily attributable to (i) dividends paid to equity shareholders of the Company of RMB3,201.6 million, and (ii) payment for expired bills payable due to a subsidiary from the Company of RMB1,142.5 million, partially offset by proceeds from discount of bills receivable due from the Company by a subsidiary of RMB700.0 million.

INDEBTEDNESS

During the Track Record Period, our indebtedness included bank loans and other borrowing and lease liabilities. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of September 30,	As of November 30,
	2022	2023	2024	2024
	<i>(RMB in thousands)</i>		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current				
Bank loans	136,698	381,249	312,715	297,232
Lease liabilities	15,287	12,741	17,982	10,957
Non-Current				
Bank loans and other borrowing	112,653	89,270	62,750	54,700
Lease liabilities	29,746	30,186	32,429	37,285
Total	294,384	513,446	425,876	400,174

Our Directors confirmed that there has not been any material adverse change in our indebtedness since November 30, 2024 to [the date of this document]. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank loans, we did not have plans for other material external debt financing.

FINANCIAL INFORMATION

Bank Loans and Other Borrowing

As of December 31, 2022 and 2023 and September 30, 2024 and November 30, 2024, we had bank loans and other borrowing of RMB249.4 million, RMB470.5 million, RMB375.5 million and RMB351.9 million, respectively. Our bank and other borrowing are all denominated in Renminbi. The effective interest rates of our bank loans ranged from 2.70% to 3.50% during the Track Record Period. 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.

Lease Liabilities

Our lease liabilities primarily comprised lease contracts for items such as office premises, plant and other equipment. Our lease liabilities decreased by 4.7% from RMB45.0 million as of December 31, 2022 to RMB42.9 million as of December 31, 2023, primary due to payment of lease liabilities. Our lease liabilities subsequently increased by 17.4% to RMB50.4 million as of September 30, 2024, primary due to the renewal of the lease of our office premises. As of September 30, 2024, we had lease liabilities of RMB18.0 million and RMB32.4 million shown under current liabilities and non-current liabilities, respectively.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2022 and 2023 and September 30, 2024.

Indebtedness Statement

Except as disclosed above, as of November 30, 2024, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since November 30, 2024 and up to the Latest Practicable Date.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated/as of the dates indicated:

	As of/For the Year ended December 31,		As of/For the Nine Months ended September 30,
	2022	2023	2024
			<i>(Unaudited)</i>
Net profit margin	24.2%	23.0%	23.7%
Current ratio ⁽¹⁾	4.0	3.4	4.9
Return on equity ⁽²⁾	24.9%	20.5%	22.2%
Debt-to-asset ratio ⁽³⁾	21.1%	24.4%	17.0%

Notes:

- (1) Current ratio calculated by dividing current asset by current liabilities as of the same date.
- (2) Return on equity is calculated by dividing profit for the year/period attributable to the equity shareholders of our Company by the average balance of equity attributable to equity shareholders of our Company and multiplied by 100%. For the nine months ended 30 September 2024, return on equity is annualized by multiplying the number by 4 and divided by 3. Accordingly, the annualized return on equity may not be indicative of that for the full year ended December 31, 2024. Investors are cautioned not to place any undue reliance on such information.
- (3) Debt-to-asset ratio is calculated by dividing total liabilities by total assets as of the same date and multiplied by 100%.

Current Ratio

Our current ratio decreased from 4.0 as of December 31, 2022 to 3.4 as of December 31, 2023, primarily due to an increase in our current liabilities, which was attributable to an increase in contract liabilities of RMB1,578.9 million in 2023, partially offset by an increase in our current assets, which was attributable to an increase in cash and cash equivalents of RMB3,689.0 million.

Our current ratio increased from 3.4 as of December 31, 2023 to 4.9 as of September 30, 2024, primarily due to a decrease in our current liabilities, which was attributable to a decrease in contract liabilities of RMB2,845.9 million for the period, partially offset by a decrease in our current assets, which was attributable to a decrease in cash and cash equivalents of RMB5,986.9 million.

FINANCIAL INFORMATION

Return on Equity

Our return on equity decreased from 24.9% as of December 31, 2022 to 20.5% as of December 31, 2023, primarily due to a decrease in our profit for the year attributable to equity shareholders.

Our return on equity increased from 20.5% as of December 31, 2023 to 22.2% as of September 30, 2024, primarily due to an increase in our annualized profit for the period attributable to equity shareholders.

Debt-to-Asset Ratio

Our debt-to-asset ratio increased from 21.1% as of December 31, 2022 to 24.4% as of December 31, 2023, primarily due to an increase in our total liabilities, which was attributable to an increase in contract liabilities of RMB1,578.9 million in 2023, partially offset by an increase in our total assets, which was attributable to an increase in cash and cash equivalents of RMB3,689.0 million.

Our debt-to-asset ratio decreased from 24.4% as of December 31, 2023 to 17.0% as of September 30, 2024, primarily due to a decrease in our current liabilities, which was attributable to a decrease in contract liabilities of RMB2,845.9 million for the period, partially offset by a decrease in our current assets, which was attributable to a decrease in cash and cash equivalents of RMB5,986.9 million.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures consisted of payment for purchase of property, plant and equipment, right-of-use assets and intangible assets. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our capital expenditures amounted to RMB1,517.9 million, RMB1,924.2 million, RMB1,432.2 million and RMB1,195.1 million, respectively. We funded these expenditures mainly with cash generated from our operations.

Following the [REDACTED], we will continue to incur capital expenditures to grow our business. We plan to fund our planned capital expenditures primarily with cash flows generated from our operations and the net [REDACTED] received from the [REDACTED]. See “Future Plans and Use of [REDACTED].” We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

FINANCIAL INFORMATION

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments were mainly contracted for property, plant and equipment. As of December 31, 2022 and 2023 and September 30, 2024, the total amount of our capital commitments was RMB1,550.2 million, RMB831.5 million and RMB455.0 million, respectively. See Note 33 to the Accountants' Report in Appendix I to this document.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details about our material related party transactions during the Track Record Period, see Note 34 of Appendix I to this document.

Our Directors are of the view that each of the related party transactions set out in Note 34 to the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk and interest rate risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 32 of Appendix I to this document.

FINANCIAL INFORMATION

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 trade receivables. Our exposure to credit risk arising from cash and cash equivalents, time deposits, certificates of deposits, restricted cash and other financial assets at fair value through profit or loss is limited because the counterparties are banks, which we consider to have low credit risk.

We do not provide any other guarantees which would expose us to credit risk.

Liquidity Risk

Our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations of cash flows.

Interest Rate Risk

Our interest rate risk arises primarily from cash and cash equivalents, term deposits, certificates of deposits, restricted cash, bank loans and borrowing.

DIVIDENDS AND DIVIDEND POLICY

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. Pursuant to our Articles of Association, our annual cash dividends shall not be less than 20% of the distributable profit realized in the current year. In 2022 and 2023 and the nine months ended September 30, 2024, we paid dividends of RMB3,201.6 million, RMB3,243.7 million and RMB3,660.4 million, respectively.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the net [REDACTED] from the [REDACTED] and the financial resources available to us, including cash and cash equivalents, we have sufficient working capital for our present requirements, that is, for at least 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of September 30, 2024, we had approximately RMB21,225.7 million of retained earnings available for distribution to our shareholders.

FINANCIAL INFORMATION

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately RMB[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and no exercise of the [REDACTED]), representing [REDACTED]% of the gross [REDACTED] (based on the mid-point of our indicative [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised) of the [REDACTED]. We expect to incur [REDACTED] expenses of approximately RMB[REDACTED], of which approximately RMB[REDACTED] is expected to be recognized in the consolidated statements of profit or loss as administrative expenses and approximately RMB[REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. By nature, our [REDACTED] expenses are composed of (i) [REDACTED] of approximately RMB[REDACTED] and (ii) [REDACTED] expenses of approximately RMB[REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED] and other fees and expenses of approximately RMB[REDACTED].

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Appendix II — Unaudited [REDACTED] Financial Information.”

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the end date of the periods reported in Appendix I to this document, and there has been no event since September 30, 2024 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER 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 AND USE OF [REDACTED]

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 stated range of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), 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. 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 approximately HK\$[REDACTED] will be used for product development, as well as R&D of cutting-edge technologies and process upgrades. In particular:
 - (i) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for the development of new product lines and product series, including the development of better-for-you product lines in line with the market trends and continuing expansion into new product categories. We plan to procure research materials and recruit product development specialists to focus on product innovation and market trends. We also plan to collaborate with research institutions to leverage their expertise and drive innovation in flavor iterations and packaging upgrades. Such efforts aim to further drive innovation in flavor iterations and packaging upgrades, so as to continually meet our customers’ demand for diverse condiment products;
 - (ii) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be allocated to advancing our core fermentation technology, strain selection processes and heritage brewing techniques. This investment will focus on upgrading fermentation techniques for core products, and enhancing high-yield strain selection methods, so as to enhance the flavor profiles of our products, improve raw material utilization rates and enhance our production cost efficiency. We plan to recruit R&D personnel to spearhead these initiatives, purchase advanced laboratory and testing equipment, and collaborate with research institutes to leverage their expertise and drive innovation in these areas. Such efforts aim to provide our customers with delicious and affordable products by maintaining excellent product quality and flavor while reducing production costs; and

FUTURE PLANS AND USE OF [REDACTED]

- (iii) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be invested in developing global leading R&D capabilities. We intend to accelerate our efforts to explore cutting-edge technologies in fermentation, strain selection, brewing and product development. We plan to recruit technical talent globally and equip the center with cutting-edge technologies. Furthermore, we plan to collaborate with internationally renowned research institutes to support our R&D activities for expansion into overseas markets. Such efforts aim to attract top talent in the field, so enhancing our R&D capabilities.
- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for expansion of production capacity, adoption of new technologies and digitization upgrades of our supply chain. In particular:
 - (i) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for the expansion of production bases, including the Jiangsu Suqian Production Base, the Guangxi Nanning Production Base, the Hubei Wuhan Production Base and the Zhejiang Jiaying Production Base. Such investments include construction of production facilities and warehouses, procurement and installation of production equipment, and supporting infrastructure development. Such efforts aim to expand the production capacity of our products;
 - (ii) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for upgrading production bases in terms of production technologies, techniques and equipment. This initiative will focus on optimizing production processes, technologies and packaging capabilities to continually improve production efficiency, cost management and product performance. Such investments include production equipment upgrades and system optimization; and
 - (iii) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for the digitization and automation upgrades of our production bases. We plan to continue to promote the automation of the entire production chain, apply AI and big data analytics to optimize production processes, improve product quality and enhance production efficiency. We also plan to implement or upgrade our digital systems to cover business processes such as production execution, planning and scheduling, supplier relationship management and business intelligence decision-making to enhance operational efficiency.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for enhancing our global presence by establishing our global brand image, expanding sales channels and enhancing overseas supply chain capabilities. In particular:
 - (i) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for establishing local sales offices and localized supply chains. We plan to expand overseas distribution channels and provide enhanced products and support to distributors to facilitate market penetration and customer engagement. Through establishing localized supply chains we expect to enhance our operational efficiency and responsiveness to local market demand, thereby strengthening our competitiveness in overseas markets.
 - (ii) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for building our brand image in overseas markets. This includes obtaining a deep understanding of local market dynamics to tailor strategies to local tastes and preferences, and increasing brand visibility, customer recognition and brand loyalty through media campaigns and in-store promotions in key markets. We also plan to selectively pursue acquisitions of local brands, which will diversify our portfolio and accelerate customer recognition in overseas markets.
- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for strengthening our sales network and enhancing its penetration capabilities. In particular:
 - (i) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for enhancing our marketing efforts across different platforms, including advertisements, new media and e-commerce platforms, as well through television program sponsorships and strategic collaborations with celebrities. We plan to enhance our presence on new media platforms, through high-quality content creation. Such efforts aim to boost our brand visibility, improving the efficiency and value of our expenditure on brand promotion;
 - (ii) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for expanding distribution channels and enhancing marketing efforts. We plan to strengthen our distribution network by (i) collaborating closely with our distributors to enhance engagement with end customers and enhancing our marketing efforts that focus on them so as to gain an in-depth understanding of their consumption preferences, and (ii) collaborating with distributors to improve customer loyalty and explore more business opportunities. In addition, we intend to develop more direct sales relationships with target customer groups, such as catering businesses and food processing enterprises; and

FUTURE PLANS AND USE OF [REDACTED]

- (iii) Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for digital marketing initiatives. We plan to implement product codes across our product portfolio to enable real-time sales data collection and analysis. We intend to utilize modeling and algorithm analysis of sales data to refine marketing strategies and enhance the effectiveness of online promotions. We also plan to upgrade our membership management platform to enhance customer interaction and provide personalized services.
- Approximately [REDACTED]% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for working capital and general corporate purposes.

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED] range, the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively. To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we will adjust our allocation of the net [REDACTED] for the above purposes 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 above purposes, we will only deposit those net [REDACTED] into short-term interest-bearing accounts with licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

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APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report set out on pages I-1 to I-79 received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FOSHAN HAITIAN FLAVOURING AND FOOD COMPANY LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Foshan Haitian Flavouring and Food Company Ltd. (the "Company") and its subsidiaries (collectively referred to as, the "Group") set out on pages I-4 to I-79, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022 and 2023, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended December 31, 2022 and 2023 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-79 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the 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.

APPENDIX I

ACCOUNTANTS' REPORT

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 (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company as at September 30, 2024, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the nine months ended September 30, 2023 and 2024 and other explanatory information (the "Interim Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our

APPENDIX I**ACCOUNTANTS' REPORT**

responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to Note 31(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

[●]

APPENDIX I**ACCOUNTANTS' REPORT**

HISTORICAL FINANCIAL INFORMATION

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

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

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in RMB)

	Note	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	4	25,609,652	24,559,312	18,650,165	20,399,308
Cost of sales		(16,679,019)	(16,222,544)	(12,183,194)	(13,058,814)
Gross profit		8,930,633	8,336,768	6,466,971	7,340,494
Other revenue	5	894,358	748,533	437,082	501,635
Other net income	6	151,254	225,143	183,322	171,277
Selling and marketing expenses		(1,378,054)	(1,305,747)	(1,016,114)	(1,198,151)
Administrative expenses .		(449,008)	(534,411)	(373,673)	(417,599)
Research and development costs . . .	8(c)	(751,339)	(715,418)	(501,708)	(602,739)
(Provision for)/reversal of expected credit losses on trade and other receivables		(2,592)	(203)	2,029	(1,584)
Provision for impairment losses	7	(16,551)	(3,739)	–	(97,555)
Profit from operations .		7,378,701	6,750,926	5,197,909	5,695,778
Finance costs	8(a)	(14,496)	(11,888)	(9,913)	(20,866)
Profit before taxation . .	8	7,364,205	6,739,038	5,187,996	5,674,912
Income tax	9	(1,161,039)	(1,096,851)	(849,116)	(846,038)
Profit for the year/period		<u>6,203,166</u>	<u>5,642,187</u>	<u>4,338,880</u>	<u>4,828,874</u>
Attributable to:					
Equity shareholders of the Company		6,197,717	5,626,625	4,328,680	4,814,904
Non-controlling interests		<u>5,449</u>	<u>15,562</u>	<u>10,200</u>	<u>13,970</u>
Profit for the year/period		<u>6,203,166</u>	<u>5,642,187</u>	<u>4,338,880</u>	<u>4,828,874</u>
Earnings per share	12				
Basic and diluted (RMB)		<u>1.11</u>	<u>1.01</u>	<u>0.78</u>	<u>0.87</u>

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Profit for the year/period	6,203,166	5,642,187	4,338,880	4,828,874
Other comprehensive income for the year/period (after tax and reclassification adjustments)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of subsidiaries outside of the mainland China	—	(9)	(13)	787
Other comprehensive income for the year/period.	—	(9)	(13)	787
Total comprehensive income for the year/period.	<u>6,203,166</u>	<u>5,642,178</u>	<u>4,338,867</u>	<u>4,829,661</u>
Attributable to:				
Equity shareholders of the Company	6,197,717	5,626,616	4,328,667	4,815,691
Non-controlling interests	<u>5,449</u>	<u>15,562</u>	<u>10,200</u>	<u>13,970</u>
Total comprehensive income for the year/period.	<u>6,203,166</u>	<u>5,642,178</u>	<u>4,338,867</u>	<u>4,829,661</u>

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at December 31,		As at
		2022	2023	September 30,
		RMB'000	RMB'000	2024
				RMB'000
				<i>(unaudited)</i>
Non-current assets				
Property, plant and equipment	13	5,397,675	6,073,857	6,409,210
Right-of-use assets	14	681,871	857,180	856,320
Investment property		4,131	3,775	3,521
Intangible assets	15	46,202	40,128	36,945
Goodwill	16	210,428	210,428	112,937
Other financial assets at fair value				
through profit or loss ("FVPL") . . .	19	100	100	100
Other receivables	22	91,854	9,708	59,278
Deferred tax assets	30(b)	653,326	453,922	376,336
		7,085,587	7,649,098	7,854,647
Current assets				
Inventories	20	2,391,641	2,618,773	1,911,799
Trade receivables	21	188,395	223,149	258,315
Other receivables	22	88,582	402,107	154,362
Other financial assets at FVPL	19	6,081,663	5,841,005	7,290,244
Term deposits and certificates of				
deposits	23	9,040,109	8,830,381	11,663,967
Restricted cash	23	31,163	17,924	20,602
Cash and cash equivalents	23	9,152,035	12,841,080	6,854,202
		26,973,588	30,774,419	28,153,491
Current liabilities				
Trade payables	24	1,300,262	1,861,489	1,784,161
Other payables	25	1,864,286	1,505,192	1,578,211
Contract liabilities	26	2,948,111	4,527,027	1,681,110
Bank loans	27	136,698	381,249	312,715
Lease liabilities	28	15,287	12,741	17,982
Current taxation	30(a)	328,856	222,925	239,388
Other current liabilities	26	125,791	425,614	109,944
		6,719,291	8,936,237	5,723,511
Net current assets		20,254,297	21,838,182	22,429,980
Total assets less current liabilities . .		27,339,884	29,487,280	30,284,627

APPENDIX I

ACCOUNTANTS' REPORT

	<i>Note</i>	As at December 31		As at
		2022	2023	September 30,
		<i>RMB'000</i>	<i>RMB'000</i>	2024
				<i>RMB'000</i>
				<i>(unaudited)</i>
Non-current liabilities				
Bank loans and other borrowing	27	112,653	89,270	62,750
Lease liabilities	28	29,746	30,186	32,429
Deferred income	29	279,166	303,224	273,636
Deferred tax liabilities	30(b)	33,840	31,624	34,893
		<u>455,405</u>	<u>454,304</u>	<u>403,708</u>
NET ASSETS		<u>26,884,479</u>	<u>29,032,976</u>	<u>29,880,919</u>
CAPITAL AND RESERVES				
Share capital	31(c)	4,633,834	5,560,601	5,560,601
Treasury shares	31(d)	–	(249,998)	(563,740)
Reserves	31(e)	21,763,843	23,220,009	24,375,288
Total equity attributable to equity				
shareholders of the Company . . .		26,397,677	28,530,612	29,372,149
Non-controlling interests		486,802	502,364	508,770
TOTAL EQUITY		<u>26,884,479</u>	<u>29,032,976</u>	<u>29,880,919</u>

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at December 31,		As at
		2022	2023	September 30,
		RMB'000	RMB'000	2024
				RMB'000 (unaudited)
Non-current assets				
Property, plant and equipment		28,203	23,431	19,484
Right-of-use assets		29,887	15,916	19,679
Investment property		1,796	1,640	1,537
Intangible assets		8,761	10,314	14,306
Investments in subsidiaries	18	1,489,109	1,549,109	1,485,409
Other financial assets at FVPL	19	100	100	100
Deferred tax assets	30(b)	521,466	315,486	217,233
		<u>2,079,322</u>	<u>1,915,996</u>	<u>1,757,748</u>
Current assets				
Inventories	20	9,616	8,892	6,640
Other receivables	22	11,076,462	8,466,670	2,905,137
Other financial assets at FVPL	19	2,624,927	3,611,520	4,209,252
Term deposits and certificates of deposits	23	4,222,485	7,901,954	10,689,189
Restricted cash	23	—	—	306
Cash and cash equivalents	23	7,191,574	8,640,855	4,454,974
		<u>25,125,064</u>	<u>28,629,891</u>	<u>22,265,498</u>
Current liabilities				
Trade payables	24	1,683	450,289	2,558,181
Other payables	25	6,819,986	5,582,644	3,210,151
Contract liabilities	26	2,659,323	4,113,858	1,495,248
Lease liabilities	28	14,350	7,570	11,177
Current taxation	30(a)	35,698	35,675	17,143
Other current liabilities	26	100,100	380,787	91,448
		<u>9,631,140</u>	<u>10,570,823</u>	<u>7,383,348</u>
Net current assets		<u>15,493,924</u>	<u>18,059,068</u>	<u>14,882,150</u>
Total assets less current liabilities		<u>17,573,246</u>	<u>19,975,064</u>	<u>16,639,898</u>
Non-current liabilities				
Lease liabilities	28	17,133	9,533	9,224
Deferred income	29	2,451	5,304	14,012
		<u>19,584</u>	<u>14,837</u>	<u>23,236</u>
NET ASSETS		<u>17,553,662</u>	<u>19,960,227</u>	<u>16,616,662</u>
CAPITAL AND RESERVES				
Share capital	31(c)	4,633,834	5,560,601	5,560,601
Treasury shares	31(d)	—	(249,998)	(563,740)
Reserves	31(e)	12,919,828	14,649,624	11,619,801
TOTAL EQUITY		<u>17,553,662</u>	<u>19,960,227</u>	<u>16,616,662</u>

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in RMB)

	Attributable to equity shareholders of the Company							
	Share capital	Capital reserve	Statutory reserve	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022	4,212,576	95,860	2,175,976	46,639	16,870,467	23,401,518	98,331	23,499,849
Changes in equity for 2022:								
Profit for the year	-	-	-	-	6,197,717	6,197,717	5,449	6,203,166
Total comprehensive income	-	-	-	-	6,197,717	6,197,717	5,449	6,203,166
Appropriation to statutory reserve	-	-	286,319	-	(286,319)	-	-	-
Dividends approved and paid in respect of the previous year	-	-	-	-	(3,201,558)	(3,201,558)	-	(3,201,558)
Bonus issue	421,258	-	-	-	(421,258)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	383,022	383,022
Balance at December 31, 2022	4,633,834	95,860	2,462,295	46,639	19,159,049	26,397,677	486,802	26,884,479

APPENDIX I

ACCOUNTANTS’ REPORT

Attributable to equity shareholders of the Company

	Share capital	Treasury shares	Capital reserve	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 31(c))	(note 31(d))	(note 31(e)(i))	(note 31(e)(ii))	(note 31(e)(iii))	(note 31(e)(iv))				
Balance at January 1, 2023	4,633,834	-	95,860	2,462,295	46,639	-	19,159,049	26,397,677	486,802	26,884,479
Changes in equity for 2023:										
Profit for the year	-	-	-	-	-	-	5,626,625	5,626,625	15,562	5,642,187
Other comprehensive income	-	-	-	-	-	(9)	-	(9)	-	(9)
Total comprehensive income	-	-	-	-	-	(9)	5,626,625	5,626,616	15,562	5,642,178
Repurchase of own shares	-	(249,998)	-	-	-	-	-	(249,998)	-	(249,998)
Appropriation to statutory reserve	-	-	-	544,005	-	-	(544,005)	-	-	-
Dividends approved and paid in respect of the previous year	-	-	-	-	-	-	-	-	-	-
Bonus issue	926,767	-	-	-	-	-	(3,243,683)	(3,243,683)	-	(3,243,683)
Balance at December 31, 2023	5,560,601	(249,998)	95,860	3,006,300	46,639	(9)	20,071,219	28,530,612	502,364	29,032,976

APPENDIX I

ACCOUNTANTS’ REPORT

Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 31(c))	(note 31(e)(i))	(note 31(e)(ii))	(note 31(e)(iii))	(note 31(e)(iv))				
(unaudited)									
Balance at January 1, 2023	4,633,834	95,860	2,462,295	46,639	-	19,159,049	26,397,677	486,802	26,884,479
Changes in equity for 2023:									
Profit for the period	-	-	-	-	-	4,328,680	4,328,680	10,200	4,338,880
Other comprehensive income	-	-	-	-	(13)	-	(13)	-	(13)
Total comprehensive income	-	-	-	-	(13)	4,328,680	4,328,667	10,200	4,338,867
Dividends approved and paid in respect of the previous year (note 31(b))	-	-	-	-	-	(3,243,683)	(3,243,683)	-	(3,243,683)
Bonus issue	926,767	-	-	-	-	(926,767)	-	-	-
Balance at September 30, 2023	5,560,601	95,860	2,462,295	46,639	(13)	19,317,279	27,482,661	497,002	27,979,663

APPENDIX I

ACCOUNTANTS’ REPORT

Attributable to equity shareholders of the Company

	Share capital	Treasury shares	Capital reserve	Statutory reserve	Other reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 31(c))	(note 31(d))	(note 31(e)(i))	(note 31(e)(ii))	(note 31(e)(iii))	(note 31(e)(iv))				
(unaudited)										
Balance at January 1, 2024	5,560,601	(249,998)	95,860	3,006,300	46,639	(9)	20,071,219	28,530,612	502,364	29,032,976
Changes in equity for 2024:										
Profit for the period	-	-	-	-	-	-	4,814,904	4,814,904	13,970	4,828,874
Other comprehensive income	-	-	-	-	-	787	-	787	-	787
Total comprehensive income	-	-	-	-	-	787	4,814,904	4,815,691	13,970	4,829,661
Repurchase of own shares										
(note 31(d))		(313,742)	-	-	-	-	-	(313,742)	-	(313,742)
Appropriation to statutory reserve		-	-	-	-	-	-	-	-	-
Dividends approved and paid in respect of the previous year		-	-	-	-	-	-	-	-	-
(note 31(b))		-	-	-	-	-	(3,660,412)	(3,660,412)	(7,564)	(3,667,976)
Balance at September 30, 2024	5,560,601	(563,740)	95,860	3,006,300	46,639	778	21,225,711	29,372,149	508,770	29,880,919

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Operating activities					
Cash generated from					
operations	23(d)	5,065,810	8,361,245	4,235,157	3,501,270
Income tax paid		(1,235,496)	(1,005,594)	(778,999)	(748,720)
Net cash generated from operating activities		3,830,314	7,355,651	3,456,158	2,752,550
Investing activities					
Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets		(1,517,900)	(1,924,150)	(1,432,210)	(1,195,066)
Proceeds from disposal of property, plant and equipment and intangible assets		5,066	1,813	4,428	3,640
Proceeds from maturity of term deposits and certificates of deposits		4,940,000	6,780,000	5,250,000	3,182,050
Placement of term deposits and certificates of deposits.		(8,016,050)	(6,376,000)	(3,726,000)	(6,006,146)
Purchase of other financial assets at FVPL		(7,674,000)	(7,212,630)	(6,633,617)	(8,747,750)
Proceeds from disposal of other financial assets at FVPL		7,111,527	7,683,415	5,657,989	7,479,877
Interest received		566,133	396,450	285,554	362,929
(Payment for)/withdrawal of deposits for a derivative financial instrument		–	(150,000)	–	150,000
Payments for acquisition of subsidiaries, net of cash acquired		(73,304)	(18,900)	(18,900)	–
Net cash used in investing activities		(4,658,528)	(820,002)	(612,756)	(4,770,466)

APPENDIX I

ACCOUNTANTS' REPORT

	<i>Note</i>	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Financing activities					
Payment for repurchase of own shares		–	(249,998)	–	(313,742)
Proceeds from bank loans . . .	23(e)	251,009	517,920	475,963	321,524
Proceeds from discount of bills receivable due from the Company by a subsidiary	23(e)	700,000	1,050,000	900,000	1,193,788
Payment for expired bills payable due to a subsidiary from the Company	23(e)	(1,142,500)	(600,000)	–	(1,050,000)
Repayments of bank loans . . .	23(e)	(259,489)	(296,769)	(124,013)	(416,578)
Repayment of borrowings from non-controlling shareholders		(331,902)	–	–	–
Lease payments	23(e)	(20,795)	(18,380)	(12,171)	(16,675)
Dividends paid to equity shareholders of the Company		(3,201,558)	(3,243,683)	(3,243,683)	(3,660,412)
Dividends paid to non- controlling shareholders . . .		–	–	–	(7,564)
Interest paid	23(e)	(12,528)	(9,720)	(6,764)	(19,290)
Net cash used in financing activities		(4,017,763)	(2,850,630)	(2,010,668)	(3,968,949)
Net (decrease)/increase in cash and cash equivalents		(4,845,977)	3,685,019	832,734	(5,986,865)
Effect of foreign exchange rate changes		(2,786)	4,026	–	(13)
Cash and cash equivalents at the beginning of the year/period		14,000,798	9,152,035	9,152,035	12,841,080
Cash and cash equivalents at the end of the year/period	23(a)	9,152,035	12,841,080	9,984,769	6,854,202

The accompanying notes are integral part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Foshan Haitian Flavouring and Food Company Ltd. (“佛山市海天調味食品股份有限公司”), hereinafter referred to as the “Company”, was established in Foshan City, Guangdong Province, the People’s Republic of China (the “PRC”) on April 8, 2000 as a limited liability company under the PRC Company Law. In November 2010, the Company was converted into a joint stock limited liability company. In February 2014, the Company’s A Shares were listed on Shanghai Stock Exchange (“the A Share Listing”).

The Company and its subsidiaries (hereinafter collectively referred to as “the Group”) are principally engaged in the manufacturing and sales of soy sauce, oyster sauce, flavored sauce, specialty condiment products and others.

The financial statements of the Company and its subsidiaries for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The Company’s statutory financial statements for the years ended December 31, 2022 and 2023 were audited by KPMG Huazhen LLP 畢馬威華振會計師事務所(特殊普通合伙).

As at December 31, 2022 and 2023, as at September 30, 2024, and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Effective interest held by the Group			Principal activities and place of operation
			As at December 31,		At the date of this report	
			2022	2023	2024	
<i>Directly held by the Company</i>						
Hensil Worldwide Investments Limited (“Hensil Worldwide”) (興兆環球投資有限公司) (iv)	British Virgin Islands (“BVI”) July 4, 2001	USD1	100%	100%	100%	100% Equity investment; British Virgin Islands
Haitian Vinegar Industry Group Limited (“Vinegar Group”) (海天醋業集團有限公司) (i)(v)	PRC March 25, 2014	RMB10,000,000	100%	100%	100%	100% Manufacturing of condiments; PRC
Guangdong Xiaokang Technology Co., Ltd. (“Xiaokang Technology”) (廣東小康科技有限公司) (i)(iii)	PRC June 22, 2017	RMB10,000,000	100%	100%	100%	100% Sales of condiments, food, and beverages; PRC
Foshan Haitian (Nanning) Seasoning Food Co., Ltd. (“Nanning Haitian”) (佛山市海天(南寧)調味食品有限公司) (i)(iii)	PRC January 23, 2020	RMB50,000,000	100%	100%	100%	100% Manufacturing of condiments; PRC
Haitian Oyster Sauce (Tianjin) Group Co., Ltd. (“Tianjin Oyster”) (海天蠔油(天津)集團有限公司) (i)(iii)	PRC February 7, 2021	RMB1,000,000	100%	100%	100%	100% Sales of condiments; PRC

APPENDIX I

ACCOUNTANTS’ REPORT

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Effective interest held by the Group			Principal activities and place of operation
			As at December 31,		At the date of this report	
			2022	2023	2024	
Foshan Haitian (Suqian) Seasoning Food Co., Ltd. (“Suqian Haitian”) (佛山市海天(宿遷)調味食品有限公司) (i)(iii)	PRC August 25, 2021	RMB100,000,000	100%	100%	100%	100% Manufacturing of condiments; PRC
Haitian Brewing Food Co., Ltd. (“Haitian Niangzao”) (海天釀造食品有限公司) (i)(ii)	PRC January 10, 2022	RMB25,000,000	100%	100%	100%	100% Sales of condiments; PRC
Foshan Haitian (Gaoming) Flavoring Food Co., Ltd. (“Gaoming Haitian”) (佛山市海天(高明)調味食品有限公司) (i)(iii)	PRC June 7, 2004	RMB50,000,000	100%	100%	100%	100% Manufacturing of condiments; PRC
<i>Indirectly held by the Company</i>						
Zhejiang Haitian Vinegar Wine Marketing Co., Ltd. (“Zhejiang Cuijiu”) (浙江海天醋酒營銷有限公司) (i)(iii)	PRC September 1, 2021	RMB10,000,000	100%	100%	100%	100% Sales of condiments; PRC

Notes:

- (i) The English translation of the company names is for reference only. The official names of these companies are in Chinese. These companies were all limited liability companies under the law of the PRC.
- (ii) The statutory financial statements of this entity for the year ended December 31, 2022 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and were audited by KPMG Huazhen LLP. No audited financial statements were prepared for this entity for the year ended December 31, 2023.
- (iii) The statutory financial statements of these entities for the years ended December 31, 2022 and 2023 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements for the years ended December 31, 2022 and 2023 were audited by KPMG Huazhen LLP. As at the date of this report, the audited statutory financial statements of these entities for the year ended December 31, 2024 were not yet issued.
- (iv) The audited financial statements of this entity for the years ended December 31, 2022 and 2023 were prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities. The audited financial statements for the years ended December 31, 2022 and 2023 were audited by Tony Kwok Tung Ng & Co., Certified Public Accountants. As at the date of this report, the audited financial statements of this entity for the year ended December 31, 2024 were not yet issued.
- (v) The statutory financial statements of this entity for the years ended December 31, 2022 and 2023 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The statutory financial statements for the years ended December 31, 2022 and 2023 were audited by Suqian Gongxing Certified Public Accountants Co., Ltd.. As at the date of this report, the audited statutory financial statements of this entity for the year ended December 31, 2024 were not yet issued.
- (vi) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group.

APPENDIX I

ACCOUNTANTS' REPORT

All companies comprising the Group have adopted December 31 as their financial year end date.

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 adopted are set out in note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards effective for the accounting period beginning on January 1, 2024, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2024 are set out in note 36.

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 Interim Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Interim Financial Information are presented in Renminbi ("RMB"), rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for certain financial assets measured at their fair value (see note 2(e)).

(b) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

APPENDIX I

ACCOUNTANTS' REPORT

For each business combination, the Group elects to measure the non-controlling interests ("NCI") at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

(d) **Goodwill**

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses (see note 2(j)(ii)).

(e) **Other investments in securities**

The Group's policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognized/derecognized 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 recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(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:

- 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 recognized 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 recognized 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

APPENDIX I

ACCOUNTANTS' REPORT

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 recognized in profit or loss as other income (see note 2(t)(ii)(d)).

(f) Investment property

Investment property is initially measured at cost. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

– Buildings	20 years
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The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Any gain or loss on disposal of investment property is recognized in profit or loss. Rental income from investment properties is recognized in accordance with note 2(t)(ii)(a).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any impairment losses (see note 2(j)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gains or losses on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss as follows:

– Land-use rights, other leased properties, machinery and equipment are depreciated over the unexpired term of lease	
– Buildings	5-30 years
– Machinery and equipment	2-15 years
– Vehicles	3-10 years
– Office equipment and others	2-10 years
– Leasehold improvements	2-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress is stated at cost less impairment losses (see note 2(j)(ii)). Cost comprises direct costs of construction as well as interest expense capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(h) Intangible assets (other than goodwill)

Expenditure on research and development activities is recognized in profit or loss as incurred.

Intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortization and impairment losses (see note 2(j)(ii)).

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line basis over their estimated useful lives, if any, and is generally recognized in profit or loss.

APPENDIX I

ACCOUNTANTS' REPORT

The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

- Enterprise resource planning system and other software	2-10 years
- Trademark and others	3-10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss 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 recognized using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost (see notes 2(e)(i), 2(t)(ii)(b) and 2(j)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the financial statements, 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.

APPENDIX I

ACCOUNTANTS' REPORT

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 2(t)(ii)(a).

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost, non-equity securities measured at fair value through other comprehensive income and lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected live of the instrument is less than 12 months); and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and bills receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

APPENDIX I

ACCOUNTANTS' REPORT

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 90 days past due

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial assets in the consolidated statements of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default;
- for economic or contractual reasons relating to the debtor's financial difficulties, the Group having granted to the debtor a concession that it would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer or the debtor

Write-off policy

The gross carrying amount of a financial asset is written off 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 recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). 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.

APPENDIX I

ACCOUNTANTS' REPORT

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is 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.

(k) Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable 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.

(l) Trade and other receivables

A receivable is recognized 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 amortized cost (see note 2(j)(i)).

(m) Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks, term deposits and certificates of deposits held for the purpose of meeting short-term cash commitments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

Guarantee deposits which are restricted to use are presented separately in consolidated statements of financial position as "Restricted cash". Restricted cash is excluded from cash and cash equivalents in the consolidated cash flow statements.

Cash and cash equivalents, term deposits, certificates of deposits and restricted cash are assessed for ECLs in accordance with the policy set out in note 2(j)(i).

(n) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with note 2(v).

APPENDIX I

ACCOUNTANTS' REPORT

(p) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(t)(i)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable is also recognized (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)(ii)(b)).

(q) 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 recognized 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 recognizes costs for a restructuring.

(r) 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 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 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 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 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 recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

APPENDIX I

ACCOUNTANTS' REPORT

Deferred tax assets are recognized for unused tax losses, 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 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 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 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.

(s) 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.

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 recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or 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

The Group is the principal for its revenue transactions and recognizes revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax.

(a) Sales of flavoring products

Revenue is recognized when the products are delivered to customers at the locations specified in the sales orders or sales contracts, or when the products are despatched if the customers designate the Group as the carrier. Revenue is recognized based on the price agreed in the contract net of the expected sales rebates and customer incentives to be paid to customers.

(b) Revenue from transportation services

Revenue from transportation services is recognized over time.

APPENDIX I

ACCOUNTANTS' REPORT

(c) *Other practical expedients applied*

For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

(ii) **Revenue from other sources and other income**

(a) *Rental income from operating leases*

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(b) *Interest income*

Interest income is recognized using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(c) *Government grants*

Government grants are recognized in the statements 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 recognized 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 recognized by setting up the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

(d) *Dividends*

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

(u) **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 recognized 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 are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

APPENDIX I

ACCOUNTANTS' REPORT

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(v) **Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

(w) **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.

(x) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

APPENDIX I

ACCOUNTANTS' REPORT

According to the Group's internal organisational structure, management requirements and internal reporting system, the nature, production process, sales methods and customer types of the Group's products are similar. The Group's operations and strategies operate as a whole. The financial information provided by the chief operating decision maker does not contain profit or loss information for each operating activity. Therefore, the management believes that the Group has only one reportable segment and the Group is not required to prepare a segment report.

3 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

(a) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Value in use is determined using the discounted cash flow method. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of the assets may be different from its actual recoverable amount and the Group's profit or loss could be affected by the accuracy of the estimations. Changes in facts and circumstances may result in revisions to the estimates of recoverable amount, which would affect profit or loss in future years.

(b) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's profit or loss and net assets value. The Group reassesses these estimates annually.

(c) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

APPENDIX I

ACCOUNTANTS' REPORT

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sales of soy sauce, oyster sauce, flavored sauce, specialty condiment products and others.

(i) Disaggregation of revenue

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

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from contracts with customers within the scope of IFRS 15				
<i>Disaggregated by major products and services</i>				
Sales of soy sauce products	13,861,182	12,637,386	9,626,407	10,338,455
Sales of oyster sauce products	4,416,535	4,251,221	3,221,510	3,427,140
Sales of flavored sauce products	2,584,009	2,427,007	1,866,380	2,034,489
Sales of specialty condiment products and others	2,932,177	3,499,473	2,640,451	3,165,501
Others (note)	1,796,665	1,722,231	1,282,691	1,412,109
	25,590,568	24,537,318	18,637,439	20,377,694
Revenue from other sources				
Rental income	19,084	21,994	12,726	21,614
	25,609,652	24,559,312	18,650,165	20,399,308

Note: Others primarily consist of sales of raw materials, packaging materials, by-products and others, and logistics and transportation services income.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from contracts with customers				
Point in time	24,853,611	23,845,149	18,127,462	19,937,467
Over time	736,957	692,169	509,977	440,227
	25,590,568	24,537,318	18,637,439	20,377,694

The Group's customer base is diversified, and the Group did not have any customer with whom transactions have exceeded 10% of the Group's aggregate revenue for each of the years ended December 31, 2022 and 2023 and for the nine months ended September 30, 2023 and 2024.

The Group applies the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of substantially all the contracts of the Group are within one year or less.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Segment reporting

Operating segments are identified on the basis of internal reports that the Group’s most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group’s most senior executive management makes resources allocation decisions based on internal management functions and assess the Group’s business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

(i) Geographic information

Substantially all of the Group’s revenue and non-current assets are generated and located in the PRC. Accordingly, no segment analysis based on geographical locations is provided.

5 OTHER REVENUE

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Interest income	750,174	604,372	393,188	358,768
Government grants (note (a))	143,894	73,704	43,626	70,511
Additional deduction for VAT (note (b))	–	70,457	268	72,356
Others	290	–	–	–
	<u>894,358</u>	<u>748,533</u>	<u>437,082</u>	<u>501,635</u>

Notes:

(a) Government grants

Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

(b) Additional deduction for VAT

Pursuant to the Notice on the Additional Value-added Tax (“VAT”) Credit Policy for Advanced Manufacturing Enterprises (Announcement [2023] No. 43) issued by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT in the period from January 1, 2023 to December 31, 2027.

6 OTHER NET INCOME

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Net fair value changes on other financial assets at FVPL	134,372	230,126	183,657	181,366
Net gains/(losses) on disposal of property, plant and equipment	851	(951)	(549)	(1,794)
Net foreign exchange gains/(losses)	3,767	1,374	1,605	(13,117)
Others	12,264	(5,406)	(1,391)	4,822
	<u>151,254</u>	<u>225,143</u>	<u>183,322</u>	<u>171,277</u>

APPENDIX I

ACCOUNTANTS’ REPORT

7 PROVISION FOR IMPAIRMENT LOSSES

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Provision for impairment losses on				
– goodwill	15,488	–	–	97,491
– inventories	1,063	3,739	–	64
	<u>16,551</u>	<u>3,739</u>	–	<u>97,555</u>

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Interest on bank loans and other				
borrowing	12,380	9,737	8,396	19,290
Interest on lease liabilities	2,116	2,151	1,517	1,576
	<u>14,496</u>	<u>11,888</u>	<u>9,913</u>	<u>20,866</u>

(b) Staff costs (including directors’ and supervisors’ emoluments)

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Salaries, wages and other benefits . .	1,361,160	1,422,006	1,058,585	1,247,570
Contributions to defined contribution				
retirement plans	59,655	70,170	49,471	60,742
	<u>1,420,815</u>	<u>1,492,176</u>	<u>1,108,056</u>	<u>1,308,312</u>

The Group’s PRC entities participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the PRC municipal and provincial government authorities, whereby the PRC entities are required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group has no other material obligations for payments of pension benefits beyond the contributions above.

APPENDIX I

ACCOUNTANTS’ REPORT

(c) **Other items**

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Amortization cost of intangible assets (note 15)	11,929	11,930	8,644	11,347
Depreciation charge				
– Property, plant and equipment (note 13)	798,512	879,589	627,188	646,377
– Right-of-use assets (note 14)	26,386	33,503	24,646	28,903
– Investment properties	365	356	272	254
	<u>825,263</u>	<u>913,448</u>	<u>652,106</u>	<u>675,534</u>
Auditors’ remuneration	3,837	3,731	1,108	806
Cost of inventories	13,967,282	13,716,828	9,673,001	10,247,467
Logistics costs	1,451,277	1,340,434	1,008,593	1,054,574
Research and development expenses (note (i))	751,339	715,418	501,708	602,739

Note:

(i) During the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024, research and development expenses include RMB709,400,000, RMB666,786,000, RMB453,577,000 (unaudited), and RMB548,704,000 (unaudited), respectively relating to cost of inventories, staff costs and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in note 8(b) for each of these types of expenses.

9 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Current tax – PRC corporate income tax (“CIT”)				
Provision for the year/period	1,113,245	898,613	707,960	771,731
Under/(over)-provision in respect of prior years	4,468	1,050	1,050	(6,548)
	<u>1,117,713</u>	<u>899,663</u>	<u>709,010</u>	<u>765,183</u>
Deferred tax				
Origination and reversal of temporary differences (note 30(b))	43,326	197,188	140,106	80,855
	<u>1,161,039</u>	<u>1,096,851</u>	<u>849,116</u>	<u>846,038</u>

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit before taxation	7,364,205	6,739,038	5,187,996	5,674,912
Tax at the tax rate of 25%	1,841,051	1,684,760	1,296,999	1,418,728
Effect of different tax rates applicable to subsidiaries (notes (i)(ii)(iii))	(587,032)	(508,159)	(375,687)	(491,278)
Tax effect of additional deduction for qualified research and development expenses (note (i))	(109,964)	(88,342)	(77,657)	(84,152)
Tax effect of non-deductible expenses	1,811	7,487	4,015	9,288
Under/(over)-provision in prior periods	4,468	1,050	1,050	(6,548)
Effect of expired unused tax losses recognized in prior years	6,935	–	–	–
Others	3,770	55	396	–
Actual tax expense	1,161,039	1,096,851	849,116	846,038

Notes:

(i) PRC corporate income tax (“CIT”)

The income tax provision of the Group in respect of its operations in mainland China was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretation and practices in respect thereof, except for the subsidiaries below.

Certain subsidiaries of the Company in the mainland China were subject to the following preferential corporate income tax policies for years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024:

- Certain subsidiaries of the Company in the mainland China were approved as “High and New Technology Enterprises”, and they were subject to a preferential corporate income tax rate of 15%;
- Certain subsidiaries of the Company were entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries and the preferential tax rate of 9% applicable to one subsidiary. These subsidiaries located in certain areas of the mainland China, can enjoy the preferential tax rate upon fulfilment of certain requirements of the respective local governments application conditions of relevant preferential policies; and
- Certain subsidiaries of the Company in the mainland China fulfil the micro and small enterprises qualification under the PRC corporate income tax system. Therefore, partial assessable profits of these subsidiaries were subject to the preferential income tax rate of 20%.

Hensil Worldwide which was incorporated in the British Virgin Islands was deemed as domestic registered resident enterprise since 2014 and subject to CIT tax rate of 25% on the assessable profits. In addition, equity investment income included dividends, received from other resident enterprise by Hensil Worldwide was qualified for income tax exemption since 2014.

APPENDIX I

ACCOUNTANTS' REPORT

The additional deduction for qualified research and development expenses mainly represents an additional 100% tax deduction on eligible research and development expenses incurred by certain subsidiaries during the years ended December 31, 2022 and 2023, and the nine months period ended September 30, 2023 and 2024.

(ii) Hong Kong profits tax

The provision for Hong Kong Profits Tax for the year ended December 31, 2023 and the nine months ended September 30, 2023 and 2024 is calculated at 16.5% of the estimated assessable profits for the year/period, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first Hong Kong dollars ("HKD") 2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5% for the year ended December 31, 2023 and the nine months ended September 30, 2023 and 2024.

(iii) Corporate income tax in other jurisdictions

The income tax rates of the subsidiaries in Vietnam and Indonesia are 20% and 22%, respectively.

(c) **Pillar Two income taxes**

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") for a new global minimum tax reform applicable to large multinational enterprises. Certain jurisdictions in which the Group operates have implemented Pillar Two income tax legislation based on this framework, and those Pillar Two income tax laws became effective on January 1, 2024.

Vietnam, where Haday Vietnam Company Limited and Haday Vietnam Food Company Limited operate, introduced Pillar Two global minimum tax rules which include an income inclusion rule (IIR) and qualified domestic minimum top-up tax effective from January 1, 2024. However, no provision was made for the Pillar Two global minimum tax as Haday Vietnam Company Limited and Haday Vietnam Food Company Limited did not earn any taxable income for the nine months ended September 30, 2024.

The Group has applied the temporary mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

Other jurisdictions in which the Group operates are in the process of implementing their Pillar Two income tax legislation. Therefore, it is possible that the Group may be subject to additional Pillar Two income taxes in those jurisdictions in the future.

APPENDIX I

ACCOUNTANTS' REPORT

10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments during the years ended 2022 and 2023, nine months period ended 2023 and 2024 are as follows:

For the year ended December 31, 2022

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
Mr. Pang Kang (vii)	–	1,735	5,274	–	7,009
Ms. Cheng Xue	–	1,660	5,355	42	7,057
Mr. Guan Jianghua	–	1,140	2,473	42	3,655
Mr. Chen Junyang (vii)	–	720	1,343	42	2,105
Mr. Wen Zhizhou	–	1,074	1,476	42	2,592
Mr. Liao Changhui	–	47	34	2	83
Mr. He Tingwei (i)	–	1,153	560	3	1,716
Mr. Huang Shuliang (ii)	–	620	1,200	42	1,862
Independent non-executive directors					
Mr. Zhu Tao (iii)	80	–	–	–	80
Mr. Chao Gang (iii)	151	–	–	–	151
Mr. Sun Zhanli (iii)	151	–	–	–	151
Ms. Shen Hongtao (iv)	80	–	–	–	80
Mr. Sun Yuanming (iv)	9	–	–	–	9
Mr. Xu Jiali (iv)	9	–	–	–	9
Supervisors					
Mr. Gui Junqiang (v)	–	601	420	19	1,040
Ms. Chen Min	–	637	123	19	779
Mr. Li Jun (vi)	–	558	275	18	851
Mr. Tong Xing (x)	–	77	17	2	96
	<u>480</u>	<u>10,022</u>	<u>18,550</u>	<u>273</u>	<u>29,325</u>

For the year ended December 31, 2023

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
Mr. Pang Kang (vii)	–	2,401	3,149	–	5,550
Ms. Cheng Xue	–	2,447	4,208	43	6,698
Mr. Guan Jianghua	–	1,307	2,446	43	3,796
Mr. Chen Junyang (vii)	–	1,008	1,027	43	2,078
Mr. Wen Zhizhou	–	1,169	1,129	43	2,341
Mr. Liao Changhui	–	861	850	18	1,729
Independent non-executive directors					
Ms. Shen Hongtao (iv)	200	–	–	–	200
Mr. Sun Yuanming (iv)	200	–	–	–	200
Mr. Xu Jiali (iv)	200	–	–	–	200
Supervisors					
Ms. Chen Min	–	620	204	18	842
Mr. Tong Xing (x)	–	998	244	18	1,260
Mr. Huang Shuliang	–	760	973	43	1,776
	<u>600</u>	<u>11,571</u>	<u>14,230</u>	<u>269</u>	<u>26,670</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For the nine months ended September 30, 2023 (unaudited)

	Directors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors					
Mr. Pang Kang (vii)	–	1,801	–	–	1,801
Ms. Cheng Xue	–	1,835	–	32	1,867
Mr. Guan Jianghua	–	980	–	32	1,012
Mr. Chen Junyang (vii)	–	755	–	32	787
Mr. Wen Zhizhou	–	872	–	32	904
Mr. Liao Changhui	–	645	–	14	659
Independent non-executive directors					
Ms. Shen Hongtao (iv)	150	–	–	–	150
Mr. Sun Yuanming (iv)	150	–	–	–	150
Mr. Xu Jiali (iv)	150	–	–	–	150
Supervisors					
Ms. Chen Min	–	465	–	14	479
Mr. Tong Xing (x)	–	743	–	14	757
Mr. Huang Shuliang	–	569	–	33	602
	<u>450</u>	<u>8,665</u>	<u>–</u>	<u>203</u>	<u>9,318</u>

For the nine months ended September 30, 2024 (unaudited)

	Directors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Executive directors					
Mr. Pang Kang (vii)	–	2,594	–	–	2,594
Ms. Cheng Xue	–	2,614	–	45	2,659
Mr. Guan Jianghua	–	1,511	–	45	1,556
Mr. Chen Junyang (vii)	–	723	–	35	758
Mr. Wen Zhizhou	–	858	–	35	893
Mr. Liao Changhui	–	918	–	15	933
Mr. Huang Wenbiao (viii)	–	–	–	–	–
Mr. Dai Wen (viii)	–	–	–	–	–
Independent non-executive directors					
Ms. Shen Hongtao (iv)	150	–	–	–	150
Mr. Sun Yuanming (iv)	150	–	–	–	150
Mr. Xu Jiali (iv)	150	–	–	–	150
Mr. Zhang Kechun (ix)	–	–	–	–	–
Mr. Qu Wenzhou (ix)	–	–	–	–	–
Mr. Ding Bangqing (ix)	–	–	–	–	–
Supervisors					
Ms. Chen Min	–	468	–	15	483
Mr. Tong Xing (x)	–	737	250	15	1,002
Mr. Huang Shuliang	–	561	–	35	596
Mr. He Tao (xi)	–	–	–	–	–
	<u>450</u>	<u>10,984</u>	<u>250</u>	<u>240</u>	<u>11,924</u>

APPENDIX I

ACCOUNTANTS' REPORT

- (i) Mr. He Tingwei resigned as the executive director of the Company in December 2022.
- (ii) Mr. Huang Shuliang served as executive director and supervisor of the Company in 2022 and resigned as the executive director of the Company in December 2022.
- (iii) Mr. Zhu Tao resigned as independent non-executive director of the Company in March 2022, Mr. Chao Gang and Mr. Sun Zhanli resigned as independent non-executive directors of the Company in December 2022.
- (iv) Ms. Shen Hongtao was appointed as independent non-executive director of the Company in July 2022, Mr. Sun Yuanming and Mr. Xu Jiali were appointed as independent non-executive in December 2022 and all of the above non-executive directors resigned in September 2024.
- (v) Mr. Gui Junqiang resigned as the supervisor of the Company in December 2022.
- (vi) Mr. Li Jun resigned as the supervisor of the Company in December 2022.
- (vii) Mr. Pang Kang and Mr. Chen Junyang resigned as the executive directors of the Company in September 2024.
- (viii) Mr. Huang Wenbiao and Mr. Dai Wen were appointed as executive directors of the Company in September 2024.
- (ix) Mr. Zhang Kechun, Mr. Qu Wenzhou and Mr. Ding Bangqing were appointed as independent non-executive directors of the Company in September 2024.
- (x) Mr. Tong Xing resigned as the supervisor of the Company in September 2024.
- (xi) Mr. He Tao was appointed as supervisor of the Company in September 2024.

During the years ended December 31, 2022 and 2023, and the nine months ended September 30, 2023 and 2024, the executive directors and the supervisors have provided management services in connection with the management of the affairs of the Company or its subsidiaries undertaking. Since the emoluments as directors, supervisors or management cannot be distinguished from each other, emoluments as the mentioned roles are combined disclosed together.

During the years ended December 31, 2022 and 2023, and the nine months ended September 30, 2023 and 2024, no emoluments was paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. No director or supervisor has waived or agreed to waive any emoluments during the years ended December 31, 2022 and 2023, and the nine months ended September 30, 2023 and 2024.

11 INDIVIDUALS WITH HIGHEST REMUNERATION

The five individuals with the highest emoluments are directors or supervisor whose emoluments are disclosed in note 10 for the years ended December 31, 2022 and 2023, and the nine months ended September 30, 2023 and 2024.

APPENDIX I

ACCOUNTANTS' REPORT

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024 and the weighted average number of ordinary shares, calculated as follows:

(i) Profit attributable to equity shareholders of the Company used in basic earnings per share calculation

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit attributable to equity shareholders of the Company . . .	<u>6,197,717</u>	<u>5,626,625</u>	<u>4,328,680</u>	<u>4,814,904</u>

(ii) Weighted-average number of ordinary shares

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	'000	'000	'000 (unaudited)	'000 (unaudited)
Issued ordinary shares at the beginning of the year/period	4,212,576	4,633,834	4,633,834	5,553,843
Effect of bonus issue (note 31(c)(ii))	1,348,025	926,767	926,767	–
Effect of shares repurchased	<u>–</u>	<u>(503)</u>	<u>–</u>	<u>(6,817)</u>
Weighted average number of ordinary shares at the end of the year/period	<u>5,560,601</u>	<u>5,560,098</u>	<u>5,560,601</u>	<u>5,547,026</u>

The number of ordinary shares is adjusted as if the bonus issue events had occurred at the beginning of the earliest period presented.

(b) Diluted earnings per share

During the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024, there were no dilutive potential ordinary shares issued. Therefore, diluted earnings per share is the same as basic earnings per share.

APPENDIX I

ACCOUNTANTS' REPORT

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group:

	Buildings	Machinery and equipment	Vehicles	Office equipment and others	Construction in progress	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:							
At January 1, 2022	2,145,777	5,226,584	5,586	10,383	923,164	9,469	8,320,963
Additions	238	1,068	182	241	1,209,068	3,736	1,214,533
Business combinations through acquisition of subsidiaries (note 17)	337,227	68,238	3,284	2,721	39,846	–	451,316
Transfer from construction in progress	267,823	699,218	–	9,523	(980,857)	4,293	–
Transfer to intangible assets	–	–	–	–	(11,343)	–	(11,343)
Disposals	–	(14,448)	(104)	(265)	–	–	(14,817)
At December 31, 2022 and January 1, 2023	2,751,065	5,980,660	8,948	22,603	1,179,878	17,498	9,960,652
Additions	794	19,657	428	1,525	1,541,555	–	1,563,959
Transfer from construction in progress	630,379	618,957	1,319	5,239	(1,255,894)	–	–
Transfer to intangible assets	–	–	–	–	(5,424)	–	(5,424)
Disposals	(699)	(51,736)	(1,629)	(525)	–	(116)	(54,705)
At December 31, 2023 and January 1, 2024	3,381,539	6,567,538	9,066	28,842	1,460,115	17,382	11,464,482
Additions (unaudited)	2,135	15,979	349	371	973,061	2,095	993,990
Transfer from construction in progress (unaudited)	427,683	456,464	81	1,062	(885,290)	–	–
Transfer to intangible assets (unaudited)	–	–	–	–	(7,262)	–	(7,262)
Disposals (unaudited)	–	(24,160)	(47)	(428)	–	–	(24,635)
At September 30, 2024 (unaudited)	3,811,357	7,015,821	9,449	29,847	1,540,624	19,477	12,426,575
Accumulated depreciation:							
At January 1, 2022	(802,357)	(2,961,979)	(4,282)	(5,489)	–	(1,248)	(3,775,355)
Charge for the year	(133,110)	(652,155)	(1,194)	(6,816)	–	(5,237)	(798,512)
Written back on disposals	–	10,579	82	229	–	–	10,890
At December 31, 2022 and January 1, 2023	(935,467)	(3,603,555)	(5,394)	(12,076)	–	(6,485)	(4,562,977)
Charge for the year	(154,279)	(711,867)	(1,056)	(5,990)	–	(6,397)	(879,589)
Written back on disposals	420	49,556	1,346	503	–	116	51,941
At December 31, 2023 and January 1, 2024	(1,089,326)	(4,265,866)	(5,104)	(17,563)	–	(12,766)	(5,390,625)
Charge for the period (unaudited)	(136,788)	(499,269)	(915)	(5,289)	–	(4,116)	(646,377)
Written back on disposals (unaudited)	–	19,247	44	346	–	–	19,637
At September 30, 2024 (unaudited)	(1,226,114)	(4,745,888)	(5,975)	(22,506)	–	(16,882)	(6,017,365)

APPENDIX I

ACCOUNTANTS' REPORT

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Office equipment and others</u>	<u>Construction in progress</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net book value:							
At December 31, 2022	1,815,598	2,377,105	3,554	10,527	1,179,878	11,013	5,397,675
At December 31, 2023	2,292,213	2,301,672	3,962	11,279	1,460,115	4,616	6,073,857
At September 30, 2024 (unaudited).	2,585,243	2,269,933	3,474	7,341	1,540,624	2,595	6,409,210

As at December 31, 2022 and 2023 and September 30, 2024, the Group was in the process of applying for certificates of ownership for certain properties located in mainland China with carrying amounts of RMB179,618,000, RMB661,020,000, and RMB334,119,000 (unaudited), respectively. The directors of the Group are of the opinion that the use of and the conduct of operating activities at these properties are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

(b) Buildings leased out under operating leases

The Group:

	<u>Buildings</u>
	<i>RMB'000</i>
Cost:	
At January 1, 2022	29,600
Additions	55,888
At December 31, 2022 and January 1, 2023	85,488
Additions	401
Decrease.	(685)
At December 31, 2023 and January 1, 2024	85,204
Additions (unaudited).	10,269
At September 30, 2024 (unaudited)	95,473
Accumulated depreciation:	
At January 1, 2022	(8,025)
Charge for the year	(24,308)
At December 31, 2022 and January 1, 2023	(32,333)
Charge for the year	(9,647)
Additions	(326)
Decrease.	490
At December 31, 2023 and January 1, 2024	(41,816)
Charge for the period (unaudited)	(18,952)
At September 30, 2024 (unaudited)	(60,768)
Net book value:	
At December 31, 2022	53,155
At December 31, 2023	43,388
At September 30, 2024 (unaudited)	34,705

APPENDIX I

ACCOUNTANTS' REPORT

14 RIGHT-OF-USE ASSETS

Reconciliation of carrying amount

The Group:

	Land-use rights	Other properties, machinery and equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:			
At January 1, 2022	418,476	84,533	503,009
Additions	188,679	–	188,679
Business combinations through acquisition of subsidiaries (<i>note 17</i>)	105,377	–	105,377
Reductions due to early termination	–	(15,318)	(15,318)
At December 31, 2022 and January 1, 2023	712,532	69,215	781,747
Additions	194,689	14,123	208,812
At December 31, 2023 and January 1, 2024	907,221	83,338	990,559
Additions (unaudited).	5,465	22,583	28,048
At September 30, 2024 (unaudited)	912,686	105,921	1,018,607
Accumulated depreciation:			
At January 1, 2022	(55,907)	(20,888)	(76,795)
Charge for the year	(8,619)	(17,767)	(26,386)
Reductions due to early termination	–	3,305	3,305
At December 31, 2022 and January 1, 2023	(64,526)	(35,350)	(99,876)
Charge for the year	(16,692)	(16,811)	(33,503)
At December 31, 2023 and January 1, 2024	(81,218)	(52,161)	(133,379)
Charge for the period (unaudited)	(12,859)	(16,044)	(28,903)
Exchange adjustment (unaudited)	–	(5)	(5)
At September 30, 2024 (unaudited)	(94,077)	(68,210)	(162,287)
Net book value:			
At December 31, 2022	648,006	33,865	681,871
At December 31, 2023	826,003	31,177	857,180
At September 30, 2024 (unaudited)	818,609	37,711	856,320

The Group's land-use rights on leasehold land are located in the PRC. Depreciation is recognized in profit or loss on a straight-line basis over the respective periods of the land-use rights, which are 22 to 70 years, 22 to 70 years, and 22 to 70 years (unaudited) as at December 31, 2022 and 2023 and September 30, 2024, respectively.

The Group leases other offices, machinery equipment, dormitories and warehouses expiring from 3 to 16 years, 3 to 16 years, and 1 to 16 years (unaudited) as at December 31, 2022 and 2023 and September 30, 2024, respectively. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

APPENDIX I

ACCOUNTANTS’ REPORT

The analysis of expense items in relation to leases recognized in the Group’s profit or loss is as follows:

	Year ended December 31,		Year ended
	2022	2023	September 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (<i>unaudited</i>)
Interest on lease liabilities	2,116	2,151	1,576
Expense relating to short-term leases	2,226	1,781	2,654
	<u>4,342</u>	<u>3,932</u>	<u>4,230</u>

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 23(f) and note 28.

15 INTANGIBLE ASSETS

The Group:

	Enterprise resource planning system	Other software	Trademark and others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost:				
At January 1, 2022	15,578	7,967	30,207	53,752
Additions	–	1,491	1,389	2,880
Transfer from construction in progress	1,323	6,847	3,173	11,343
Business combinations through acquisition of subsidiaries (<i>note 17</i>)	–	340	19,510	19,850
Disposals	–	(37)	–	(37)
At December 31, 2022 and January 1, 2023	16,901	16,608	54,279	87,788
Additions (unaudited).	–	21	411	432
Transfer from construction in progress	–	5,424	–	5,424
At December 31, 2023 and January 1, 2024	16,901	22,053	54,690	93,644
Additions	–	902	–	902
Transfer from construction in progress (unaudited)	–	6,870	392	7,262
At September 30, 2024 (unaudited) .	16,901	29,825	55,082	101,808
Accumulated amortization:				
At January 1, 2022	(15,578)	(4,723)	(9,367)	(29,668)
Charge for the year	(125)	(1,704)	(10,100)	(11,929)
Written back on disposals	–	11	–	11
At December 31, 2022 and January 1, 2023	(15,703)	(6,416)	(19,467)	(41,586)
Charge for the year	(280)	(2,989)	(8,661)	(11,930)
At December 31, 2023 and January 1, 2024	(15,983)	(9,405)	(28,128)	(53,516)
Charge for the period (unaudited) . .	(210)	(4,579)	(6,558)	(11,347)
At September 30, 2024 (unaudited) .	(16,193)	(13,984)	(34,686)	(64,863)

APPENDIX I

ACCOUNTANTS’ REPORT

	Enterprise resource planning system	Other software	Trademark and others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Net book value:				
At December 31, 2022	1,198	10,192	34,812	46,202
At December 31, 2023	918	12,648	26,562	40,128
At September 30, 2024 (unaudited)	708	15,841	20,396	36,945

16 GOODWILL

	<i>RMB’000</i>
Cost:	
At January 1, 2022	47,756
Arising from business combination (<i>note 17</i>)	195,338
At December 31, 2022, December 31, 2023 and September 30, 2024 (unaudited)	243,094
Accumulated impairment losses:	
At January 1, 2022	(17,178)
Addition	(15,488)
At December 31, 2022, December 31, 2023 and January 1, 2024	(32,666)
Addition (unaudited)	(97,491)
At September 30, 2024 (unaudited)	(130,157)
Carrying amount:	
At December 31, 2022	210,428
At December 31, 2023	210,428
At September 30, 2024 (unaudited)	112,937

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group’s cash-generating units (CGU) identified according to business types as follows:

	As at December 31, 2022	As at December 31, 2023	As at September 30, 2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> (unaudited)
Cost:			
Zhejiang Jiu Sheng Camellia Oil Technology Co., Ltd. (“Zhejiang Jiusheng”)	97,847	97,847	97,847
Honghe Hongbin Food Co., Ltd. (“Honghe Hongbin”)	97,491	97,491	97,491
Others	47,756	47,756	47,756
Accumulated impairment losses:			
Zhejiang Jiusheng	–	–	–
Honghe Hongbin	–	–	(97,491)
Others	(32,666)	(32,666)	(32,666)
	210,428	210,428	112,937

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Zhejiang Jiusheng CGU

The recoverable amount of the Zhejiang Jiusheng CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

	As at December 31,	
	2022	2023
Annual growth rate of revenue during five-year forecast period	18% – 24%	14% – 19%
Gross profit margin	39% – 41%	34% – 37%
Pre-tax discount rate	13.82%	13.82%

The headroom calculated based on the recoverable amounts deducting the carrying amount of the Zhejiang Jiusheng CGU as at December 31, 2022 and 2023 is RMB509,284,000 and RMB267,700,000, respectively.

As goodwill is tested annually for impairment if no events or changes in circumstances indicate that it might be impaired, no goodwill impairment test was performed for Zhejiang Jiusheng as at September 30, 2024.

(b) Honghe Hongbin CGU

The recoverable amount of the Honghe Hongbin CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

	As at December 31,		As at September 30,
	2022	2023	2024
Annual growth rate of revenue during five-year forecast period	15%-48%	13%-36%	5%-25%
Gross profit margin	19%-23%	18%-24%	14%-21%
Pre-tax discount rate	14.75%	14.75%	15.28%

(unaudited)

The headroom calculated based on the recoverable amounts deducting the carrying amount of the Honghe Hongbin CGU as at December 31, 2022 and 2023 is RMB35,541,000 and RMB6,676,000, respectively.

Due to adverse change in the market, the carrying amount of Honghe Hongbin CGU exceeds its recoverable amount. Accordingly, goodwill allocated to the above CGU of RMB97,491,000 is fully impaired and recognized in “Provision for impairment losses” as at September 30, 2024.

17 ACQUISITIONS OF SUBSIDIARIES

(a) Zhejiang Jiusheng

In January 2022, the Group acquired of 67% equity interest in Zhejiang Jiusheng from Ms. Shi Yuhua and Mr. Zhang Xiangjie (the then controlling shareholders of Zhejiang Jiusheng) at consideration of RMB440,181,000. Zhejiang Jiusheng principally engages in manufacturing and sales of camellia oil products. The above acquisition was made as part of the Group’s strategy to expand its market share in different types of condiments products.

From the post acquisition date to December 31, 2022, Zhejiang Jiusheng contributed revenue of RMB272,903,000 and profit of RMB26,567,000 to the Group’s results.

APPENDIX I

ACCOUNTANTS’ REPORT

The fair values of the identifiable assets and liabilities acquired as at the date of acquisition are set out as follows:

	<u>Fair Value</u>
	<i>RMB’000</i>
Property, plant and equipment	93,826
Right-of-use assets	21,715
Intangible assets	9,595
Other financial assets at FVPL	7,000
Deferred tax assets	2,065
Inventories	99,917
Trade receivables	34,283
Other receivables	13,001
Cash and cash equivalents	326,781
Restricted cash	558
Trade payables	(7,745)
Other payables	(22,493)
Contract liabilities	(4,700)
Bank loans and other borrowing	(53,239)
Deferred tax liabilities	(9,618)
Total identifiable net assets acquired	<u>510,946</u>
Non-controlling interests (33%)	168,612
Cash consideration	440,181
Goodwill arising on acquisition	<u>97,847</u>

(b) Honghe Hongbin

In May 2022, the Group acquired of 67% equity interest in Honghe Hongbin from Ms. Tao Jinlin and Mr. Ren Hongbin (the then controlling shareholders of Honghe Hongbin) at consideration of RMB532,808,000. Honghe Hongbin principally engages in manufacturing and sales of pickled chili products. The above acquisition was made as part of the Group’s strategy to expand its market share in different types of condiments products.

From the post acquisition date to December 31, 2022, Honghe Hongbin contributed revenue of RMB179,838,000 and profit of RMB2,657,000 to the Group’s results.

The fair values of the identifiable assets and liabilities acquired as at the date of acquisition are set out as follows:

	<u>Fair Value</u>
	<i>RMB’000</i>
Property, plant and equipment	357,490
Right-of-use assets	83,662
Intangible assets	10,255
Inventories	101,495
Trade receivables	23,239
Other receivables	10,777
Cash and cash equivalents	554,004
Trade payables	(6,425)
Other payables	(367,265)
Contract liabilities	(4,085)
Bank loans	(100,140)
Deferred tax liabilities	(13,280)
Total identifiable net assets acquired	<u>649,727</u>
Non-controlling interests (33%)	214,410
Cash consideration	532,808
Goodwill arising on acquisition	<u>97,491</u>

APPENDIX I

ACCOUNTANTS' REPORT

The Group incurred transaction costs of RMB1,294,000 in connection with the above two acquisitions. The transaction costs have been included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the above two acquisitions are as follows.

	Year ended December 31,
	2022
	RMB'000
Total cash consideration	(972,989)
Cash consideration payable (<i>note (i)</i>)	18,900
Cash and cash balances acquired	880,785
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u>(73,304)</u>

Note:

(i) Cash consideration payable is fully settled in September 2023.

If the above mentioned two acquisitions had occurred on January 1, 2022, management estimates the consolidated revenue for year ended December 21, 2022 would have been RMB25,671,854,000 and consolidated profit for the year ended December 31, 2022 would have been RMB6,222,845,000.

Non-controlling interests recognized at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

18 INVESTMENTS IN SUBSIDIARIES

The carrying amounts of investments in subsidiaries of the Company is listed below:

	As at December 31,		As at September 30,
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (<i>unaudited</i>)
Cost	1,499,109	1,559,109	1,592,900
Less: impairment	<u>(10,000)</u>	<u>(10,000)</u>	<u>(107,491)</u>
	<u>1,489,109</u>	<u>1,549,109</u>	<u>1,485,409</u>

Further details of the principal subsidiaries of the Group are set out in note 1.

The subsidiaries of the Group do not have material non-controlling interest.

The impairment losses of investment in Honghe Hongbin amounted to RMB97,491,000 recognized during the nine months ended September 30, 2024 due to adverse change in the market.

APPENDIX I

ACCOUNTANTS’ REPORT

19 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group:

	Note	As at December 31,		As at
		2022	2023	September 30,
		RMB'000	RMB'000	2024
				RMB'000 (unaudited)
Non-current:				
Equity securities		100	100	100
Current:				
Wealth management products	(i)	6,081,663	5,841,005	7,195,228
Listed securities		–	–	95,016
		<u>6,081,663</u>	<u>5,841,005</u>	<u>7,290,244</u>
		<u>6,081,763</u>	<u>5,841,105</u>	<u>7,290,344</u>

The Company:

	Note	As at December 31,		As at
		2022	2023	September 30,
		RMB'000	RMB'000	2024
				RMB'000 (unaudited)
Non-current:				
Equity securities		100	100	100
Current:				
Wealth management products	(i)	2,624,927	3,611,520	4,209,252
		<u>2,625,027</u>	<u>3,611,620</u>	<u>4,209,352</u>

(i) Wealth management products

The wealth management products were issued by banks with variable investment income and can be redeemed on demand or in a short-term.

20 INVENTORIES

(a) Inventories in the statements of financial position comprises:

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000 (unaudited)
Raw materials	318,101	212,772	208,210
Work in progress	1,553,902	1,469,434	1,309,371
Finished goods	421,402	832,177	294,495
Packaging materials	64,976	69,687	60,280
Low value consumables	34,323	34,545	31,674
Others	–	3,897	10,230
	<u>2,392,704</u>	<u>2,622,512</u>	<u>1,914,260</u>
Less: write-down of inventories	(1,063)	(3,739)	(2,461)
Total	<u>2,391,641</u>	<u>2,618,773</u>	<u>1,911,799</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		As at September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (<i>unaudited</i>)
Raw materials	–	–	6
Work in progress	–	–	5
Finished goods	1,688	1,314	1,786
Packaging materials	48	17	33
Low value consumables	7,880	7,561	4,810
	<u>9,616</u>	<u>8,892</u>	<u>6,640</u>

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

The Group:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (<i>unaudited</i>)	<i>RMB'000</i> (<i>unaudited</i>)
Carrying amount of inventories sold	13,413,820	13,207,937	9,228,089	9,721,884
Carrying amount of inventories recognized as research and development expenses	552,399	505,152	444,912	525,519
Write-down of inventories	1,063	3,739	–	64
	<u>13,967,282</u>	<u>13,716,828</u>	<u>9,673,001</u>	<u>10,247,467</u>

21 TRADE RECEIVABLES

The Group:

	As at December 31,		As at September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (<i>unaudited</i>)
Current			
Trade receivables	199,771	234,511	270,305
Bills receivable	–	–	800
Less: loss allowance	(11,376)	(11,362)	(12,790)
Total	<u>188,395</u>	<u>223,149</u>	<u>258,315</u>

All of the trade and bills receivables in current portion are expected to be recovered or recognized as expense within one year.

APPENDIX I

ACCOUNTANTS' REPORT

Aging analysis

As of the end of each reporting period, the aging analysis of trade and bills receivable, based on the invoice date, is as follows:

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000
			(unaudited)
Within 1 year	196,567	232,540	269,339
1 to 2 years	2,644	1,611	1,291
2 to 3 years	329	74	115
Over 3 years	231	286	360
	<u>199,771</u>	<u>234,511</u>	<u>271,105</u>

Trade receivables are due within 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted.

22 OTHER RECEIVABLES

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000
			(unaudited)
Current			
Amounts due from related parties	2,190	3,559	7,358
Other receivables	8,548	28,010	12,432
Deposits for a derivative financial instrument	–	150,000	–
	10,738	181,569	19,790
Prepayments for materials	25,304	19,263	37,483
Deductible input VAT and others	52,540	201,275	97,089
	<u>88,582</u>	<u>402,107</u>	<u>154,362</u>
Non-current			
Prepayments for purchase of property, plant and equipment	4,267	9,708	16,385
Deposits for acquisition of land-use rights	84,376	–	42,893
Other receivables	3,211	–	–
	<u>91,854</u>	<u>9,708</u>	<u>59,278</u>
Total	<u>180,436</u>	<u>411,815</u>	<u>213,640</u>

APPENDIX I

ACCOUNTANTS' REPORT

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current			
Amounts due from subsidiaries	4,595,252	3,562,200	2,803,683
Dividends receivables from subsidiaries	6,479,000	4,750,000	100,000
Deposits for a derivative financial instrument	–	150,000	–
Other receivables	2,210	4,470	1,454
	<u>11,076,462</u>	<u>8,466,670</u>	<u>2,905,137</u>

All of the other receivables in current portion are expected to be recovered or recognized as expense within one year.

23 CASH AND CASH EQUIVALENTS, TERM DEPOSITS, CERTIFICATES OF DEPOSITS AND RESTRICTED CASH, AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash at bank and in hand, and cash equivalents	<u>9,152,035</u>	<u>12,841,080</u>	<u>6,854,202</u>

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash at bank and in hand, and cash equivalents	<u>7,191,574</u>	<u>8,640,855</u>	<u>4,454,974</u>

(i) Classification as cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash equivalents include term deposits and certificates of deposits held for the purpose of meeting short-term cash commitments.

APPENDIX I

ACCOUNTANTS' REPORT

(b) Term deposits and certificates of deposits comprise:

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000		2024
			RMB'000 (unaudited)
Term deposits (note (i))	5,229,999	4,805,377	9,325,028
Certificates of deposits (note (i)).	3,810,110	4,025,004	2,338,939
	<u>9,040,109</u>	<u>8,830,381</u>	<u>11,663,967</u>

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000		2024
			RMB'000 (unaudited)
Term deposits (note (i))	1,986,509	4,143,664	8,554,362
Certificates of deposits (note (i)).	2,235,976	3,758,290	2,134,827
	<u>4,222,485</u>	<u>7,901,954</u>	<u>10,689,189</u>

(i) The balance of term deposits, certificates of deposits mainly comprise term deposits and certificates of deposits with initial terms over three months and related accrued interest.

(c) Restricted cash

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000		2024
			RMB'000 (unaudited)
Guarantee deposits (note (i))	<u>31,163</u>	<u>17,924</u>	<u>20,602</u>

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000		2024
			RMB'000 (unaudited)
Guarantee deposits (note (i))	<u>—</u>	<u>—</u>	<u>306</u>

(i) The balance of guarantee deposits mainly comprise letter of credit guarantee deposits and third-party payment platforms guarantee deposits which are both restricted.

APPENDIX I

ACCOUNTANTS’ REPORT

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

	<i>Note</i>	Year ended December 31,		Nine months ended September 30,	
		2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Profit before taxation		7,364,205	6,739,038	5,187,996	5,674,912
Adjustments for:					
Depreciation	8(c)	825,263	913,448	652,106	675,534
Amortization	8(c)	11,929	11,930	8,644	11,347
Provision for/(reversal of) expected credit losses on trade and other receivables		2,592	203	(2,029)	1,584
Provision for impairment losses	7	16,551	3,739	–	97,555
Interest income	5	(750,174)	(604,372)	(393,188)	(358,768)
Finance costs	8(a)	14,496	11,888	9,913	20,866
Net fair value changes on other financial assets at FVPL	6	(134,372)	(230,126)	(183,657)	(181,366)
(Gain)/loss arising from disposal of property, plant and equipment		(851)	951	549	1,794
Changes in working capital:					
Decrease/(increase) in inventories		35,526	(229,808)	287,409	708,252
(Increase)/decrease in trade receivables		(77,519)	(34,957)	4,588	(35,951)
Decrease/(increase) in other receivables		39,042	(145,486)	(26,015)	76,966
(Decrease)/increase in trade payables		(344,938)	111,226	(203,290)	(221,115)
(Decrease)/increase in other payables		(153,455)	210,597	(184,023)	(94,835)
(Decrease)/increase in deferred income		(13,190)	24,058	16,917	(29,588)
(Decrease)/increase in contract liabilities		(1,769,295)	1,578,916	(940,763)	(2,845,917)
Cash generated from operations		<u>5,065,810</u>	<u>8,361,245</u>	<u>4,235,157</u>	<u>3,501,270</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(e) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s consolidated cash flow statements as cash flows from financing activities.

	Bank loans and other borrowing	Lease liabilities	Bills payable	Other payables	Total
	<i>RMB'000</i> <i>(note 27)</i>	<i>RMB'000</i> <i>(note 28)</i>	<i>RMB'000</i> <i>(Note 24)</i>	<i>RMB'000</i> <i>(Note 25)</i>	<i>RMB'000</i>
Balance at January 1, 2022	104,600	75,466	442,500	–	622,566
Changes from financing cash flows:					
Proceeds from bank loans .	251,009	–	–	–	251,009
Repayment of bank loans .	(259,489)	–	–	–	(259,489)
Repayment of borrowings from non-controlling shareholders	–	–	–	(331,902)	(331,902)
Lease payment	–	(20,795)	–	–	(20,795)
Interest paid	(12,528)	–	–	–	(12,528)
Proceeds from discount of bills receivable due from the Company by a subsidiary	–	–	700,000	–	700,000
Payment for expired bills payable due to a subsidiary from the Company	–	–	(1,142,500)	–	(1,142,500)
Total changes from financing cash flows . . .	(21,008)	(20,795)	(442,500)	(331,902)	(816,205)
Other changes:					
Interests incurred during the year <i>(note 8(a))</i> . . .	12,380	2,116	–	–	14,496
Decrease in lease liabilities	–	(11,754)	–	–	(11,754)
Increase from business combinations	153,379	–	–	331,902	485,281
Total other changes	165,759	(9,638)	–	331,902	488,023
Balance at December 31, 2022	249,351	45,033	–	–	294,384

APPENDIX I

ACCOUNTANTS' REPORT

	Bank loans and other borrowing	Lease liabilities	Bills payable	Total
	<i>RMB'000</i> <i>(note 27)</i>	<i>RMB'000</i> <i>(note 28)</i>	<i>RMB'000</i> <i>(Note 24)</i>	<i>RMB'000</i>
Balance at January 1, 2023	249,351	45,033	—	294,384
Changes from financing cash flows:				
Proceeds from bank loans	517,920	—	—	517,920
Repayment of bank loans	(296,769)	—	—	(296,769)
Lease payment	—	(18,380)	—	(18,380)
Interest paid	(9,720)	—	—	(9,720)
Proceeds from discount of bills receivable due from the Company by a subsidiary	—	—	1,050,000	1,050,000
Payment for expired bills payable due to a subsidiary from the Company	—	—	(600,000)	(600,000)
Total changes from financing cash flows	211,431	(18,380)	450,000	643,051
Other changes:				
Interests incurred during the year <i>(note 8(a))</i>	9,737	2,151	—	11,888
Increase in lease liabilities	—	14,123	—	14,123
Total other changes	9,737	16,274	—	26,011
Balance at December 31, 2023	470,519	42,927	450,000	963,446

	Bank loans and other borrowing	Lease liabilities	Bills payable	Total
	<i>RMB'000</i> <i>(note 27)</i>	<i>RMB'000</i> <i>(note 28)</i>	<i>RMB'000</i> <i>(Note 24)</i>	<i>RMB'000</i>
(Unaudited)				
Balance at January 1, 2023	249,351	45,033	—	294,384
Changes from financing cash flows:				
Proceeds from bank loans	475,963	—	—	475,963
Repayment of bank loans	(124,013)	—	—	(124,013)
Lease payment	—	(12,171)	—	(12,171)
Interest paid	(6,764)	—	—	(6,764)
Proceeds from discount of bills receivable due from the Company by a subsidiary	—	—	900,000	900,000
Total changes from financing cash flows	345,186	(12,171)	900,000	1,233,015
Other changes:				
Interests incurred during the year <i>(note 8(a))</i>	8,396	1,517	—	9,913
Increase in lease liabilities	—	14,894	—	14,894
Others	(1,632)	—	—	(1,632)
Total other changes	6,764	16,411	—	23,175
Balance at September 30, 2023	601,301	49,273	900,000	1,550,574

APPENDIX I

ACCOUNTANTS' REPORT

	Bank loans and other borrowing	Lease liabilities	Bills payable	Total
	<i>RMB'000</i> <i>(note 27)</i>	<i>RMB'000</i> <i>(note 28)</i>	<i>RMB'000</i> <i>(Note 24)</i>	<i>RMB'000</i>
(Unaudited)				
Balance at January 1, 2024	470,519	42,927	450,000	963,446
Changes from financing cash flows:				
Proceeds from bank loans	321,524	–	–	321,524
Repayment of bank loans	(416,578)	–	–	(416,578)
Lease payment	–	(16,675)	–	(16,675)
Interest paid	(19,290)	–	–	(19,290)
Proceeds from discount of bills receivable due from the Company by a subsidiary	–	–	1,193,788	1,193,788
Payment for expired bills payable due to a subsidiary from the Company	–	–	(1,050,000)	(1,050,000)
Total changes from financing cash flows	(114,344)	(16,675)	143,788	12,769
Other changes:				
Interests incurred during the year (note 8(a))	19,290	1,576	–	20,866
Increase in lease liabilities	–	22,583	–	22,583
Total other changes	19,290	24,159	–	43,449
Balance at September 30, 2024	375,465	50,411	593,788	1,019,664

(f) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprises the following, which are related to lease rentals paid:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within operating cash flows	2,226	1,781	1,317	2,654
Within financing cash flows	20,795	18,380	12,171	16,675
	23,021	20,161	13,488	19,329

24 TRADE PAYABLES

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Trade payables	1,300,262	1,403,495	1,190,373
– third parties	1,124,517	1,269,873	1,065,864
– related parties	175,745	133,622	124,509
Bills payable	–	457,994	593,788
	1,300,262	1,861,489	1,784,161

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB’000</i>	<i>RMB’000</i>	2024
			<i>RMB’000</i>
			(<i>unaudited</i>)
Trade payables	1,683	289	1,964,393
– third parties	1,671	–	–
– related parties	12	–	1,105
– subsidiaries	–	289	1,963,288
Bills payable	–	450,000	593,788
	<u>1,683</u>	<u>450,289</u>	<u>2,558,181</u>

All trade and bills payables (including amounts due to related parties and subsidiaries) are expected to be settled within one year or are repayable on demand.

Since 2023, the Group’s certain suppliers has entered into factoring arrangements with Guangdong Haitian Commercial Factoring Company Limited (“Haitian Factoring”), an entity controlled by the immediate shareholder of the Group. Under these arrangements, the Group’s suppliers transfer the receivables due from the Group to Haitian Factoring before the original due dates, and the Group settle these trade payables with Haitian Factoring upon the due date. The receivables due from the Group that certain suppliers transferred to Haitian Factoring as at December 31, 2023 and September 30, 2024 amounted to RMB211,767,000 and RMB182,416,000 respectively. Trade payables that the Group settled with Haitian Factoring under above arrangement amounted to RMB2,370,155,000 and RMB2,037,012,000 in aggregate during the year ended December 31, 2023 and nine months ended September 30, 2024.

As of the end of each reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB’000</i>	<i>RMB’000</i>	2024
			<i>RMB’000</i>
			(<i>unaudited</i>)
Within 1 year.	<u>1,300,262</u>	<u>1,403,495</u>	<u>1,190,373</u>
	<u>1,300,262</u>	<u>1,403,495</u>	<u>1,190,373</u>

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB’000</i>	<i>RMB’000</i>	2024
			<i>RMB’000</i>
			(<i>unaudited</i>)
Within 1 year.	<u>1,683</u>	<u>289</u>	<u>1,964,393</u>
	<u>1,683</u>	<u>289</u>	<u>1,964,393</u>

APPENDIX I

ACCOUNTANTS’ REPORT

25 OTHER PAYABLES

The Group:

	As at December 31,		As at September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Other taxes payable	150,142	63,930	103,255
Payroll payables	669,279	593,659	516,380
Amounts due to related parties	3,087	4,815	6,149
Deposits due to suppliers	149,941	156,203	153,348
Accrual for marketing expenses	310,028	273,963	326,173
Accrual for transportation expenses	291,017	225,064	240,361
Payables for equipment and construction	201,447	148,837	160,018
Consideration for acquisition of a subsidiary	18,900	–	–
Others	70,445	38,721	72,527
	1,864,286	1,505,192	1,578,211

The Company:

	As at December 31,		As at September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Other taxes payable	28,348	22,029	42,645
Payroll payables	459,333	386,398	322,618
Amounts due to subsidiaries	6,251,612	5,098,266	2,771,900
Deposits due to suppliers	4,628	7,087	6,485
Accrual for marketing expenses	72,189	53,786	60,095
Payables for equipment and construction	238	239	163
Others	3,638	14,839	6,245
	6,819,986	5,582,644	3,210,151

All other payables (including amounts due to related parties and subsidiaries) are expected to be settled within one year or are repayable on demand.

APPENDIX I

ACCOUNTANTS' REPORT

26 CONTRACT LIABILITIES

Contract liabilities mainly represents the advance payments (exclude output VAT) from customers, for which the underlying goods are yet to be provided. The output VAT contained in the advance payments has been classified under other current liabilities.

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Receipts in advance	<u>2,948,111</u>	<u>4,527,027</u>	<u>1,681,110</u>

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Receipts in advance	<u>2,659,323</u>	<u>4,113,858</u>	<u>1,495,248</u>

Movement of contract liabilities are as follows:

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Balance at the beginning of the year/period	4,708,621	2,948,111	4,527,027
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(4,606,385)	(2,948,111)	(4,439,557)
Increase in contract liabilities as a result of billing in advance of sales activities	<u>2,845,875</u>	<u>4,527,027</u>	<u>1,593,640</u>
Balance at the end of the year/period	<u>2,948,111</u>	<u>4,527,027</u>	<u>1,681,110</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000 (unaudited)
Balance at the beginning of the year/period	4,435,222	2,659,323	4,113,858
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(4,435,222)	(2,659,323)	(4,113,858)
Increase in contract liabilities as a result of billing in advance of sales activities	2,659,323	4,113,858	1,495,248
Balance at the end of the year/period	<u>2,659,323</u>	<u>4,113,858</u>	<u>1,495,248</u>

27 BANK LOANS AND OTHER BORROWING

(a) **The Group’s bank loans and other borrowing comprised:**

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000 (unaudited)
Current			
Short-term bank loans	131,720	362,645	293,215
Current portion of long-term bank loans	4,978	18,604	19,500
	<u>136,698</u>	<u>381,249</u>	<u>312,715</u>
Non-current			
Long-term bank loans	93,653	70,270	43,750
Other borrowing	19,000	19,000	19,000
	<u>112,653</u>	<u>89,270</u>	<u>62,750</u>
	<u>249,351</u>	<u>470,519</u>	<u>375,465</u>

(b) **The analysis of the repayment schedule of bank loans and other borrowing is as follows:**

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000 (unaudited)
Within 1 year or on demand	136,698	381,249	312,715
After 1 year but within 2 years	8,897	24,172	53,250
After 2 years but within 5 years	103,756	65,098	9,500
	<u>112,653</u>	<u>89,270</u>	<u>62,750</u>
	<u>249,351</u>	<u>470,519</u>	<u>375,465</u>

(i) As at December 31, 2022 and 2023 and September 30, 2024, all bank loans and other borrowing of the Group are unsecured and unguaranteed.

APPENDIX I

ACCOUNTANTS' REPORT

28 LEASE LIABILITIES

As at the end of each reporting period, the lease liabilities were repayable as follows:

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 1 year	15,287	12,741	17,982
After 1 year but within 2 years	8,021	5,727	8,183
After 2 years but within 5 years	2,600	5,455	5,242
After 5 years	19,125	19,004	19,004
	<u>29,746</u>	<u>30,186</u>	<u>32,429</u>
	<u>45,033</u>	<u>42,927</u>	<u>50,411</u>

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 1 year	14,350	7,570	11,177
After 1 year but within 2 years	7,570	263	273
After 2 years but within 5 years	830	869	902
After 5 years	8,733	8,401	8,049
	<u>17,133</u>	<u>9,533</u>	<u>9,224</u>
	<u>31,483</u>	<u>17,103</u>	<u>20,401</u>

29 DEFERRED INCOME

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
At the beginning of the year/period	292,356	279,166	303,224
Additions	52,041	71,138	23,027
Credited to profit or loss	(65,231)	(47,080)	(52,615)
At the end of the year/period	<u>279,166</u>	<u>303,224</u>	<u>273,636</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000 (unaudited)
At the beginning of the year/period	2,518	2,451	5,304
Additions	300	3,300	9,095
Credited to profit or loss.	(367)	(447)	(387)
At the end of the year/period	<u>2,451</u>	<u>5,304</u>	<u>14,012</u>

As at December 31, 2022, December 31, 2023 and September 30, 2024, deferred income of the Group mainly represented various grants received from governments for construction of property, plant and equipment, and development of digital and intelligent transformation. Government grants relating to compensation of assets are recognized as other income on a straight-line basis over the expected useful life of the relevant assets.

30 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

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

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000 (unaudited)
At the beginning of the year/period	446,639	328,856	222,925
Provision for current year/period (note 9 (a)) . . .	1,113,245	898,613	771,731
Under/(over)-provision in respect of prior years (note 9 (a))	4,468	1,050	(6,548)
Income tax paid	<u>(1,235,496)</u>	<u>(1,005,594)</u>	<u>(748,720)</u>
At the end of the year/period	<u>328,856</u>	<u>222,925</u>	<u>239,388</u>

The Company:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000 (unaudited)
At the beginning of the year/period	106,754	35,698	35,675
Provision for current year/period	114,350	85,571	43,202
(Over)/under-provision in respect of prior years .	(1,870)	84	36
Income tax paid	<u>(183,536)</u>	<u>(85,678)</u>	<u>(61,770)</u>
At the end of the year/period	<u>35,698</u>	<u>35,675</u>	<u>17,143</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Deferred tax assets and liabilities recognized:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognized in the statements of financial position and the movements during the year/period are as follows:

The Group:

	Employee benefits	Depreciation allowances difference	Government grants	Sales rebate	Unused tax losses	Lease liabilities	Right-of-use assets	Changes in fair value	Business combinations	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022 . . .	(81,457)	(20,872)	(61,103)	(533,256)	(12,699)	(18,846)	18,408	13,842	14,703	(2,365)	(683,645)
Charged/(credited) to profit or loss	18,890	(14,155)	2,450	49,152	2,784	6,541	(6,803)	(8,381)	(5,335)	(1,817)	43,326
Acquisition of subsidiaries . . .	—	—	—	—	(3,195)	—	—	—	20,431	3,597	20,833
Balance at December 31, 2022, and January 1, 2023 .	(62,567)	(35,027)	(58,653)	(484,104)	(13,110)	(12,305)	11,605	5,461	29,799	(585)	(619,486)
Charged/(credited) to profit or loss	17,362	(15,068)	10,322	178,963	(6,841)	3,647	(3,462)	14,749	(2,751)	267	197,188
Balance at December 31, 2023, and January 1, 2024 .	(45,205)	(50,095)	(48,331)	(305,141)	(19,951)	(8,658)	8,143	20,210	27,048	(318)	(422,298)
Charged/(credited) to profit or loss (unaudited)	3,664	(9,070)	3,363	91,751	(9,622)	(3,945)	3,491	5,241	(1,358)	(2,660)	80,855
Balance at September 30, 2024 (unaudited)	(41,541)	(59,165)	(44,968)	(213,390)	(29,573)	(12,603)	11,634	25,451	25,690	(2,978)	(341,443)

APPENDIX I

ACCOUNTANTS’ REPORT

The Company:

	<u>Employee benefits</u>	<u>Government grants</u>	<u>Sales rebate</u>	<u>Changes in fair value</u>	<u>Others</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2022	(65,874)	(629)	(533,256)	13,659	(2,165)	(588,265)
Charged/(credited) to profit or loss	<u>19,297</u>	<u>17</u>	<u>60,083</u>	<u>(12,427)</u>	<u>(171)</u>	<u>66,799</u>
Balance at December 31, 2022, and January 1, 2023	(46,577)	(612)	(473,173)	1,232	(2,336)	(521,466)
Charged/(credited) to profit or loss	<u>15,483</u>	<u>(713)</u>	<u>176,946</u>	<u>14,148</u>	<u>116</u>	<u>205,980</u>
Balance at December 31, 2023, and January 1, 2024	(31,094)	(1,325)	(296,227)	15,380	(2,220)	(315,486)
Charged/(credited) to profit or loss (unaudited)	<u>3,667</u>	<u>(2,178)</u>	<u>97,305</u>	<u>(567)</u>	<u>26</u>	<u>98,253</u>
Balance at September 30, 2024 (unaudited)	<u>(27,427)</u>	<u>(3,503)</u>	<u>(198,922)</u>	<u>14,813</u>	<u>(2,194)</u>	<u>(217,233)</u>

(ii) **Reconciliation to the consolidated statements of financial position**

	<u>As at December 31,</u>		<u>As at September 30,</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Net deferred tax assets recognized in the consolidated statements of financial position	(653,326)	(453,922)	(376,336)
Net deferred tax liabilities recognized in the consolidated statements of financial position	<u>33,840</u>	<u>31,624</u>	<u>34,893</u>
	<u>(619,486)</u>	<u>(422,298)</u>	<u>(341,443)</u>

As at December 31, 2022, December 31, 2023 and September 30, 2024, the Group has no significant unrecognized deferred tax assets or deferred tax liabilities.

APPENDIX I

ACCOUNTANTS' REPORT

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Capital reserve</u>	<u>Statutory reserve</u>	<u>Retained profits</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	4,212,576	–	178,821	2,106,288	7,118,706	13,616,391
Changes in equity for 2022:						
Profit and total comprehensive income for the year	–	–	–	–	7,138,829	7,138,829
Appropriation to statutory reserve	–	–	–	210,629	(210,629)	–
Dividends approved and paid in respect of the previous year	–	–	–	–	(3,201,558)	(3,201,558)
Bonus issue	421,258	–	–	–	(421,258)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2022 and January 1, 2023	4,633,834	–	178,821	2,316,917	10,424,090	17,553,662
Changes in equity for 2023:						
Profit and total comprehensive income for the year	–	–	–	–	5,900,246	5,900,246
Repurchase of own shares	–	(249,998)	–	–	–	(249,998)
Appropriation to statutory reserve	–	–	–	463,383	(463,383)	–
Dividends approved and paid in respect of the previous year	–	–	–	–	(3,243,683)	(3,243,683)
Bonus issue	926,767	–	–	–	(926,767)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2023 and January 1, 2024	5,560,601	(249,998)	178,821	2,780,300	11,690,503	19,960,227
Changes in equity for the nine months ended September 30, 2024 (unaudited):						
Profit and total comprehensive income for the period	–	–	–	–	630,589	630,589
Repurchase of own shares	–	(313,742)	–	–	–	(313,742)
Dividends approved and paid in respect of the previous year	–	–	–	–	(3,660,412)	(3,660,412)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At September 30, 2024 (unaudited)	<u>5,560,601</u>	<u>(563,740)</u>	<u>178,821</u>	<u>2,780,300</u>	<u>8,660,680</u>	<u>16,616,662</u>

APPENDIX I

ACCOUNTANTS' REPORT

(b) Dividends

	Year ended December 31,		Nine months ended September 30,
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Ordinary A shares			
Final dividends in respect of the previous year, declared and paid during the year/period (tax inclusive)	3,201,558	3,243,683	3,660,412
	<u>3,201,558</u>	<u>3,243,683</u>	<u>3,660,412</u>

The final dividends of RMB0.76, RMB0.70 and RMB0.66 per share (tax inclusive) in respect of the years ended December 31, 2021, 2022 and 2023 were approved by the Annual General Meeting of the Company.

(c) Share capital

(i) Issued share capital of the Company

	<i>Number of shares ('000)</i>	<i>RMB'000</i>
Ordinary shares, issued and fully paid:		
At January 1, 2022	4,212,576	4,212,576
Bonus issue	<u>421,258</u>	<u>421,258</u>
At December 31, 2022 and January 1, 2023	4,633,834	4,633,834
Bonus issue	<u>926,767</u>	<u>926,767</u>
At December 31, 2023, January 1, 2024 and September 30, 2024 (unaudited)	<u>5,560,601</u>	<u>5,560,601</u>

The par value of ordinary shares of the Company is RMB1 each.

(ii) Bonus issue

On April 23, 2022, the Company made a bonus issue on the basis of 1 bonus share for every 10 existing shares held by shareholders. A total of 421,257,617 ordinary shares were issued pursuant to the bonus issue.

On May 16, 2023, the Company made a bonus issue on the basis of 2 bonus share for every 10 existing shares held by shareholders. A total of 926,766,757 ordinary shares were issued pursuant to the bonus issue.

(d) Treasury shares

During the year ended December 31, 2023 and nine months ended September 30, 2024, the Company repurchased its own ordinary A shares as follows:

	As at December 31,	As at September 30,
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
At the beginning of the year/period	–	249,998
Repurchase of own shares	<u>249,998</u>	<u>313,742</u>
At the end of the year/period	<u>249,998</u>	<u>563,740</u>

APPENDIX I

ACCOUNTANTS’ REPORT

During the year ended December 31, 2023 and the nine months ended September 30, 2024, the Company repurchased 6,757,692 and 8,531,799 (unaudited) shares in total, on the Shanghai Stock Exchange for an aggregate consideration of RMB249,998,000 and RMB313,742,000, respectively. The above treasury shares are mainly used for future share award scheme.

(e) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the difference between the consideration and the par value of the issued and paid-up shares of the Company.

(ii) Statutory reserve

According to the PRC laws, the PRC subsidiaries of the Group and the Company are required to set up two statutory reserve funds, general reserve fund and staff general fund. General reserve fund was set up by appropriating at least 10% of the entity’s annual profit after taxation, as determined under PRC regulations, until the balance of the fund equals to 50% of the entity’s registered capital. This fund can be used to make up previous years’ losses or to convert into paid-in capital. Transfer from retained profits to staff general fund is made at the discretion of the board of directors of the entities.

(iii) Other reserve

Other reserve of the Group mainly represented merger reserves resulted from business combination in prior years respectively involving entities under common control.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group’s subsidiaries outside the mainland China which are dealt with in accordance with the accounting policies set out in note 2(u).

(f) Capital management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks 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 trade receivables. The Group’s exposure to credit risk arising from cash and cash equivalents, term deposits, certificates of deposits and restricted cash and financial assets measured at fair value through profit or loss are limited because the counterparties are banks with sound credit ratings, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

APPENDIX I

ACCOUNTANTS' REPORT

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

As the Group's customer base is diversified, the Group has no significant concentration of credit risk in individual customers, or industries or countries in which the customers operate.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

The expected credit loss as at December 31, 2022 and 2023 and September 30, 2024 was determined as follows for each customers group of trade receivables due from sales of flavoring products and transportation services, respectively:

As at December 31, 2022			
Expected loss rates	Gross carrying amount	Loss allowance	
%	RMB'000	RMB'000	
Trade receivables – sales of flavoring products			
Current (not past due)	5%	121,732	6,087
Less than 1 year past due	10%	13,960	1,396
More than 1 year past due	100%	3,204	3,204
		<u>138,896</u>	<u>10,687</u>
		-----	-----
Trade receivables – transportation services			
Current (not past due)	1%	56,866	569
Less than 1 year past due	3%	4,009	120
		<u>60,875</u>	<u>689</u>
		-----	-----
		<u>199,771</u>	<u>11,376</u>
		-----	-----

As at December 31, 2023			
Expected loss rates	Gross carrying amount	Loss allowance	
%	RMB'000	RMB'000	
Trade receivables – sales of flavoring products			
Current (not past due)	5%	168,382	8,419
Less than 1 year past due	10%	3,635	363
More than 1 year past due	100%	1,971	1,971
		<u>173,988</u>	<u>10,753</u>
		-----	-----
Trade receivables – transportation services			
Current (not past due)	1%	60,365	604
Less than 1 year past due	3%	158	5
		<u>60,523</u>	<u>609</u>
		-----	-----
		<u>234,511</u>	<u>11,362</u>
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APPENDIX I

ACCOUNTANTS’ REPORT

As at September 30, 2024			
Expected loss rates	Gross carrying amount	Loss allowance	
%	RMB'000	RMB'000	
(unaudited)	(unaudited)	(unaudited)	
Trade receivables – sales of flavoring products			
Current (not past due)	5%	195,919	9,796
Less than 1 year past due	10%	5,242	524
More than 1 year past due	100%	1,766	1,766
		<u>202,927</u>	<u>12,086</u>
		-----	-----
Trade receivables – transportation services			
Current (not past due)	1%	65,860	659
Less than 1 year past due	3%	1,518	45
		<u>67,378</u>	<u>704</u>
		-----	-----
		<u>270,305</u>	<u>12,790</u>
		-----	-----

Expected loss rates are based on actual loss experience over the past three years. 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 Group’s view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the years ended December 31, 2022 and 2023 and nine months ended September 30, 2024 is as follows:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	RMB'000
			(unaudited)
At beginning of the year/period	3,857	11,376	11,362
Acquisition of subsidiaries	4,927	–	–
Loss allowance recognized	2,642	2,674	1,584
Loss allowance reversed	(50)	(2,471)	–
Amounts written off	–	(217)	(156)
At the end of the year/period	<u>11,376</u>	<u>11,362</u>	<u>12,790</u>
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The directors of the Company consider the Group’s exposure to credit risk arising from other receivables is not significant as the balances of other receivables as at December 31, 2022 and 2023 and September 30, 2024 mainly are deposits or deductible input VAT and no significant actual losses were experienced historically by the Group.

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table details the remaining contractual maturities as at the end of the reporting periods of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group can be required to pay:

As at December 31, 2022						
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	1,300,262	–	–	–	1,300,262	1,300,262
Other payables	1,044,865	–	–	–	1,044,865	1,044,865
Bank loans and other borrowing	140,293	13,802	110,484	–	264,579	249,351
Lease liabilities	21,156	9,234	5,622	26,267	62,279	45,033
	<u>2,506,576</u>	<u>23,036</u>	<u>116,106</u>	<u>26,267</u>	<u>2,671,985</u>	<u>2,639,511</u>

As at December 31, 2023						
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	1,861,489	–	–	–	1,861,489	1,861,489
Other payables	847,603	–	–	–	847,603	847,603
Bank loans and other borrowing	388,342	27,785	68,372	–	484,499	470,519
Lease liabilities	15,909	5,942	7,845	24,322	54,018	42,927
	<u>3,113,343</u>	<u>33,727</u>	<u>76,217</u>	<u>24,322</u>	<u>3,247,609</u>	<u>3,222,538</u>

As at September 30, 2024 (unaudited)						
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	1,784,161	–	–	–	1,784,161	1,784,161
Other payables	958,576	–	–	–	958,576	958,576
Bank loans and other borrowing	317,233	54,783	9,582	–	381,598	375,465
Lease liabilities	20,027	9,384	10,230	23,584	63,225	50,411
	<u>3,079,997</u>	<u>64,167</u>	<u>19,812</u>	<u>23,584</u>	<u>3,187,560</u>	<u>3,168,613</u>

(c) Interest rate risk

Interest rate risk is the risk that the fair value of 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 the Group’s cash and cash equivalents, term deposits, certificates of deposits, restricted cash, bank loans and borrowing. The Group does not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure. The Group’s interest rate profile as monitored by management is set out in (i) below.

APPENDIX I

ACCOUNTANTS' REPORT

(i) Interest rate profile

The following table, as reported to the management of the Group, details the interest rate profile of the Group's financial instruments at the end of the reporting periods.

	As at December 31, 2022		As at December 31, 2023		As at September 30, 2024	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		RMB'000		RMB'000	(unaudited)	(unaudited)
Fixed rate instruments:						
Financial assets						
Term deposits and certificates						
of deposits	3.25%~4.13%	8,736,050	3.00%~3.99%	8,332,050	1.25%~4.5%	11,156,146
Cash and cash equivalents	0.30%~1.45%	5,700,000	0.30%~3.50%	9,725,000	0.20%~1.25%	4,700,515
		<u>14,436,050</u>		<u>18,057,050</u>		<u>15,856,661</u>
Financial liabilities						
Bank loans	3.15%~3.50%	(131,720)	2.70%~3.00%	(362,645)	2.70%~3.00%	(293,215)
Other borrowing	6.00%	(19,000)	6.00%	(19,000)	6.00%	(19,000)
Lease liabilities	4.75%~4.90%	(45,033)	4.75%~4.90%	(42,927)	4.75%~4.90%	(50,411)
		<u>(195,753)</u>		<u>(424,572)</u>		<u>(362,626)</u>
		<u>14,240,297</u>		<u>17,632,478</u>		<u>15,494,035</u>
Variable rate instruments:						
Financial assets						
Cash and cash equivalents	0.01%~2.60%	3,451,988	0.01%~2.40%	3,116,080	0.01%~2.40%	2,153,687
Restricted cash	0.01%~2.60%	31,163	0.01%~2.40%	17,924	0.01%~2.40%	20,602
		<u>3,483,151</u>		<u>3,134,004</u>		<u>2,174,289</u>
Financial liabilities						
Bank loans	4.10%	(98,631)	3.00%~3.95%	(88,874)	3.00%~3.95%	(63,250)
		<u>(98,631)</u>		<u>(88,874)</u>		<u>(63,250)</u>
		<u>3,384,520</u>		<u>3,045,130</u>		<u>2,111,039</u>

(ii) Sensitivity analysis

At December 31, 2022 and 2023 and September 30, 2024, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB6,605,000 RMB7,162,000 and RMB4,025,000 (unaudited) respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate nonderivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the years ended December 31, 2022 and 2023, and the nine months ended September 30, 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales which give rise to cash balances and receivables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars (“USD”), Euros (“EUR”) and HKD. The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group’s exposure at the end of the reporting period to currency risk arising from recognized assets 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 period end date.

	As at December 31,						As at September 30,		
	2022	2022	2022	2023	2023	2023	2024	2024	2024
	USD RMB’000	EUR RMB’000	HKD RMB’000	USD RMB’000	EUR RMB’000	HKD RMB’000	USD RMB’000	EUR RMB’000	HKD RMB’000
						(unaudited)	(unaudited)	(unaudited)	
Cash and cash equivalents	10,701	27,698	128	20,745	11,200	205	25,466	8,157	173
Trade receivables	100	–	–	4,101	–	–	4,036	–	–
	<u>10,801</u>	<u>27,698</u>	<u>128</u>	<u>24,846</u>	<u>11,200</u>	<u>205</u>	<u>29,502</u>	<u>8,157</u>	<u>173</u>

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group’s profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at December 31,				As at September 30,	
	2022		2023		2024	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit 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	RMB’000	(unaudited)	(unaudited)
USD	9%	798	2%	330	1%	246
	(9%)	(798)	(2%)	(330)	(1%)	(246)
EUR	9%	2,155	2%	76	1%	73
	(9%)	(2,155)	(2%)	(76)	(1%)	(73)
HKD	9%	9	2%	3	1%	1
	(9%)	<u>(9)</u>	(2%)	<u>(3)</u>	(1%)	<u>(1)</u>

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities’ profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of 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 held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis during the years ended December 31, 2022 and 2023, and nine months period ended September 30, 2024.

APPENDIX I

ACCOUNTANTS’ REPORT

(e) **Fair value measurement**

(i) *Financial assets measured at fair value*

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of 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

Analysis on fair value measurement of financial instruments as at December 31, 2022 and 2023 and September 30, 2024 are as follows:

	Fair value at December 31, 2022	Fair value measurement at December 31, 2022, categorised into		
	<i>RMB’000</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Recurring fair value measurement				
Other financial assets at FVPL				
– Wealth management products	6,081,663	–	6,081,663	–
– Equity securities	100	–	100	–
	<u>6,081,763</u>	<u>–</u>	<u>6,081,763</u>	<u>–</u>

	Fair value at December 31, 2023	Fair value measurement at December 31, 2023, categorised into		
	<i>RMB’000</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Recurring fair value measurement				
Other financial assets at FVPL				
– Wealth management products	5,841,005	–	5,841,005	–
– Equity securities	100	–	100	–
	<u>5,841,105</u>	<u>–</u>	<u>5,841,105</u>	<u>–</u>

	Fair value at September 30, 2024	Fair value measurement at September 30, 2024, categorised into		
	<i>RMB’000</i> <i>(unaudited)</i>	<i>Level 1</i> <i>(unaudited)</i>	<i>Level 2</i> <i>(unaudited)</i>	<i>Level 3</i> <i>(unaudited)</i>
Recurring fair value measurement				
Other financial assets measured at FVPL				
– Wealth management products	7,195,228	–	7,195,228	–
– Equity securities	100	–	100	–
– Listed securities	95,016	95,016	–	–
	<u>7,290,344</u>	<u>95,016</u>	<u>7,195,328</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

During the years ended December 31, 2022 and 2023 and nine months ended September 30, 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The listed securities are accounted for at fair value in level 1 and measured by referencing to the stock price.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products in Level 2 is measured by referencing to the net asset value published by the banks.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group’s financial instruments carried at amortized cost are not materially different from their fair values as at December 31, 2022 and 2023 and September 30, 2024.

33 COMMITMENTS

Capital commitments outstanding at the end of the reporting periods not provided for in the Historical Financial Information were as follows:

	As at December 31,		As at
	2022	2023	September 30,
	RMB’000	RMB’000	2024
			RMB’000
			(unaudited)
Contracted for purchase for property, plant and equipment	1,550,163	831,516	455,039

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors and supervisors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
			(unaudited)	(unaudited)
Short-term employee benefits	34,068	32,840	11,907	14,030
Post-employment benefits	417	394	294	302
	<u>34,485</u>	<u>33,234</u>	<u>12,201</u>	<u>14,332</u>

Total remuneration is included in “staff costs” (see note 8(b)).

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Names and relationships with related parties

In addition to the related party information disclosed in note 24 of this Historical Financial Information, the Group entered into the following material related party transactions during the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024.

Name of related party	Relationship with the Group
Guangdong Haitian Group Co., Ltd. (“Guangdong Haitian”) 廣東海天集團股份有限公司	The immediate parent company of the Group
Foshan Tianbo Packaging Co., Ltd. 佛山天玻包裝有限公司	Entity controlled by Guangdong Haitian
Foshan Tianyuan Real Estate Co., Ltd. 佛山市天原房地產有限公司	Entity controlled by Guangdong Haitian
Foshan Tiande Technology Co., Ltd. 佛山市天德科技有限公司	Entity controlled by Guangdong Haitian
Foshan Haiye Investment Development Co., Ltd. 佛山市海業投資發展有限公司	Entity controlled by Guangdong Haitian
Foshan Yuebo Industrial Co., Ltd. 佛山市粵玻實業有限公司	Entity over which Guangdong Haitian has significant influence
Foshan Haipeng Trade Development Co., Ltd. 佛山市海鵬貿易發展有限公司	Entity controlled by Guangdong Haitian
Nanning Yuebo Glass Industrial Co., Ltd. 南寧粵玻實業有限公司	Entity over which Guangdong Haitian has significant influence
Jiaxing Haitian Small Loan Company Limited 嘉興海天小額貸款有限公司	Entity controlled by Guangdong Haitian
Tiandian (Guangdong) Biotechnology Co., Ltd. 天典(廣東)生物科技有限公司	Entity controlled by Guangdong Haitian
Tianye (Nanning) Biotechnology Co., Ltd. 天葉(南寧)生物科技有限公司	Entity controlled by Guangdong Haitian
Tiankang Logistics (Foshan) Co., Ltd. 天康物流(佛山)有限公司	Entity controlled by Guangdong Haitian
Tianbo Packaging Group Co., Ltd. 天玻包裝集團有限公司	Entity controlled by Guangdong Haitian
Tianyan (Tianjin) High tech Co., Ltd. 天眼(天津)高新科技有限公司	Entity controlled by Guangdong Haitian
Tiannuobo (Guangdong) Intelligent Equipment Co., Ltd. 天諾博(廣東)智能裝備有限公司	Entity controlled by Guangdong Haitian
Taibao (Guangdong) Animal Nutrition Technology Co., Ltd. 它寶(廣東)動物營養科技有限公司	Entity controlled by Guangdong Haitian
Anhui Tianzhuang International Trade Co., Ltd. 安徽天莊國際貿易有限公司	Entity controlled by Guangdong Haitian
Guangdong Tianqi Biotechnology Co., Ltd. 廣東天企生物科技有限公司	Entity controlled by Guangdong Haitian
Guangdong Tiankang Logistics Co., Ltd. 廣東天康物流有限公司	Entity controlled by Guangdong Haitian
Guangdong Tianniao Intelligent Equipment Co., Ltd. 廣東天釀智能裝備有限公司	Entity controlled by Guangdong Haitian
Guangdong Yami Intelligent Information Technology Co., Ltd. 廣東婭米智能信息科技有限公司	Entity controlled by Guangdong Haitian
Guangdong Haitian Cloud Computing Co., Ltd. 廣東海天雲計算有限公司	Entity controlled by Guangdong Haitian

APPENDIX I

ACCOUNTANTS’ REPORT

Name of related party	Relationship with the Group
Guangdong Haitian Innovation Technology Co., Ltd. 廣東海天創新技術有限公司	Entity controlled by Guangdong Haitian
Guangdong Haitian Yami Education Technology Co., Ltd. 廣東海天婭米教育科技有限公司	Entity controlled by Guangdong Haitian
Guangdong Haifuda Investment Development Co., Ltd. 廣東海富達投資發展有限公司	Entity controlled by Guangdong Haitian
Guangdong Guanzheng Quality Inspection Co., Ltd. 廣東規正質量檢測有限公司	Entity controlled by Guangdong Haitian
It is a Health Technology Co., Ltd. 是一健康科技有限公司	Entity controlled by Guangdong Haitian
Jiangsu Tianjiang Biotechnology Co., Ltd. 江蘇天將生物科技股份有限公司	Entity controlled by Guangdong Haitian
Jiangsu Tianbo Packaging Limited Company 江蘇天玻包裝有限公司	Entity controlled by Guangdong Haitian
Jiangsu Tianlong Renewable Resources Co., Ltd. 江蘇天隆再生資源有限公司	Entity controlled by Guangdong Haitian
Jiangmen Yuebo Industrial Co., Ltd. 江門粵玻實業有限公司	Entity over which Guangdong Haitian has significant influence
Guangdong Haitian Commercial Factoring Co., Ltd. 廣東海天商業保理有限公司	Entity controlled by Guangdong Haitian
Haitian Group (Foshan) Investment Development Co., Ltd. 海天集團(佛山)投資發展有限公司	Entity controlled by Guangdong Haitian
Haiju (Nanning) Energy and Environmental Protection Technology Co., Ltd. 海炬(南寧)能源環保科技有限公司	Entity controlled by Guangdong Haitian
Haiju (Jiangsu) Energy and Environmental Protection Technology Co., Ltd. 海炬(江蘇)能源環保科技有限公司	Entity controlled by Guangdong Haitian
Haiju Energy Environmental Protection Technology Co., Ltd. 海炬能源環保科技有限公司	Entity controlled by Guangdong Haitian
Hubei Yuebo Industrial Co., Ltd. (<i>note (i)</i>) 湖北粵玻實業有限公司	Entity over which Guangdong Haitian has significant influence
Yangjiang Yuebo Industrial Co., Ltd. (<i>note (i)</i>) 陽江粵玻實業有限公司	Entity over which Guangdong Haitian has significant influence
Xianzhiran (Tianjin) Biotechnology Co., Ltd. 鮮之然(天津)生物技術有限公司	Entity controlled by Guangdong Haitian
Xianzhiran (Guangdong) Biotechnology Co., Ltd. 鮮之然(廣東)生物技術有限公司	Entity controlled by Guangdong Haitian
Xianzhiran Biotechnology Group Co., Ltd. 鮮之然生物科技集團有限公司	Entity controlled by Guangdong Haitian

* The official names of the above entities are in Chinese. The English translation are for identification only.

Note (i): Guangdong Haitian fully disposed of its interests over these entities in August 2024 and these entities were no longer related parties of the Group since the date of disposal.

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Transactions with related parties

Apart from disclosures made in note 24 of the Historical Financial Information, the Group entered into the following material related party transactions during the years ended December 31, 2022, 2023 and the nine months ended September 30, 2023 and 2024.

	Year ended December 31,		Nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Purchases of goods and services				
Entities controlled by Guangdong				
Haitian	839,407	921,210	670,997	638,402
Entities over which Guangdong				
Haitian has significant influence.	510,612	410,278	305,474	304,560
	<u>1,350,019</u>	<u>1,331,488</u>	<u>976,471</u>	<u>942,962</u>
Sales of goods and rendering of services				
Entities controlled by Guangdong				
Haitian	25,571	35,945	19,900	40,453
Entities over which Guangdong				
Haitian has significant influence.	–	–	39	60
	<u>25,571</u>	<u>35,945</u>	<u>19,939</u>	<u>40,513</u>
Provision of rental services				
Entities controlled by Guangdong				
Haitian	3,875	3,407	1,959	1,883
Purchases of property, plant and equipment				
Entities controlled by Guangdong				
Haitian	122,491	139,551	111,590	106,504
Sales of property, plant and equipment				
Entities controlled by Guangdong				
Haitian	4,225	3,235	146	24

- (i) Our Group has entered into lease agreements with entities controlled by Guangdong Haitian, pursuant to which Guangdong Haitian agreed to lease to our Group certain premises in Foshan City, Guangdong Province. During the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024, the Group purchased rental services with amounts of RMB20,231,000, RMB16,838,000, RMB14,171,000 (unaudited) and RMB15,854,000 (unaudited), and interests generated from these leasing services are RMB2,202,000, RMB1,229,000, RMB864,000 (unaudited) and RMB2,644,000 (unaudited).
- (ii) Since 2024, certain distributors of the Group entered into the loan agreements independently with Jiaxing Haitian Small Loan Company Limited (“Jiaxing Haitian”), an entity controlled by Guangdong Haitian. Pursuant to the agreements, Jiaxing Haitian agreed to make the direct payment to the Group on behalf of distributors as distributors’ prepayments for purchase of flavoring products, and the above advance payments are regarded as Jiaxing Haitian’s loans to distributors. During the nine months ended September 30, 2024, the total amount received by the Group from Jiaxing Haitian, as the distributors’ prepayments, are RMB104,943,000 in aggregate. The Group does not provide any guarantee over Jiaxing Haitian’s loans to distributors.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Balances with related parties

The Group:

	As at December 31,		As at
	2022	2023	September 30,
	RMB'000	RMB'000	2024
			RMB'000 (unaudited)
Trade related:			
Other receivables			
Entities controlled by Guangdong Haitian	2,190	3,559	7,335
Entities over which Guangdong Haitian has significant influence	–	–	23
	<u>2,190</u>	<u>3,559</u>	<u>7,358</u>
Trade payables			
Entities controlled by Guangdong Haitian	102,902	63,044	65,259
Entities over which Guangdong Haitian has significant influence	72,843	70,578	59,250
	<u>175,745</u>	<u>133,622</u>	<u>124,509</u>
Other payables			
Entities controlled by Guangdong Haitian	1,437	3,465	4,799
Entities over which Guangdong Haitian has significant influence	1,650	1,350	1,350
	<u>3,087</u>	<u>4,815</u>	<u>6,149</u>

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate holding party of the Company as at December 31, 2022, 2023 and September 30, 2024 was Guangdong Haitian Group Co., Ltd.

The ultimate controlling party of the Company was Mr. Pang Kang, Ms. Cheng Xue, Mr. Guan Jianghua, Mr. Chen Junyang, Mr. Wen Zhizhou and Mr. Liao Changhui, which signed acting-in-concert agreement.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2024

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on January 1, 2024 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, <i>Lack of Exchangeability</i>	January 1, 2025
Amendments to IFRS 9 and IFRS 7, <i>Amendments to the Classification and Measurement of Financial Instruments</i>	January 1, 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	January 1, 2027
IFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	January 1, 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments are 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 of the Group.

APPENDIX I**ACCOUNTANTS' REPORT**

37 SIGNIFICANT NON-ADJUSTING EVENTS

There was no material non-adjusting event up to the date of this report.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to September 30, 2024.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

The following information does not form part of the Accountants’ Report from KPMG, Certified Public Accountants, Hong Kong, the Company’s reporting accountants, as set out in Appendix I, and is included for information purposes only.

The unaudited [REDACTED] financial information should be read in conjunction with the section headed “Financial Information” and the Accountants’ Report set out in Appendix I.

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the offering by the Company of its Shares (the “[REDACTED]”) on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as if the [REDACTED] had been completed on September 30, 2024. The unaudited [REDACTED] statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at September 30, 2024 or any future date.

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of H shares are subject to the laws and practices of the PRC and of the jurisdictions in which holders of H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, has not taken into account the possible change or amendment to the relevant laws or policies, and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of the H shares.

Taxation in Mainland China

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), amended by the Standing Committee of the National People's Congress ("SCNPC") on 31 August 2018 and effective on 1 January 2019, and the Implementation Regulations for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on 18 December 2018 and effective on 1 January 2019, dividends paid by PRC companies to individual investors shall be subject to proportional tax rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance ("MOF"), the State Administration of Taxation and the China Securities Regulatory Commission ("CSRC") on 7 September 2015 and effective on 8 September 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market and holds the stocks for more than one year, the income from dividends and bonuses shall be temporarily exempt from individual income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market and holds the stocks for not more than one month, the income from dividends and bonuses shall be included in the taxable income in full amount; or if the individual holds the stocks for more than one month but not more than one year, the income from dividends and bonuses shall be temporarily included in the taxable income at the reduced rate of 50%. Individual income tax on the aforesaid income shall be calculated and collected at the uniform rate of 20%.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, executed on 21 August 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書) (“the Fifth Protocol”), issued by The State Taxation Administration and effective on 6 December 2019, provides that such provisions shall not apply to arrangements or transactions made for one of the principle purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (“EIT Law”), amended by the SCNPC and effective on 29 December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (“Implementation Rules of the EIT Law”), amended by the State Council and effective on 23 April 2019, a non-resident enterprise is subject to a reduced 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong. If a non-resident enterprise either does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but its PRC-sourced income is not effectively connected with that establishment or place of business, the income tax payable by the non-resident enterprise shall be withheld at source. The payer will act as the withholding agent and must withhold the tax from each payment or amount due at the time of payment or when it becomes due. This tax may be reduced or exempted in accordance with an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation and effective on 6 November 2008, a PRC resident enterprise paying dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-resident enterprises shall withhold the enterprise income tax thereon at the uniform rate of 10%.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

In accordance with applicable regulations, we intend to withhold tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of our H Shares. Non-PRC resident enterprises eligible for a reduced tax rate under an applicable income tax treaty must apply to the PRC tax authorities for a refund of any excess withholding beyond the treaty rate. The issuance of such refunds is subject to verification by the PRC tax authorities.

Tax Related to Equity Transfer Income

Individual Investors

Under the PRC Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular of the MOF and the State Administration of Taxation on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated and became effective on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The State Administration of Taxation does not specify whether the income from the transfer of shares in listed companies by individuals will continue to be exempted from personal income tax under the newly revised EIT Law and Implementation Rules of the EIT Law.

Enterprise Investors

Under the EIT Law and its implementation rules, a non-PRC resident enterprise is subject to enterprise income tax at a rate of 10% on PRC-sourced income, including gains from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or if it has an establishment or premises in the PRC but the PRC-sourced income is not effectively connected to them. This income tax payable by non-PRC resident enterprises is subject to withholding at source, with the payer acting as the withholding agent. The withholding agent must deduct the tax from each payment or amount due at the time of payment or when it becomes due. Such tax may be reduced or exempted under applicable tax treaties or agreements.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Shanghai-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Market Connect Mechanism (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 31 October 2014 and effective on 17 November 2014, for dividends and bonuses obtained by mainland individual investors from investments in H shares listed on the SEHK through the Shanghai-Hong Kong Stock Interconnection, H share companies shall submit applications to China Securities Depository and Clearing Corporation Limited (“CSDC”) to get the register of individual mainland investors and withhold the individual income tax at the tax rate of 20%; for dividends and bonuses obtained by mainland individual investors from investments in non-H shares listed on the SEHK through the Shanghai-Hong Kong Stock Interconnection, the CSDC shall withhold individual income tax at the tax rate of 20%; for taxes withheld abroad, individual investors may apply to competent taxation authorities under the CSDC for tax credit upon the strength of valid tax withholding vouchers; and for dividends and bonuses obtained by mainland securities investment funds from investments in stocks listed on the SEHK through the Shanghai-Hong Kong Stock Interconnection, individual income tax shall be levied in accordance with above provisions.

Pursuant to the Announcement on Extending the Relevant Individual Income Tax Policies on the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Market Connect Mechanism and the Mutual Recognition of Funds between the Mainland and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which was promulgated on 21 August 2023 and implemented on the same date, the transfer price difference income that obtained by mainland individual investors from investing in the stocks listed on the SEHK through the Shanghai-Hong Kong Stock Interconnection or the Shenzhen-Hong Kong Stock Interconnection and from buying and selling Hong Kong fund shares through mutual recognition of funds shall continue to be exempted from individual income tax until 31 December 2027.

Pursuant to the Notice of the MOF, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Market Connect Mechanism (《財政部 國家稅務總局 證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), mainland corporate investors’ income from dividends and bonuses of investment in stocks listed on the SEHK through the Shanghai-Hong Kong Stock Interconnection shall be included into the total income and subject to the enterprise income tax. Income of mainland resident enterprises obtained from dividends and bonuses of H shares held for twelve consecutive months or more shall be exempted from enterprise income tax according to the law. When mainland corporate investors declare and pay enterprise income taxes on their own, they may apply for tax credit for the income tax of dividends and bonuses withheld by non-H-share listed companies on the SEHK.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated on 10 June 2021 and came into effect on 1 July 2022, the disposal of H shares by non-mainland investors outside of the mainland China is not subject to the requirements of the Stamp Duty Law of the PRC.

Estate Tax

According to PRC law, no estate tax is currently levied in the mainland China.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), within the territory of the PRC, the enterprises and other organizations that have incomes are taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with this law.

Enterprises are classified into resident and non-resident enterprises. An enterprise established in the PRC or established outside of the PRC but having its actual management body in the PRC is a resident enterprise for PRC enterprise income tax purpose and shall pay enterprise income tax at the rate of 25% on its income derived from within and outside the PRC. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income has no actual connection to such establishment or place of business, shall pay enterprise income tax at the rate of 20% on its income derived from within the PRC, which shall be withheld at source by the payer. Meanwhile, any gains realized on the transfer of shares by non-resident enterprises are subject to enterprise income tax by way of withholding if such gains are regarded as income derived from the transfer of property within the PRC.

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》), amended by the State Council and effective on 19 November 2017, and the Detailed Rules for the Implementation of the Interim Regulation on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), amended by the MOF on 28 October 2011 and effective on 1 November 2011, entities and individuals that sell goods or provide processing, repair and maintenance services, or import goods within the territory of the PRC are taxpayers of value-added tax ("VAT"), and shall pay VAT in accordance with these regulations and rules. For taxpayers selling or importing goods, the VAT rate is generally 17% unless otherwise specified in the aforesaid regulations.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

According to the Notice of the MOF and the State Administration of Taxation on Adjusting to VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), promulgated on 4 April 2018, and effective as of 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement of the MOF, the State Administration of Taxation and General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (《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》), promulgated on 20 March 2019 and effective on 1 April 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the Renminbi. The State Administration of Foreign Exchange ("SAFE"), authorized by the People's Bank of China ("PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) amended by the State Council and effective on 5 August 2008, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and effective on 1 July 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and effective on 23 October 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

According to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE and effective on 26 December 2014, the SAFE, along with its branches and foreign exchange bureau, oversees the business registration, account management, cross-border transactions, and capital exchanges involved in the overseas listing of domestic companies. Domestic companies must register their overseas listings with the local foreign exchange bureau within 15 working days after completing the listing and issuance. Additionally, domestic shareholders planning to increase or decrease their holdings of shares in an overseas listed company must register these changes with their local foreign exchange bureau at least 20 working days prior to the planned increase or decrease, submitting the necessary materials. Furthermore, domestic companies (excluding banking and financial institutions) are required to open a special foreign exchange account with a domestic bank to handle remittances and fund transfers related to their initial or additional offerings and repurchase activities.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of 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》) issued on 13 February 2015 and coming into effect on 1 June 2015, the SAFE has cancelled the confirmation of foreign exchange registration of domestic or overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration of domestic and overseas direct investment, and the SAFE and its branch offices shall indirectly supervise the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Management Policies of Settlement under Capital Account Items (《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》) issued and implemented by the SAFE on 9 June 2016, foreign currency earnings under capital account for which voluntary exchange settlement policies have been clearly implemented (including the funds transferred back from overseas listings) may be settled in banks according to actual business needs of domestic entities. The voluntary settlement ratio of foreign currency earnings of domestic institutions under capital account is tentatively set at 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III — Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to potential investors. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》), or the Constitution, and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), or the Legislation Law, which was amended by the NPC on 13 March 2023 and became effective on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to make partial amendments and supplements to laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of the autonomous regions shall be submitted for approval before they come into force.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government but contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; the people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on 10 June 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) revised by SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The PRC Civil Procedure Law (2023 Revision) (《中華人民共和國民事訴訟法(2023年修訂)》), or the PRC Civil Procedure Law, adopted by the SCNPC on 1 September 2023 and effective on 1 January 2024, sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of court-level jurisdictions and exclusive jurisdictions in any case.

A foreign individual, an individual without nationality, a foreign-invested enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, an individual without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations of the PRC.

The PRC Company Law (《中華人民共和國公司法》), or the Company Law, was adopted by the SCNPC on 29 December 1993 and came into effect on 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The latest revised Company Law came into effect on 1 July 2024.

The Overseas Listing Trial Measures and its five interpretative guidelines promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and were applicable to the direct and indirect overseas share issuance and listing of domestic companies.

According to the Overseas Listing Trial Measures and its interpretative guidelines, where a domestic company directly offering and listing overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), or the Guidelines for Articles of Association, in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas which ceased to apply from 31 March 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December 1997 and last amended on 15 December 2023. On December 27, 2024, the CSRC promulgated the new Guidelines for Articles of Association (Draft for Comments), whose comment period will end on January 26, 2025. As of the Latest Practical Date, the Guidelines for Articles of Association (Draft for Comments) have not been finalized and come into effect yet.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

“A joint stock limited company” means is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company shall be incorporated by one to two hundred promoters, and a majority of the promoters shall be domiciled within the territory of the PRC.

Promoters for the establishment of a joint stock limited company by stock flotation shall convene a company inaugural meeting within thirty days from the date when the shares required to be issued at the time of establishment are paid for in full. The promoters shall notify each subscriber of the meeting date or announce it publicly at least fifteen days before the establishment meeting. The inaugural meeting shall only be held with the presence of subscribers representing more than 50% of the voting rights.

Within thirty days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority. A joint stock limited company established by the subscription method shall obtain the approval for public offering from the securities regulatory authority of the State Council and submit the approval to the company registration authority.

Promoters shall pay in full for their subscribed shares before the establishment of the company. If a promoter fails to pay for their subscribed shares, or if the actual value of non-monetary assets contributed falls significantly below the subscribed shares, the other promoters, shall bear joint and several liability, along with the promoter, within the shortfall in contributions.

Share Capital

The promoters of a company may make a capital contribution in currencies, or on-monetary assets such as in kind, intellectual property rights, land use rights, equity, debt claims, or other non-monetary assets which can be appraised with monetary value and transferred lawfully, except for assets not eligible for capital contribution under any other law or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

Shares shall be issued in accordance with the principles of fairness and impartiality. The same class of shares shall be entitled to the same rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The issue price of par value stock may be based on the face value or exceed the face value but shall not be lower than the face value.

A PRC domestic company must file with the CSRC to offer its shares to the overseas public. According to the Overseas Listing Trial Measures, target investors of overseas offering and listing by domestic companies shall be overseas investors, unless prescribed in the Overseas Listing Trial Measures or otherwise stipulated by the state.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' general meeting in respect of the class and number of new shares to be issued, the issue price, the offering period, and the class and number of the new shares proposed to be issued to existing shareholders. A company conducting a public offering of shares shall register the offering with the securities regulatory authority under the State Council and publish a document. After payment in full for the new shares issued, the company must change its registration with a company registration authority and make an announcement accordingly.

Decrease in Share Capital

A company may decrease its registered capital and shall comply with the procedures stipulated in the Company Law and the articles of association of the company.

Repurchase of Shares

Under the Company Law, a company shall not purchase its own shares, except under any of the following circumstances:

- (i) reducing the company's registered capital;
- (ii) merging with other companies which hold the company's shares;
- (iii) using the shares for an employee stock ownership plan or equity incentive;
- (iv) purchasing by the company of its shares at the request of the shareholders voting against the resolutions on the merger or division of the company at a shareholders' general meeting;
- (v) using of shares for conversion of convertible corporate bonds issued by the company;
- (vi) necessary for the company to maintain its value and protect the interests of the shareholders.

A resolution shall be passed at the shareholders' general meeting for the company to repurchase its own shares under the circumstances specified in items (i) and (ii) above. In case of a purchase under the circumstances specified in items (iii), (v) and (vi) above, it may be subject to a resolution of the company's board passed in a board meeting attended by more than two-thirds of the directors, as stipulated in the articles of association or authorized by the shareholders' meeting.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

After the company has purchased its own shares in accordance with the above provisions, the shares so purchased shall be canceled within ten days from the date of purchase (under the circumstance specified in item (i) above), or shall be transferred or canceled within six months (under the circumstances specified in item (ii) and (iv) above). If the company purchases its shares under the circumstances specified in items (iii), (v) and (vi) above, the total number of shares held by the company shall not exceed 10% of the total number of shares issued by the company, and such shares shall be transferred or canceled within three years.

When a listed company purchases its own shares, it shall fulfill the information disclosure obligations in accordance with the provisions of the PRC Securities Law. Share repurchases made under the circumstances specified in items (i), (iii), (v) or (vi) above shall be made through public centralized trading.

Transfer of Shares

Shares held by a shareholder may be transferred in accordance with law.

The directors, supervisors and senior managers of a company shall report to the company the number of the company's shares they hold and the changes thereof. The company's shares transferable by them each year during their terms of office confirmed at the time of taking office shall not exceed 25% of the number of shares held by them. The company's shares held by them shall not be transferred within one year from the date of listing and trading of the company's shares are listed for trading. They shall not transfer the company's shares held by them within half a year after leaving the company.

Any gains obtained by any shareholder, director, supervisor or senior manager of the company holding more than 5% of company's shares from the sale of company's shares or other equity securities within six months of purchase of them, or from the purchase of them again within six months of sale, shall belong to the company, and the board of directors of the company shall be responsible for recovering such gains. However, this provision is not applicable where a securities company which holds more than 5% of the company's shares as a result of its undertaking of the untaken shares in a share offer or under other circumstances prescribed by the CSRC.

Shares or other equity securities held by directors, supervisors, senior managers and individual shareholders as mentioned in the preceding paragraph include shares or other equity securities held by their spouses, parents or children, or held by using other people's accounts.

If the board of directors of the company fails to implement the provisions above, the shareholders are entitled to request the board of directors to so implement it within thirty days. If the board of directors of the company fails to comply within the aforesaid period, the shareholders are entitled to initiate litigation directly in the People's Court in their own names for the interest of the company. And if the board of directors fails to implement the provisions above, the responsible directors shall bear joint and several liability in accordance with law.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Shareholders

A company shall establish a register of shareholders based on evidentiary documents provided by the securities registration agency. The register of shareholders is sufficient evidence to prove that the shareholders hold the company's shares. The original register of shareholders of H shares is kept in Hong Kong and is available for inspection by shareholders, but the company may suspend the shareholder registration procedure in accordance with applicable laws and regulations. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

Under the Company Law and Guidelines for Articles of Association, the rights of shareholders are as follows:

- (i) to receive distributions of dividends and other forms of benefits according to the number of shares held;
- (ii) to request, convene, preside over, participate in or appoint proxies to attend the shareholders' general meeting in accordance with law and exercise corresponding voting rights;
- (iii) to supervise operational activities of the company, provide suggestions or make queries;
- (iv) to transfer, donate and pledge the company's shares held according to the provisions of the laws and administrative regulations;
- (v) to review and copy the company's articles of association, the register of the shareholders, minutes of the shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports;
- (vi) to participate in the distribution of remaining assets of the company in proportion to the shares they hold upon termination or liquidation of the company;
- (vii) to request the company to purchase the shares held by the shareholders voting against any resolutions adopted at the shareholders' general meeting concerning the merger and division of the company;
- (viii) other rights conferred by laws, administrative regulations and the articles of association.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The obligations of a shareholder of ordinary shares of a company include:

- (i) to abide by laws, administrative regulations and the articles of association;
- (ii) to pay share capital according to the shares subscribed for and the method of payment;
- (iii) not to return shares unless otherwise prescribed in laws and administrative regulations;
- (iv) not to abuse shareholder rights to infringe upon the interests of the company or other shareholders; shareholders shall be liable for compensation for any losses caused to the company or to other shareholders due to their abuse of shareholder rights;
- (v) to perform other duties prescribed in laws and administrative regulations.

Shareholder's General Meetings

Under the Company Law and the Guidelines for Articles of Association, the shareholders' general meeting is the organ of authority of a company, which exercises the following functions and powers:

- (i) to elect and remove directors and supervisors who are not employees representatives and to decide on matters relating to the remuneration of directors and supervisors;
- (ii) to examine and approve reports of the board of directors;
- (iii) to examine and approve reports of the board of supervisors;
- (iv) to examine and approve the company's profit distribution plans and loss recovery plans;
- (v) to decide on any increase or decrease of the company's registered capital;
- (vi) to decide on the issue of corporate bonds;
- (vii) to decide on the merger, division, dissolution, liquidation or change of corporate form of the company;
- (viii) to amend the articles of association;
- (ix) to examine other matters which shall be decided by the shareholders' general meeting as required by the laws, administrative regulations, departmental rules, or the articles of association.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Under the Company Law and the Guidelines for Articles of Association of Listed Companies, annual shareholders' general meetings shall be held once a year within six months of the end of the previous accounting year.

A company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

- (i) where the number of directors in office is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in the articles of association;
- (ii) where the uncovered losses of the company reach one-third of the total paid-in share capital;
- (iii) where shareholders who individually or jointly hold no less than 10% of the shares of the company request holding of such a meeting;
- (iv) where the board of directors deems it necessary;
- (v) where the board of supervisors proposes such a meeting; and
- (vi) any other circumstances prescribed by the laws, administrative regulations departmental rules, or the articles of association.

Independent directors may propose to the board of directors to hold an extraordinary general meeting. For the aforesaid proposal, the board of directors shall, in accordance with laws, administrative regulations and the articles of association, give written feedback on whether or not it agrees to hold an extraordinary general meeting within ten days of receipt of the proposal. If the board of directors agrees to hold an extraordinary general meeting, it will issue the notice of meeting within five days after the relevant resolution of the board of directors is made. If the board of directors does not agree to hold an extraordinary general meeting, it shall state reasons and make an announcement.

The board of supervisors may propose to the board of directors to hold an extraordinary general meeting in writing. The board of directors shall, in accordance with laws, administrative regulations and the articles of association, give written feedback on whether or not it agrees to hold an extraordinary general meeting within ten days of receipt of the proposal. If the board of directors agrees to hold an extraordinary general meeting, it shall issue the notice of meeting within five days after the relevant resolution of the board of directors is made, and any change to the original proposal in the notice is subject to the consent of the board of supervisors. If the board of directors does not agree to hold an extraordinary general meeting or fails to give written feedback within 10 days of receipt of the proposal, it shall be deemed that the board of directors is unable or fails to perform its duty to convene a shareholders' general meeting, and the board of supervisors may convene and preside over an extraordinary general meeting itself.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The shareholders individually or collectively holding 10% or more of the shares of the company may make a written request to the board of directors for an extraordinary general meeting. The board of directors shall, in accordance with laws, administrative regulations and the articles of association, give written feedback on whether or not it agrees to hold an extraordinary general meeting within 10 days after receipt of the request.

If the board of directors agrees to hold an extraordinary general meeting, it shall issue the notice of meeting within five days after the relevant resolution of the board of directors is made, and any change to the original request in the notice shall be subject to the consent of the relevant shareholders. If the board of directors does not agree to hold an extraordinary general meeting or fails to give feedback in writing within ten days after it receives the request, the shareholders individually or collectively holding 10% or more of the shares of the company may propose to the board of supervisors to hold an extraordinary general meeting in writing.

The board of supervisors shall, in accordance with the laws and administrative regulations, give a written reply on whether or not it agrees to convene an extraordinary general meeting within ten days upon receipt of the proposal. If the board of supervisors agrees to convene an extraordinary general meeting, it shall issue the notice of meeting within five days upon receipt of the request, and any change to the original request in the notice shall be subject to the consent of the relevant shareholders.

If the board of supervisors does not agree to hold an extraordinary general meeting or fails to give feedback in writing within ten days after it receives the request, the shareholders individually or collectively holding 10% or more of the shares of the company for consecutive ninety days or more may convene or preside over the meeting on their own.

The expenses necessary for the shareholders' general meetings convened by the Board of Supervisors or Shareholders shall be borne by the company.

Directors

Under the Company Law and the Guidelines for Articles of Association of Listed Companies, a joint stock limited company shall have a board of directors, which shall consist of three or more members. The term of office of a director shall be stipulated in the Articles of Association, but each term of office shall not exceed three years. Directors may be re-elected upon the expiration of their term. However, independent directors may not serve for more than six consecutive years. Director may be the president or other senior management personnel, provided that the total number of directors who concurrently serve as president or other senior management personnel and directors who are employee's representatives shall not exceed half (1/2) of the total number of directors of the company.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be noticed at least 10 days before the meeting for every meeting. The board of directors shall exercise the following authorities:

- (i) to convene shareholders' general meetings and report to them;
- (ii) to carry out resolutions adopted by the shareholders' general meetings;
- (iii) to determine the company's business plans and investment programs;
- (iv) to formulate the company's profit distribution plans and loss recovery plans;
- (v) to formulate the company's plans for increasing or reducing the registered capital of the company, issuing bonds or other securities and going public;
- (vi) to formulate the company's plans with respect to significant takeovers, purchase of the company's shares, mergers, divisions, dissolution, or change of the form of the company;
- (vii) to decide on, within the scope authorized by the shareholders' general meetings, such matters as the company's external investments, the purchase and sale of assets, asset mortgages, external guarantees, entrusted financial management, related-party transactions and external donations;
- (viii) to determine the establishment of the company's internal management bodies;
- (ix) to decide on such matters as appointment or removal of the company's manager, secretary to the board of directors and other senior executives, as well as their remuneration and reward/punishment; and to decide on appointment or removal of the company's deputy managers, finance manager and other senior officers as nominated by the manager and on their remuneration and reward/punishment;
- (x) to formulate the company's basic management system;
- (xi) to exercise other authority conferred by any law, administrative regulation, departmental rules and the articles of association.

Within the scope authorized by the shareholders' general meeting, the board of directors shall determine the authority of external investment, purchase and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, connected transactions and external donations, and establish strict review and decision-making procedures.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

If a director has connection with the enterprise or individual involved in the resolution made at a board meeting, the said director shall promptly report the situation in writing to the board of directors. The said director shall not vote on the said resolution for himself/herself or on behalf of another director. The board meeting may be held when more than half of the non-connected directors attend the meeting. The resolution of the board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the meetings is less than three, the issue shall be submitted to the shareholders' general meetings for consideration.

According to the Company Law and the Guidelines for Articles of Association of Listed Companies, none of the following individuals shall be eligible for appointment as a director, supervisor, or senior officer of a company:

- (i) any individual without civil capacity or with limited civil capacity;
- (ii) any individual who has been subjected to criminal punishment for corruption, bribery, embezzlement or misappropriation of property, or disruption of the economic order of the socialist market, or who has ever been deprived of political rights due to a criminal conviction, and five years have not elapsed since the term of punishment is completed, or in the case of a suspended sentence, two years have not elapsed since the probation period is complete;
- (iii) any former director, factory director, or company manager of a company or enterprise which has been declared bankrupt and liquidated who is personally responsible for the bankruptcy of the company or enterprise, and three years have not elapsed since the bankruptcy and liquidation are completed;
- (iv) any former legal representative of a company or enterprise which has had its business license revoked or been ordered to shut down due to violation of law who is personally responsible for the situation, and three years have not elapsed since the date of revocation of business license or shutdown order; and
- (v) any individual identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts;
- (vi) any individual who has been banned from the securities market by the CSRC and the ban has not expired; or
- (vii) any individual who is banned from doing so in accordance with other laws, administrative regulations and departmental rules.

The board of directors shall appoint a chairman. The chairman and vice chairman shall be elected by more than one half of all directors.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Supervisors

Under the Company Law, a joint stock limited company shall have a board of supervisor, which shall consist of three supervisors. The board of supervisors shall have one chairman, who shall be elected by more than half of all supervisors. The member of the board of supervisors shall include shareholders' representatives and an appropriate proportion of employees' representatives.

Directors or senior management may not act concurrently as supervisors.

The board of supervisor shall exercise the following authorities:

- (i) To examine and give written examination opinions on the periodical reports of the Company prepared by the board of directors;
- (ii) To review the company's financial affairs;
- (iii) To monitor the acts of directors and senior executives in the performance of their duties, and to propose to remove any director or senior executive who violates any law, administrative regulation, securities regulatory rules of the place where the company's shares are listed, the articles of association or any resolution of the shareholders' general meetings;
- (iv) To require any director or senior executive whose behavior damages the Company's interests to make corrections;
- (v) To propose an extraordinary general meeting and to convene and preside over the shareholders' general meeting when the board of directors fails to perform its duty to convene and preside over a general meeting prescribed in the Company Law;
- (vi) To submit proposals to the shareholders' general meetings;
- (vii) To bring a lawsuit against any director or senior executive in accordance with the Company Law;
- (viii) If any abnormality in the operation of the company is found, the board of supervisors may conduct an investigation, and if necessary, engage an accounting firm, law firm or any other professional institution to assist in its work at the expense of the Company.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall exercise functions and powers as specified in the articles of association or as authorized by the board of directors.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), finance manager, secretary to the board of directors and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

According to the Company Law and the Guidelines for Articles of Association of Listed Companies, directors, supervisors and senior management shall abide by laws, administrative regulations and the articles of association, and bear a duty of loyalty towards the company as follows:

- (i) they shall not abuse their authority by receiving any bribe or other illegal income, and shall not embezzle any of the company property;
- (ii) they shall not misappropriate the company's funds;
- (iii) they shall not deposit company assets into accounts held in their own names or in the name of any other individual;
- (iv) they shall not, in violation of the articles of association, lend company funds to other people or provide guarantee for other people with company assets without the consent of the shareholders' general meeting or the board of directors;
- (v) they shall not enter into contracts or conduct transactions with the company either in violation of the articles of association or without the consent of the shareholders' general meeting;
- (vi) they shall not, without the consent of the shareholders' general meeting, take advantage of their position to seek business opportunities that should belong to the company for themselves or for any other person, or operate the same type of business as the company for themselves or for any other person;
- (vii) they shall not take commissions from transactions with the company as their own;
- (viii) they shall not disclose company secrets without authorization;
- (ix) they shall not make use of their related-party relationship to damage the company's interests; and
- (x) other duty of loyalty prescribed by laws, administrative regulations, departmental rules and the articles of association.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The directors, supervisors and senior management also bear a duty of diligence to the company as follows:

- (i) they shall be prudent, serious and diligent in exercising the authority conferred by the company to ensure that the business activities of the company comply with the country's laws, administrative regulations and various economic policy requirements, and that the business activities do not go beyond the scope of business activities specified in the company's business license;
- (ii) they shall treat all shareholders equally;
- (iii) they shall keep abreast of the company's business operations and management status;
- (iv) they shall sign written statements confirming periodic reports of the company, and ensure that the information disclosed by the company is true, accurate, and complete;
- (v) they shall provide accurate information and materials to the board of supervisors, and shall not interfere with the performance of duties by the board of supervisors or individual supervisors; and
- (vi) Other duty of diligence prescribed by laws, administrative regulations, departmental rules, and the articles of association.

Financial and Accounting System

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions stipulated by the relevant authorities of the PRC. The company shall adopt the Gregorian calendar year for its fiscal year, i.e. the fiscal year shall be from January 1 to December 31.

The financial accounting report of a joint stock limited company shall be prepared at least twenty days before the annual shareholders' meeting and placed within its premises for inspection by shareholders; a joint stock limited company that has publicly offered shares shall publish its financial accounting report.

The company is required to allocate 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the company has reached 50% or more of its registered capital, no further allocation is required.

Where the statutory reserve fund of the company is insufficient to make up the losses of the company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Subject to a resolution of the shareholders' general meetings, after allocation has been made to the company's statutory reserve fund from its after-tax profits, the company may set aside funds for the discretionary reserve fund.

After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings, unless otherwise stipulated in the articles of association.

In cases where the company distributes profits to any shareholder in violation of the provision above, the shareholder shall return the distributed profits involved in the violation to the company; if losses are caused thereby to the company, the shareholders, as well as any directors, supervisors, and senior managers responsible for the violation, shall be liable for compensation.

Reserve funds of the company are used for recovering losses of the company and expanding scale of operation of the company or conversion into its capital.

Where the reserve of the company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions.

When the statutory reserve funds are converted into capital, the remaining balance of such reserve fund must not be less than 25% of its registered capital before such conversion.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or removal of an accounting firm by a company as its auditor shall be subject to a resolution of the shareholders' meeting, the board of directors, or the board of supervisors as stipulated in the company's articles of association. When the shareholders' meeting, the board of directors, or the board of supervisors vote on removing an accounting firm as its auditor, the accounting firm shall be allowed to state its opinions.

The Company Law and the Guidelines for Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Amendments to the Articles of Association

Pursuant to Company Law, a company shall amend its articles of association under any of the following circumstances:

- (i) Where, after any amendment to the Company Law or any other applicable law or administrative regulation, the provisions of the articles of association conflict with the amended law and/or administrative regulation;
- (ii) Where the company's circumstances change to such an extent that they are inconsistent with the items recorded in the articles of association; and
- (iii) Where the shareholders' general meeting decides to amend the articles of association.

Any resolution at the shareholders' meeting to amend the articles of association shall be adopted by shareholders representing two-thirds or more of the voting rights present at the meeting.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

- (i) the expiration of the business period stipulated in the articles of association or the occurrence of other causes of dissolution stipulated in the articles of association;
- (ii) dissolution by a resolution of the shareholders' general meeting;
- (iii) dissolution due to merger or division of the company;
- (iv) suspension of the business license, being ordered to close down or being revoked in accordance with the law; or
- (v) request submitted by the shareholders holding 10% or more of the voting rights of the company to the people's court to dissolve the company if the company's operation or management encounters serious difficulties, the company's continuous existence will cause significant losses to the interests of its shareholders, and the situation cannot be solved by any other means.

If any of the situations mentioned in the preceding paragraph arises, the company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Where the company falls under the circumstance of items (i) or (ii) above and has not yet distributed the assets to the shareholders, it may continue to exist by modifying the articles of association or upon a resolution of the shareholders' general meeting.

Where the company is dissolved according to item (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within fifteen days from the date of occurrence of the cause of dissolution.

The liquidation group shall be composed of the directors, unless it is otherwise elected by the shareholders' general meeting.

The liquidation group shall notify the company's creditors within ten days of its formation, and make a public announcement through a newspaper or the National Enterprise Credit Information Publicity System within sixty days of its formation. The creditors shall file their proof of claim with the liquidation group within thirty days from the receipt of the notice or within forty-five days from the issuance of the public announcement in the case of failing to receive such notice.

During the period of liquidation, the company continues to exist, but shall not carry out any business operation unrelated to the liquidation. The assets of the company shall not be distributed to the shareholders until it has been liquidated in accordance with the preceding paragraph.

If, after liquidating the assets of the company and formulating a balance sheet and a schedule of assets, the liquidation group discovers that the company's assets are insufficient to fully cover its debts, it shall file a bankruptcy application with the people's court.

Any company declared bankrupt according to law shall carry out a bankruptcy liquidation in accordance with the provisions concerning bankruptcy liquidation.

Overseas Listing

According to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, or issues and lists shares in a different overseas market after overseas issuance and listing, it shall file with the CSRC within three working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within three working days after the completion of the issuance. If the filing materials are complete and meet the requirements, the CSRC shall complete the filing within twenty working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within five working days after receiving the filing materials. The issuer shall supplement the materials within thirty working days.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Loss of Share Certificates

If the share certificates in registered form held by a shareholder are stolen, lost or destroyed, the shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court for a declaration that such share certificates are no longer valid.

After the people's court declared such share certificates invalid, the shareholder may apply to the company for the issue of replacement share certificates.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with its listing rules.

According to the Overseas Listing Trial Measures, in case of voluntary or compulsory termination of listing, the issuer shall report it to the CSRC within three working days from the date of occurrence and announcement of the termination of listing.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》), or the Arbitration Law, was enacted by the SCNPC on August 31, 1994, last amended on September 1, 2017 and became effective on January 1, 2018. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the Arbitration Law. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a peoples' court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration committee after verification by collegial bench formed by the people's court if there is any procedural irregularity, including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

According to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the Arrangement, promulgated by the Supreme People's Court on January 25, 2024 and implemented as of January 29, 2024, the Arrangement applies to the reciprocal recognition and enforcement of legally effective judgments in civil and commercial matters between the courts of Hong Kong and the PRC. In respect of judgments for the award of property, reciprocal recognition and enforcement of judgments includes both monetary and non-monetary rulings. In respect of judgments for the award of property, the scope of recognition and enforcement by the courts of the Mainland and of the Hong Kong shall include the property awarded, the corresponding interest, costs, payment for late compliance, or interest for late compliance awarded in the judgment, but shall not include taxes and penalties.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix mainly provides investors with an overview of the Articles of Association. As the following information is in summary form, it does not contain all the information that may be important to investors.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank pari passu with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

Base on the operation and development needs of the Company, and in accordance with the laws, regulations and securities regulatory rules of the place where the Company's shares are listed, the Company may increase the capital by the following ways upon approval of special resolutions at the Shareholders' general meeting:

- (i) Public issuance of shares;
- (ii) Non-public issuance of shares;
- (iii) Distribution of bonus shares to existing shareholders;
- (iv) Conversion of the reserve funds into share capital;
- (v) Other means stipulated by the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and approved by the CSRC.

The Company may decrease its registered capital and shall comply with the procedures stipulated in the PRC Company Law (the "Company Law"), other regulations and the Articles of Association.

Repurchase of Shares

The Company shall not to purchase its own shares, except under any of the following circumstances:

- (i) Reducing the Company's registered capital;
- (ii) Merging with other companies which hold the Company's shares;
- (iii) Using the shares for an employee stock ownership plan or equity incentive;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (iv) Purchasing by the Company of its shares at the request of the Shareholders voting against the resolutions on the merger or division of the Company at a Shareholders' general meeting;
- (v) Using of shares for conversion of convertible corporate bonds issued by the Company;
- (vi) Necessary for the Company to maintain its value and protect the interests of the shareholders.

A resolution shall be passed at the Shareholders' general meeting for the Company to repurchase its own shares under the circumstances specified in items (i) and (ii) above. In case of a purchase under the circumstances specified in items (iii), (v) and (vi) above, it may be subject to a resolution of the Company's Board passed in a Board meeting attended by more than two-thirds of the Directors, provided that this complies with the applicable securities regulatory rules of the place where the Company's shares are listed.

After the Company has purchased its own shares in accordance with the above provisions, the shares so purchased shall be canceled within ten days from the date of purchase (under the circumstance specified in item (i) above), or shall be transferred or canceled within six months (under the circumstances specified in item (ii) and (iv) above). If the Company purchases its shares under the circumstances specified in items (iii), (v) and (vi) above, the total number of shares held by the Company shall not exceed 10% of the total number of shares issued by the Company, and such shares shall be transferred or canceled within three years.

When the Company purchases its own shares, it shall fulfill the information disclosure obligations in accordance with the provisions of the PRC Securities Law and the securities regulatory rules of the place where the Company's shares are listed. Share repurchases made under the circumstances specified in items (iii), (v) or (vi) above shall be made through public centralized trading.

Transfer of Shares

The Company's shares may be transferred in accordance with law.

The Directors, Supervisors and senior managers of the Company shall report to the Company the number of the Company's shares they hold and the changes thereof. The Company's shares transferable by them each year during their terms of office confirmed at the time of taking office shall not exceed 25% of the number of shares held by them. The Company's shares held by them shall not be transferred within one year from the date of listing and trading of the Company's shares. They shall not transfer the Company's shares held by them within half a year after leaving the Company.

Where the listing rules of the place where the Company's shares are listed provide otherwise in respect of the restrictions on the transfer, such rules shall prevail.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Any gains obtained by any Shareholder, Director, Supervisor or senior manager of the Company holding more than 5% of Company's shares from the sale of Company's shares or other equity securities within six months of purchase of them, or from the purchase of them again within six months of sale, shall belong to the Company, and the Board of Directors of the Company shall be responsible for recovering such gains. However, this provision is not applicable where a securities company which holds more than 5% of the Company's shares as a result of its undertaking of the untaken shares in a share offer or under other circumstances prescribed by the CSRC.

Shares or other equity securities held by Directors, Supervisors, senior managers and individual shareholders as mentioned in the preceding paragraph include shares or other equity securities held by their spouses, parents or children, or held by using other people's accounts.

If the Board of Directors of the Company fails to implement the provisions above, the Shareholders are entitled to request the Board of Directors to so implement it within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the Shareholders are entitled to initiate litigation directly in the People's Court in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions above, the responsible Directors shall bear joint and several liability in accordance with law.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Shareholders

The Company shall establish a register of shareholders based on evidentiary documents provided by the securities registration agency. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company's shares. The original register of Shareholders of H shares is kept in Hong Kong and is available for inspection by Shareholders, but the Company may suspend the shareholder registration procedure in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

The rights of our Shareholders are as follows:

- (i) To receive distributions of dividends and other forms of benefits according to the number of shares held;
- (ii) To request, convene, preside over, participate in or appoint proxies to attend the Shareholders' General Meeting in accordance with law and exercise corresponding voting rights;
- (iii) To supervise operational activities of the Company, provide suggestions or make queries;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (iv) To transfer, donate and pledge the Company's shares held according to the provisions of the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association;
- (v) To review and copy the Articles of Association, the register of the Shareholders, minutes of the Shareholders' General Meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;
- (vi) To participate in the distribution of the remaining assets of the Company in proportion to the shares they hold upon termination or liquidation of the Company;
- (vii) To request the Company to purchase the shares held by the Shareholders voting against any resolutions adopted at the Shareholders' General Meeting concerning the merger and division of the Company;
- (viii) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

Where any Shareholder demands to read the relevant information or obtain any of the aforesaid materials, he shall submit to the Company written documents proving the class(es) and number of shares he holds. The Company shall provide the relevant information or materials in accordance with the Shareholder's demand after verifying the Shareholder's identity.

In the event that any resolution of the Shareholders' general meeting or resolution of the Board of Directors violates laws or administrative regulations, a Shareholder is entitled to request the People's Court to declare it invalid. In the event that the convening procedure or voting method of the Shareholders' general meeting or the Board meeting violates any of laws, administrative regulations or the Articles of Association, or the content of any resolution violates the Articles of Association, a Shareholder is entitled to request the People's Court to revoke the resolution within 60 days from the resolution being adopted, except in cases where there are only minor defects in the procedure for convening the meeting or the voting method used in the meeting, and such defects have no material impact on the resolution.

The obligations of Shareholders are as follows:

- (i) To abide by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association;
- (ii) To pay share capital according to the Shares subscribed for and the methods of payment;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (iii) Not to return Shares unless otherwise prescribed in laws and administrative regulations;
- (iv) Not to abuse shareholder rights to infringe upon the interests of the Company or other Shareholders; Shareholders shall be liable for compensation for any losses caused to the Company or to other Shareholders due to their abuse of shareholder rights;

If any Shareholder evades debts by abusing the Company's independent status as a legal person or the limited liability of Shareholders, thereby seriously damaging the interests of any creditor of the Company, the Shareholder shall bear joint and several liability for the debts of the Company. If a Shareholder utilizes two or more companies under his control to carry out actions specified in the preceding provision, each of these companies shall bear joint and several liability for the debts of any of the companies.

- (v) To perform other duties prescribed in laws, administrative regulations, securities regulatory rules of the place where the company's shares are listed and the Articles of Association.

In the event of any loss caused to the Company as a result of violation of any laws, administrative regulations or Articles of Association by any Director or senior manager when performing his duties in the Company, the Shareholder(s) individually or collectively holding more than 1% of the Company's shares for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the people's court. Where Board of Supervisors violates laws, administrative regulations or the Articles of Association when performing its duties and cause loss to the Company, those Shareholders may submit a written request to the Board of Directors to file an action with the people's court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt of the request, or in an urgent situation where the failure to immediately file an action will cause irreparable damage to the interests of the Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of the Company.

In the event of any other person infringing upon the legitimate rights and interests of the Company thereby causing losses to the Company, the Shareholder(s) specified in the first paragraph of this article may file an action with the court pursuant to the provisions of the preceding two paragraphs.

In the event of any Director or senior manager violating laws, administrative regulations or the Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the court.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The obligations of the controlling Shareholder and actual controllers of the Company mainly include the following:

The controlling Shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company. The controlling Shareholders, the actual controllers and their affiliates shall not occupy or dominate assets of the Company. Those violating this provision, thereby resulting in any losses to the Company, shall be liable for compensation.

The controlling Shareholders and the actual controllers of the Company shall bear a duty of good faith to the Company and other Shareholders. The controlling Shareholders of the Company shall exercise shareholder rights and perform shareholder obligations pursuant to the law. The controlling Shareholders and the actual controllers shall not make use of their controlling stake to harm the legitimate rights and interests of the Company and other Shareholders, and shall not make use of their controlling status in the Company to seek illegal interests.

General Provisions for the Shareholders' General Meeting

The Shareholders' General Meeting is the organ of authority of the Company and exercises its powers in accordance with the laws:

- (i) To elect or remove Directors and Supervisors (who are not employee representatives) and decide on matters relating to the remuneration of Directors and Supervisors;
- (ii) To examine and approve reports of the Board of Directors;
- (iii) To examine and approve reports of the Board of Supervisors;
- (iv) To examine and approve the Company's profit distribution plans and loss recovery plans;
- (v) To decide on any increase or decrease of the Company's registered capital;
- (vi) To decide on the issue of corporate bonds by the Company;
- (vii) To decide on the merger, division, dissolution, liquidation or change of corporate form of the Company;
- (viii) To amend the Articles of Association;
- (ix) To decide on the appointment and dismissal of the accounting firm of the Company;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (x) To examine and approve the guarantee matters stipulated in Article 42 of the Articles of Association;
- (xi) To examine the matters relating to the purchases and sales of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;
- (xii) To examine and approve the matters relating to changes in the use of proceeds of fund raisings;
- (xiii) To examine and approve the equity incentive plans and employee stock ownership plans;
- (xiv) To examine adjustments to the Company's profit distribution policy;
- (xv) To examine other matters which shall be decided by the Shareholders' General Meeting as required by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association.

The aforesaid functions and powers of the Shareholders' General Meeting shall not be exercised through authorization by the Board of Directors or any other organization or individual on behalf of the Shareholders' General Meeting.

The following external guarantees of the Company shall be submitted to the Shareholders' General Meeting for deliberation and approval:

- (i) Any guarantee after the total amount of external guarantees provided by the Company and its controlled subsidiaries exceeds 50% of the Company's latest audited net assets;
- (ii) Any guarantee after the Company's total amount of external guarantees exceeds 30% of the Company's latest audited total assets;
- (iii) Any guarantee to be provided by the Company within one year with a guaranteed amount exceeding 30% of the Company's latest audited total assets;
- (iv) Any guarantee for a party whose ratio of liabilities to assets exceeds 70%;
- (v) Any single guarantee with a guaranteed amount exceeding 10% of the Company's latest audited net assets;
- (vi) Any guarantee for any Shareholder, actual controller or its related party;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (vii) Other guarantees that shall be decided by the Shareholders' General Meeting as required by the relevant laws, administrative regulations or the securities regulatory rules of the place where the Company's shares are listed.

Convening of the Shareholders' General Meeting

The Shareholders' General Meetings are divided into annual general meeting and extraordinary general meeting. The annual general meeting shall be held once a year within six months of the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

- (i) Where the number of directors in office is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (ii) Where the uncovered losses of the Company reach one-third of the total paid-in share capital;
- (iii) Where Shareholders who individually or jointly hold no less than 10% of the shares of the Company request holding of such a meeting;
- (iv) Where the Board of Directors deems it necessary;
- (v) Where the Board of Supervisors proposes such a meeting; and
- (vi) Any other circumstances prescribed by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Independent Directors may propose to the Board of Directors to hold an extraordinary general meeting. For the aforesaid proposal, the Board of Directors shall, in accordance with laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give written feedback on whether or not it agrees to hold an extraordinary general meeting within ten days of receipt of the proposal. If the Board of Directors agrees to hold an extraordinary general meeting, it will issue the notice of meeting within five days after the relevant resolution of the Board of Directors is made. If the Board of Directors does not agree to hold an extraordinary general meeting, it shall state reasons and make an announcement.

The Board of Supervisors may propose to the Board of Directors to hold an extraordinary general meeting in writing. The Board of Directors shall, in accordance with laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give written feedback on whether or not it agrees to

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

hold an extraordinary general meeting within ten days of receipt of the proposal. If the Board of Directors agrees to hold an extraordinary general meeting, it shall issue the notice of meeting within five days after the relevant resolution of the Board of Directors is made, and any change to the original proposal in the notice is subject to the consent of the Board of Supervisors. If the Board of Directors does not agree to hold an extraordinary general meeting or fails to give written feedback within 10 days of receipt of the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty to convene a shareholders' general meeting, and the Board of Supervisors may convene and preside over an extraordinary general meeting itself.

The Shareholders individually or collectively holding 10% or more of the shares of the Company may make a written request to the Board of Directors for an extraordinary general meeting. The Board of Directors shall, in accordance with laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give written feedback on whether or not it agrees to hold an extraordinary general meeting within 10 days after receipt of the request.

If the Board of Directors agrees to hold an extraordinary general meeting, it shall issue the notice of meeting within five days after the relevant resolution of the Board of Directors is made, and any change to the original request in the notice shall be subject to the consent of the relevant Shareholders. If the Board of Directors does not agree to hold an extraordinary general meeting or fails to give feedback in writing within ten days after it receives the request, the Shareholders individually or collectively holding 10% or more of the shares of the Company may propose to the Board of Supervisors to hold an extraordinary general meeting in writing.

The Board of Supervisors shall, in accordance with the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association of the Company, give a written reply on whether or not it agrees to convene an extraordinary general meeting within ten days upon receipt of the proposal. If the Board of Supervisors agrees to convene an extraordinary general meeting, it shall issue the notice of meeting within five days after making a resolution of the Board of Supervisors, and any change to the original request in the notice shall be subject to the consent of the relevant Shareholders.

If the Board of Supervisors does not agree to hold an extraordinary general meeting or fails to give feedback in writing within ten days after it receives the request, the Shareholders individually or collectively holding 10% or more of the shares of the Company for consecutive ninety days or more may convene or preside over the meeting on their own.

If the Board of Supervisors or Shareholders decide to convene a shareholders' general meeting on their own, they shall give a written notice to the Board of Directors and file the same for record with the Shanghai Stock Exchange. Before the resolution of the shareholders' general meeting is announced, the Shareholders convening the meeting shall hold no less than

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

10% of the Company's shares. The Board of Supervisors or Shareholders convening the meeting shall submit the relevant supporting materials to Shanghai Stock Exchange when issuing the notice of the shareholders' general meeting and announcing the resolution of the general meeting.

The expenses necessary for the shareholders' general meetings convened by the Board of Supervisors or Shareholders shall be borne by the Company.

Proposal and Notice of the Shareholders' General Meeting

When the Company holds a shareholders' general meeting, the Board of Directors, the Board of Supervisors and Shareholders individually or collectively holding no less than 1% of shares of the Company may propose to the Company. Shareholders individually or collectively holding no less than 1% of the shares of the Company may submit temporary proposals in writing to the convener ten days before the holding of the shareholders' general meeting. The convener shall issue a supplementary notice of the shareholders' general meeting within two days of receipt of the temporary proposal announcing the details of such proposal. However, temporary proposals that violate laws, administrative regulations, or the Company's Articles of Association, or that do not fall within the scope of authority of the shareholders' general meeting, shall be excluded.

Except as provided in the preceding paragraph, the convener shall not modify the proposals listed in the notice of the shareholders' general meeting or add new proposals after issue of such notice.

The shareholders' general meeting shall not vote and make a resolution on any proposal not specified in the notice of the shareholders' general meeting or not in conformity with the above provisions.

The convener shall notify all shareholders 21 days before the holding of an annual general meeting in writing (including by announcement) and 15 days before the holding of an extraordinary general meeting in writing (including by announcement). If, according to the securities regulatory rules of the place where the Company's shares are listed, the shareholders' general meeting must be postponed due to the issuance of a supplementary notice for the meeting, the meeting shall be postponed accordingly.

The notice of a shareholders' general meeting shall include the following details:

- (i) The time, venue and period of the meeting;
- (ii) Matters and proposals submitted for discussion at the meeting;
- (iii) A clear statement that all Shareholders are entitled to attend the shareholders' general meeting and may appoint a proxy in writing to attend and vote at the meeting and the proxy is not required to be a Shareholder;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (iv) The share registration date of the Shareholders who are entitled to attend the general meeting;
- (v) The name and telephone number of the permanent contact person for the meeting; and
- (vi) The time and procedure of voting online or by any other means.

The notice of the General Meeting and the supplementary notice shall fully and completely disclose all the specific contents of all proposals. If the matter to be discussed needs the opinion of Independent Directors, the opinions and reasons of Independent Directors shall be disclosed at the same time when the notice of General Meeting or supplementary notice is issued.

The commencement time for voting online or by any other means at the Shareholders' General Meetings shall be no earlier than 3:00 PM on the day prior to the on-site general meeting and no later than 9:30 AM on the day of the on-site general meeting, and the ending time shall be no earlier than 3:00 PM on the day of the on-site general meeting.

The interval between the share registration date and the day of meeting shall be no more than seven working days. The share registration date shall not be changed once confirmed.

Proxy for the Shareholders' General Meeting

A Shareholder may attend and vote at the shareholders' general meeting in person or by proxy. A proxy is not required to be a Shareholder of the Company.

Individual Shareholders attending the meeting in person shall present their personal identity cards or other valid certificates or documents or proof of shareholding. Proxies attending the meeting shall present their personal identity cards and the proxy statements from the Shareholder.

Corporate Shareholders shall be represented by its legal representative or proxies authorized by the legal representative. Legal representatives attending the meeting shall present their personal identity cards or valid documents that can prove their identity as the legal representative. Proxies authorized to attend the meeting shall present their personal identity cards and the written proxy statement legally issued by the legal representative of the corporate Shareholder, except for a Shareholder who is a recognized clearing house as defined in the relevant ordinances in force from time to time under the laws of Hong Kong or the securities regulatory rules of the place where the shares of the Company are listed (the "Recognized Clearing House") or its proxy.

If the Shareholder is a Recognized Clearing House (or their proxies), the Shareholder may authorize one or more persons as it deems appropriate to act as its representative at any Shareholders' General Meeting or creditors' meeting; however, if more than one person is

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized may act on behalf of the Recognized Clearing House (or their proxies) and have the same statutory rights as other Shareholders as if such person were an individual Shareholder of the Company (without presenting a shareholding certificate, notarized authorization and/or further evidence confirming its duly authorization).

Voting and Resolutions at the Shareholders' General Meeting

The resolutions of the Shareholders' General Meetings are divided into ordinary resolutions and special resolutions. An ordinary resolution at a Shareholders' General Meeting shall be passed by more than half of the voting rights held by the Shareholders present at the meeting (including proxies). A special resolution at a Shareholders' General Meeting shall be passed by at least two-thirds of the voting rights held by the Shareholders present at the meeting (including proxies).

The following matters shall be passed by an ordinary resolution of the Shareholders' General Meeting:

- (i) Work reports of the Board of Directors and the Board of Supervisors;
- (ii) Profit distribution plan and loss recovery plan formulated by the Board of Directors;
- (iii) Appointment and removal of members of the Board of Directors and the Board of Supervisors, their remuneration, and methods of payment;
- (iv) The Company's annual report; and
- (v) Any other matter other than those to be decided by special resolutions as required by laws, administrative regulations, securities regulatory rules of the place where the Company is listed, or the Articles of Association.

The following matters shall be passed by a special resolution of the Shareholders' General Meetings:

- (i) Any increase or reduction in the registered capital of the Company;
- (ii) Any division, split, merger, dissolution or liquidation of the Company;
- (iii) Any amendment to the Company's Articles of Association;
- (iv) Any purchase or sale of major assets or any provision of guarantee within any one year in an amount in excess of 30% of the Company's latest audited total assets;
- (v) Any equity incentive scheme;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (vi) Adjustments to the profit distribution plan;
- (vii) Purchase of its own shares by the Company under the circumstances specified in Articles 24(1) and (2) of Articles of Association;
- (viii) Other matters required by the laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association, and matters that, as determined by the Shareholders' General Meeting by ordinary resolution, could materially affect the Company and need to be approved by special resolution.

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote.

Where material issues affecting the interests of minority Shareholders are considered at the Shareholders' General Meeting, the votes of the minority Shareholders shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner.

The shares held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of the Shareholders present at the Shareholders' General Meeting.

If any Shareholder, under applicable laws and regulations, is required to abstain from voting on any particular matter being considered or is restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

If a Shareholder purchases shares with voting rights of the Company in violation of the provisions of Article 63(1) and (2) of the PRC Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the Shareholders' General Meeting for thirty-six months after the purchase.

The Company's Board of Directors, Independent Directors, Shareholders holding more than 1% of the voting shares, or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC, may publicly solicit shareholders' voting rights. When soliciting shareholders' voting rights, specific voting intentions and other information shall be fully disclosed to the person solicited. No shareholders' voting rights shall be solicited on a reimbursable basis or by other disguised form. The Company shall not set the minimum shareholding ratio limits for soliciting shareholders' voting rights.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

DIRECTORS AND BOARD OF DIRECTORS

Directors

The Company's Board of Directors may consist of executive directors, non-executive directors, and independent directors. Directors' term of office shall be three years. Directors may be re-elected upon the expiration of their term in accordance with the securities regulatory rules of the place where the Company's Shares are listed. However, independent directors may not serve for more than six consecutive years. Director may be the President or other senior management personnel, provided that the total number of Directors who concurrently serve as President or other senior management personnel and Directors who are employee's representatives shall not exceed half (1/2) of the total number of Directors of the Company.

The Directors shall abide by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, and bear a duty of loyalty towards the Company as follows:

- (i) Directors shall not abuse their authority by receiving any bribe or other illegal income, and shall not embezzle any of the Company property;
- (ii) Directors shall not misappropriate the Company's funds;
- (iii) Directors shall not deposit Company assets into accounts held in their own names or in the name of any other individual;
- (iv) Directors shall not, in violation of the Articles of Association, lend Company funds to other people or provide guarantee for other people with Company assets without the consent of the Shareholders' General Meeting or the Board of Directors;
- (v) Directors shall not enter into contracts or conduct transactions with the Company either in violation of the Articles of Association or without the consent of the Shareholders' General Meeting;
- (vi) Directors shall not, without the consent of the Shareholders' General Meeting, take advantage of their position to seek business opportunities that should belong to the Company for themselves or for any other person, or operate the same type of business as the Company for themselves or for any other person;
- (vii) Directors shall not take commissions from transactions with the Company as their own;
- (viii) Directors shall not disclose Company secrets without authorization;
- (ix) Directors shall not make use of their related-party relationship to damage the Company's interests; and

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (x) Directors shall have other duties of loyalty specified by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Any income obtained by a Director in violation of this article shall belong to the Company, and if losses are caused to the Company, the Director shall be liable for compensation.

The Directors shall abide by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, and bear a duty of diligence to the Company as follows:

- (i) Directors shall be prudent, serious and diligent in exercising the authority conferred by the Company to ensure that the business activities of the Company comply with the country's laws, administrative regulations and various economic policy requirements, and that the business activities do not go beyond the scope of business activities specified in the Company's business license;
- (ii) Directors shall treat all shareholders equally;
- (iii) Directors shall keep abreast of the Company's business operations and management status;
- (iv) Directors shall sign written statements confirming periodic reports of the Company, and ensure that the information disclosed by the Company is true, accurate, and complete;
- (v) Directors shall provide accurate information and materials to the Board of Supervisors, and shall not interfere with the performance of duties by the Board of Supervisors or individual supervisors; and
- (vi) Directors shall have other diligence duties prescribed by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

When a Director's resignation takes effect or his/her term of office expires, he/she must complete all handover procedures with the Board of Directors. His/her duties of loyalty to the Company and the Shareholders do not automatically terminate at the end of his/her term of office, and remain valid for three years after the resignation takes effect or the term of office expires. The obligation to maintain the confidentiality of the Company's trade secrets continues beyond the end of his/her term of office, remaining in effect until such secrets become public information. The duration of other obligations shall be determined on the basis of the principle of fairness, considering the time elapsed between the occurrence of the relevant events and the Director's departure, as well as the circumstances and conditions under which his/her relationship with the Company ends.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Unless stipulated in the Articles of Association or legally authorized by the Board of Directors, no Director may act on behalf of the Company or the Board of Directors in his/her own name. Where a Director acts in his/her own name while a third party reasonably believes that the Director is acting on behalf of the Company or the Board of Directors, the Director shall state his/her position and status in advance.

Board of Directors

The Board of Directors shall consist of nine directors, including three independent directors.

The Board of Directors shall exercise the following authorities:

- (i) To convene the Shareholders' General Meetings and report to them;
- (ii) To carry out resolutions adopted by the Shareholders' General Meetings;
- (iii) To determine the Company's business plans and investment programs;
- (iv) To formulate the Company's profit distribution plans and loss recovery plans;
- (v) To formulate the Company's plans for increasing or reducing the registered capital of the Company, issuing bonds or other securities and going public;
- (vi) To formulate the Company's plans with respect to significant takeovers, purchase of the Company's shares, mergers, divisions, dissolution, or change of the form of the Company;
- (vii) To decide on, within the scope authorized by the Shareholders' General Meetings, such matters as the Company's external investments, the purchase and sale of assets, asset mortgages, external guarantees, entrusted financial management, related-party transactions and external donations;
- (viii) To determine the establishment of the Company's internal management bodies;
- (ix) To decide on such matters as appointment or removal of the Company's president, secretary to the Board of Directors and other senior executives, as well as their remuneration and reward/punishment; and to decide on appointment or removal of the Company's deputy presidents, finance manager and other senior officers as nominated by the president and on their remuneration and reward/punishment;
- (x) To formulate the Company's basic management system;
- (xi) To make plans to amend the Articles of Association;
- (xii) To manage the disclosure of information by the Company;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (xiii) To make proposals to the Shareholders' General Meetings on the appointment or replacement of the accounting firm that provides auditing services to the Company;
- (xiv) To hear the president's work report and to inspect the president's work; and
- (xv) To formulate the plan to change the Company's profit distribution policy;
- (xvi) To exercise any other authority conferred by any law, administrative regulation, departmental rule, securities regulatory rules of the place where the Company's Shares are listed, the Articles of Association or the Shareholders' General Meeting.

Major matters of the Company shall be decided collectively by the Board of Directors, and the Board of Directors shall not authorize the Chairman, the President etc. to exercise powers vested statutorily in the Board of Directors.

The Board of Directors shall determine the authority of external investment, purchase and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, connected transactions and external donations, and establish strict review and decision-making procedures.

If a Director has connection with the enterprise or individual involved in the resolution made at a Board meeting, the said Director shall promptly report the situation in writing to the Board of Directors. The said Director shall not vote on the said resolution for himself/herself or on behalf of another Director. The Board meeting may be held when more than half of the non-connected Directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the issue shall be submitted to the Shareholders' General Meetings for consideration. If there are any additional restrictions on Directors' participation in and voting at Board meetings in accordance with laws and regulations and the securities regulatory rules of the place where the Company's shares are listed, such provisions shall apply.

Chairman

The Board of Directors shall appoint a Chairman. The Chairman shall be elected by more than one half of all Directors.

Special Committees under the Board

The Board of Directors shall establish an audit committee, a strategy and sustainability Committee, a nomination committee, and a compensation and appraisal committee. These special committees shall be responsible to the Board of Directors, and perform their duties according to the Articles of Association and the authorization granted by the Board of Directors.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Secretary to the Board

The Company shall have a Secretary to the Board of Directors who shall be responsible for the preparation of the Shareholders' General Meetings and Board meetings and shall deal with information disclosure and other matters. The Secretary to the Board of Directors shall comply with the relevant provisions of the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

President and Other Senior Management Members

The Company has one President who is appointed or dismissed by the Board of Directors. The Company shall have several Vice Presidents who are appointed or dismissed by the Board of Directors. The President, Vice Presidents, the Financial Administrator, and the Secretary to the Board are the senior management personnel of the Company.

The President is responsible to the Board of Directors and exercises the following powers:

- (i) To be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the Board of Directors and report on works to the Board of Directors;
- (ii) To organize and implement the Company's annual business plan and investment proposals;
- (iii) To prepare the plan for establishing the Company's internal management body;
- (iv) To develop the Company's basic management system;
- (v) To develop the Company's specific rules;
- (vi) To propose to the Board of Directors on the appointment or removal of any Vice President and the Financial Administrator;
- (vii) To propose to the Chairman of the Board of Directors on the appointment or removal of management personnel at or above the level of deputy department manager, except for Vice Presidents and the Financial Administrator who are appointed or dismissed by the Board of Directors;
- (viii) To appoint or remove officers of the company other than those to be appointed or removed by the Board of Directors or the Chairman;
- (ix) to exercises any other duties and authorities granted by the Articles of Association or the Board of Directors.

The President may attend meetings of the Board of Directors.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Supervisors and Board of Supervisors

Supervisors

Each Supervisor shall serve for a term of three years. Upon expiry of the term, the Supervisor may be re-appointed upon re-election. The Directors, the President and other senior management members shall not act concurrently as Supervisors.

The Supervisors may attend the meetings of the Board of Directors as non-voting attendees, and may raise questions or put forward suggestions about the matters subject to resolution by the Board of Directors.

Board of Supervisors

The Company shall have a Board of Supervisors, which shall consist of three Supervisors. The Board of Supervisors shall have one chairman, who shall be elected by more than half of all Supervisors. The members of the Board of Supervisors shall include Shareholders' representatives and an appropriate proportion of employees' representatives.

The Board of Supervisors shall exercise the following authorities:

- (i) To examine and give written examination opinions on the periodical reports of the Company prepared by the Board of Directors;
- (ii) To review the Company's financial affairs;
- (iii) To monitor the acts of Directors and senior executives in the performance of their duties, and to propose to remove any Director or senior executive who violates any law, administrative regulation, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association or any resolution of the Shareholders' General Meetings;
- (iv) To require any Director or senior executive whose behavior damages the Company's interests to make corrections;
- (v) To propose an extraordinary general meeting and to convene and preside over the Shareholders' General Meeting when the Board of Directors fails to perform its duty to convene and preside over a general meeting prescribed in the Company Law;
- (vi) To submit proposals to the Shareholders' General Meetings;
- (vii) To bring a lawsuit against any Director or senior executive in accordance with the Company Law;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (viii) Where the Board of Supervisors discovers that any Director or senior executive has violated laws, regulations or the Articles of Association, the Board of Supervisors shall perform supervision duties, and inform the Board of Directors or report to the Shareholders' General Meetings, and may report the matter directly to the CSRC and its branches, the stock exchange or any other authorities;
- (ix) If any abnormality in the operation of the Company is found, the Board of Supervisors may conduct an investigation, and if necessary, engage an accounting firm, law firm or any other professional institution to assist in its work at the expense of the Company.

Qualifications of Directors, Supervisors, and Senior Managers

None of the following individuals shall be eligible for appointment as a Director, Supervisor, or senior manager of the Company:

- (i) Any individual without civil capacity or with limited civil capacity;
- (ii) Any individual who has been subjected to criminal punishment for corruption, bribery, embezzlement or misappropriation of property, or disruption of the economic order of the socialist market, or who has ever been deprived of political rights due to a criminal conviction, and five years have not elapsed since the term of punishment is completed, or in the case of a suspended sentence, two years have not elapsed since the probation period is completed;
- (iii) Any former director, factory director, or company manager of a company or enterprise which has been declared bankrupt and liquidated who is personally responsible for the bankruptcy of the company or enterprise, and three years have not elapsed since the bankruptcy and liquidation are completed;
- (iv) Any former legal representative of a company or enterprise which has had its business license revoked or been ordered to shut down due to violation of law who is personally responsible for the situation, and three years have not elapsed since the date of revocation of business license or shutdown order;
- (v) Any individual identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts;
- (vi) Any individual who has been banned from the securities market by the CSRC and the ban has not expired; or
- (vii) Any individual who is banned from doing so in accordance with other laws, administrative regulations, departmental rules or securities regulations in the place where the Company's shares are listed.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Financial and Accounting System

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the relevant authorities of the PRC. The Company shall adopt the Gregorian calendar year for its fiscal year, i.e., the fiscal year shall be from January 1 to December 31.

The Company shall submit its annual reports to the CSRC and the stock exchange in the place where the Company's shares are listed and disclose them within four months from the end of each fiscal year, and submit its interim reports to the relevant branch office of the CSRC and the stock exchange in the place where the Company's shares are listed and disclose them within two months from the end of the first half of each fiscal year.

The financial and accounting reports shall be prepared in accordance with relevant laws, administrative regulations and requirements of the CSRC and the stock exchange in the place where the Company's shares are listed.

The Company will not establish account books other than the statutory account books. The Company's funds shall not be deposited in any personal account.

The Company is required to allocate 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocation is required.

Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph.

Subject to a resolution of the Shareholders' General Meetings, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund.

After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to Shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

In cases where the Company distributes profits to any Shareholder in violation of the provision above, the Shareholder shall return the distributed profits involved in the violation to the Company; if losses are caused thereby to the Company, the shareholders, as well as any Directors, Supervisors, and senior managers responsible for the violation, shall be liable for compensation.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

No profit shall be distributed in respect of the shares of the Company which are held by the Company. The Company shall appoint one or more collection agents for H shareholders in Hong Kong. The collection agents shall collect and keep the dividends and other payables distributed by the Company in respect of the H shares on behalf of the relevant H shareholders, pending payment to such H shareholders. The collection agents appointed by the Company shall meet the requirements of the laws, regulations and the securities regulatory rules of the place where the Company's shares are listed.

Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or conversion into its capital.

Where the reserve of the Company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions.

When the statutory reserve funds are converted into capital, the remaining balance of such reserve fund must not be less than 25% of its registered capital before such conversion.

The Company implements a continuous and stable profit distribution policy. The profit distribution of the Company attaches importance to reasonable investment return to investors and takes into account the sustainable development of the Company.

Upon passing of a resolution on profit distribution plan by a Shareholders' General Meeting, or working out of a specific plan by the Board of Directors in accordance with the criteria and ceiling for the following year's interim dividend distribution adopted by an annual Shareholders' General Meeting, the distribution of dividends (or shares) shall be completed within two months.

Internal Audit

The Company shall implement an internal audit system and be equipped with full-time auditors to conduct internal auditing and supervision over the Company's financial revenue and expenditure as well as its economic activities.

The Company's internal auditing system and auditors' duties shall be implemented after being approved by the Board of Directors. The audit manager shall be responsible to and report to the Board of Directors.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Appointment of Accounting Firms

The Company shall engage an accounting firm that conforms to the provisions of the Securities Law to provide such services as the audit of financial statements, the verification of net assets and other relevant consultancy services. The term of engagement is one year and may be extended.

The Company's engagement of an accounting firm shall be decided by the Shareholders' General Meeting. The Board of Directors shall not engage any accounting firm before the decision is made by the Shareholders' General Meeting.

The Company shall provide true and complete accounting documents, accounting books, financial accounting reports and other accounting information to the accounting firm engaged by it, and shall not refuse, conceal or misrepresent them.

The audit fee to the accounting firm shall be decided by the Shareholders' General Meeting.

Where the Company dismisses or does not re-engage an accounting firm, it shall notify the accounting firm thirty days in advance. The accounting firm may state its views when the Shareholders' General Meeting votes on the dismissal of the accounting firm.

Where an accounting firm resigns, it shall explain to the Shareholders' General Meeting whether there exists any improper circumstance in the Company.

Dissolution and Liquidation

The Company shall be dissolved for any of the following reasons:

- (i) The expiration of the business period stipulated in the Articles of Association or the occurrence of other causes of dissolution stipulated in the Articles of Association;
- (ii) Dissolution by a resolution of the Shareholders' General Meeting;
- (iii) Dissolution due to merger or division of the Company;
- (iv) Suspension of the business license, being ordered to close down or being revoked in accordance with the law;
- (v) Request submitted by the Shareholders holding 10% or more of the voting rights of the Company to the people's court to dissolve the Company if the Company's operation or management encounters serious difficulties, the Company's continuous existence will cause significant losses to the interests of its Shareholders, and the situation cannot be solved by any other means.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

If any of the situations mentioned in the preceding paragraph arises, the Company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the Company falls under the circumstance of items (i) or (ii) above and has not yet distributed the assets to the Shareholders, it may continue to exist by modifying the Articles of Association or upon a resolution of the Shareholders' General Meeting.

To modify its Articles of Association or make a resolution of the Shareholders' General Meeting according to the provision above, the consent of two-thirds or more of the voting rights of the Shareholders who attend the meeting of the Shareholders' General Meeting is required.

Where the Company is dissolved according to item (i), (ii), (iv) or (v) above, it shall be liquidated. The Directors, who are the liquidation obligors of the Company, shall form a liquidation group to carry out liquidation within fifteen days from the date of occurrence of the cause of dissolution.

The liquidation group shall be composed of the Directors, unless it is otherwise elected by the Shareholders' General Meeting.

The liquidation group shall notify the Company's creditors within ten days of its formation, and make a public announcement through a newspaper or the National Enterprise Credit Information Publicity System within sixty days of its formation. The creditors shall file their proof of claim with the liquidation group within thirty days from the receipt of the notice or within forty-five days from the issuance of the public announcement in the case of failing to receive such notice.

During the period of liquidation, the Company continues to exist, but shall not carry out any business operation unrelated to the liquidation. The assets of the Company shall not be distributed to the Shareholders until it has been liquidated in accordance with the preceding paragraph.

If, after liquidating the assets of the Company and formulating a balance sheet and a schedule of assets, the liquidation group discovers that the Company's assets are insufficient to fully cover its debts, it shall file a bankruptcy application with the people's court.

Any Company declared bankrupt according to law shall carry out a bankruptcy liquidation in accordance with the provisions concerning bankruptcy liquidation.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Amendments to the Articles of Association

The Company shall amend its Articles of Association under any of the following circumstances:

- (i) Where, after any amendment to the Company Law or any other applicable law, administrative regulation, or securities regulatory rules of the place where the Company's shares are listed, the provisions of the Articles of Association conflict with the amended law, administrative regulation, and/or securities regulatory rules of the place where the Company's shares are listed;
- (ii) Where the Company's circumstances change to such an extent that they are inconsistent with the items recorded in the Articles of Association; and
- (iii) Where the Shareholders' General Meeting decides to amend the Articles of Association.

Where any amendment to the Articles of Association that has been adopted under a resolution of the Shareholders' General Meeting is subject to approval by the competent authorities, such amendment shall be submitted to the competent authorities for approval; where any amendment involves the Company's registration items, the Company's registration shall be amended in accordance with the law.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

In August 1995, our Company was restructured into a limited liability company and renamed as Foshan Haitian Flavouring and Food Company Ltd. (佛山市海天調味食品有限公司), and was converted into a joint stock limited company on November 30, 2010 under the laws of the PRC. Our Company completed the listing of our A Shares on the Shanghai Stock Exchange (stock code: 603288) in February 2014. As of the Latest Practicable Date, the registered capital of the Company was RMB5,560,600,544.

Our registered office is located at No. 16, Wensha Road, Foshan City, Guangdong Province, PRC, and our principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wanchai. Our Company [has been registered] as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●] with the Registrar of Companies in Hong Kong. Ms. Zhang Xiao (張瀟) has been appointed as our agent for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in “Appendix V — Summary of the Articles of Association”. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in “Appendix IV — Summary of Principal Legal and Regulatory Provisions”.

2. Changes in Share Capital of Our Company

Pursuant to a profit distribution plan approved by the Shareholders’ general meeting on May 16, 2023, a total dividend of RMB3,243,683,650.90 was declared and paid to our Shareholders, comprising a cash dividend of RMB0.70 (tax included) per Share and 0.2 bonus shares per Share for all Shareholders. As a result, our Company’s total share capital was increased from 4,633,833,787 A shares to 5,560,600,544 A shares.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

3. Further Information about Our Major Subsidiaries

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us a waiver from strict compliance with the requirements of paragraph 26 of Appendix D1A to the Listing Rules in relation to the disclosure of information relating to the changes in the share capital of any member of our Group within the two years immediately preceding the date of this document. For details, see “Waivers and Exemptions – Waiver in respect of alteration in share capital” in this document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

There has been no alteration in the registered capital of our major subsidiaries taken place within the two years preceding the date of this document.

4. Resolutions of our Shareholders

At the general meeting of the Shareholders held on December 30, 2024, the following resolutions, among other things, our Shareholders resolved to approve the following:

- (a) the issuance by our Company of H Shares with a nominal value of RMB1.0 each and such H Shares be [REDACTED] on the Stock Exchange;
- (b) the number of H Shares to be [REDACTED] before the exercise of the [REDACTED] shall not be more than [REDACTED]% of the total issued share capital of our Company as enlarged by the [REDACTED], and granting the [REDACTED] the [REDACTED] of no more than 15% of the number of H Shares issued pursuant to the [REDACTED];
- (c) authorization of the Board to handle matters relating to, among other things, the [REDACTED], the [REDACTED] and [REDACTED] of the H Shares; and
- (d) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on the [REDACTED] and the authorization of the Board to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:












- (a) the Hong Kong [REDACTED]; and
- (b) [●]

APPENDIX VI STATUTORY AND GENERAL INFORMATION

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

<u>No.</u>	<u>Trademark</u>	<u>Place of registration</u>	<u>Registered owner</u>	<u>Class</u>
1		PRC	our Company	29
2		PRC	our Company	29
3		PRC	our Company	29
4		PRC	our Company	29
5		PRC	our Company	30
6		PRC	our Company	30
7		PRC	our Company	30
8		PRC	our Company	30
9		PRC	our Company	32
10		PRC	our Company	32
11		PRC	our Company	32

APPENDIX VI STATUTORY AND GENERAL INFORMATION

<u>No.</u>	<u>Trademark</u>	<u>Place of registration</u>	<u>Registered owner</u>	<u>Class</u>
12		PRC	our Company	32
13		PRC	our Company	33
14		PRC	our Company	33
15		Hong Kong	our Company	30
16		Hong Kong	our Company	30

(b) Copyrights

As of the Latest Practicable Date, our Group had registered the following copyrights which we consider to be material to our business:

<u>No.</u>	<u>Copyright name</u>	<u>Place of registration</u>	<u>Registered owner</u>
1 . . .	Procurement Sourcing System	PRC	our Company
2 . . .	Purchasing Planning, Purchase Orders Automatic Allocation System	PRC	our Company
3 . . .	Supplier Management System	PRC	our Company
4 . . .	Safety Stock Management System	PRC	our Company
5 . . .	Automated Scheduling Management System	PRC	our Company
6 . . .	Cooperative Transportation Management System	PRC	our Company
7 . . .	MES Production and Manufacturing Execution Management System	PRC	our Company
8 . . .	Quality Inspection Management System	PRC	our Company
9 . . .	Xiaokang Maimai Distributors Stocking APP Platform	PRC	our Company
10 . .	Xiaokang Maimai Store APP	PRC	our Company
11 . .	Sales Support Platform System	PRC	our Company
12 . .	Xiaokang Maimai A-end Management System	PRC	our Company
13 . .	Xiaokang Maimai Automated Order Separation System	PRC	our Company
14 . .	Export Management System	PRC	our Company

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Copyright name	Place of registration	Registered owner
15 . .	Haitian Label Collection	PRC	our Company
16 . .	Haitian Product Packaging Labels Collection	PRC	our Company
17 . .	Haitian Classic Soy Sauce Series Sticker Pattern	PRC	our Company
18 . .	Haitian Soybean Gold Label Light Soy Sauce Series Sticker Pattern	PRC	our Company
19 . .	Haitian Soybean Sauce Series Sticker Pattern	PRC	our Company
20 . .	Haitian Small House Logo Pattern	PRC	our Company
21 . .	Haitian Product Packaging Pattern (Happy Bean)	PRC	our Company
22 . .	Haitian Product Packaging Pattern (Yami)	PRC	our Company
23 . .	Sunny Castle of Yami	PRC	our Company
24 . .	Sunny Castle of Yami – Deliciousness Rushing Forward	PRC	our Company

(c) Patent

As of the Latest Practicable Date, we had registered the ownership of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Patent owner	Patent category	Place of registration
1 . . .	A type of amino acid polypeptide nutrient solution and its preparation method and use	Our Company/ Gaoming Haitian	Authorized invention patent	PRC
2 . . .	A type of soy sauce compound fermentation broth and its preparation method and use	Our Company/ Gaoming Haitian	Authorized invention patent	PRC
3 . . .	A preparation method of soy sauce	Our Company/ Gaoming Haitian	Authorized invention patent	PRC
4 . . .	A type of continuous production line for pressing	Our Company/ Gaoming Haitian	Authorized invention patent	PRC
5 . . .	A type of online continuous heating device for viscous material	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent owner	Patent category	Place of registration
6 . . .	A type of osmotic pressure stabilizer and its use	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
7 . . .	A kind of pediococcus lactis and its application	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
8 . . .	A method for preparing fermented sauce mash or bean paste	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
9 . . .	A type of solid-state flux cultivating device and its application	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
10. . .	A type of screening medium for filamentous fungi and its preparation method and application	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
11. . .	A strain of aspergillus oryzae ZA156 and its application	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
12. . .	A strain of highviability aspergillus oryzae ZA189 and its application	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
13. . .	Bottle cap	Our Company/ Gaoming Haitian/ Vinegar Group	Design patent	PRC
14. . .	A method for establishing a quantitative analysis model of soy sauce	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
15. . .	A method and system for detecting the quality of soy sauce	Our Company/ Gaoming Haitian/ Vinegar Group	Authorized invention patent	PRC
16. . .	Containers for packaging	Our Company	Design patent	PRC

APPENDIX VI STATUTORY AND GENERAL INFORMATION

3. Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered owner</u>	<u>Registration date</u>	<u>Expiry Date</u>
1 . . .	haitian-food.com	Our Company	September 2, 1999	September 2, 2029
2 . . .	haday.cn	Our Company	February 29, 2012	April 9, 2033
3 . . .	haitian-ysc.com	Our Company	April 19, 2018	April 19, 2025
4 . . .	hadayfoods.com	Our Company	July 12, 2024	July 12, 2029

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, SUPERVISORS AND SENIOR MANAGEMENT

1. Disclosure of interests of Directors, Supervisors and Chief Executive of the Company

Save as disclosed below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying Shares and 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 or she 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.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

(a) Interest in our Company

Name of Director, Supervisor or chief executive	Position	Nature of Interest ⁽¹⁾	Number and class of Shares	Approximate percentage of shareholding in the total issued Shares immediately prior to the [REDACTED]	Approximate percentage of shareholding in the total issued Shares immediately after the [REDACTED] ⁽²⁾
Ms. Cheng	Executive Director and Chairwoman of the Board	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	[REDACTED]%
		Beneficial owner	176,365,478 A Shares	3.17%	[REDACTED]%
Mr. Guan.	Executive Director and President	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	[REDACTED]%
		Beneficial owner	15,409,690 A Shares	0.28%	[REDACTED]%
		Interest of spouse ⁽³⁾	18,312,589 A Shares	0.33%	[REDACTED]%
Mr. Huang Wenbiao	Executive Director	Beneficial owner	28,984,921 A Shares	0.52%	[REDACTED]%
Mr. Wen	Executive Director	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	[REDACTED]%
		Beneficial owner	8,885,967 A Shares	0.16%	[REDACTED]%
Mr. Liao	Executive Director	Interest in controlled corporation	3,246,001,184 A Shares	58.38%	[REDACTED]%
		Beneficial owner	1,538,323 A Shares	0.03%	[REDACTED]%
Mr. Ding Bangqing	Independent non-executive Director	Interest of spouse ⁽⁴⁾	180,000 A Shares	0.003%	[REDACTED]%
Ms. Chen Min	Chairwoman of the Supervisory Committee	Beneficial owner	177,914 A Shares	0.003%	[REDACTED]%
Mr. Huang Shuliang	Supervisor	Beneficial owner	296,936 A Shares	0.005%	[REDACTED]%
Mr. He Tao	Supervisor	Beneficial owner	24,700 A Shares	0.0004%	[REDACTED]%

Notes:

- (1) All interests stated are long position.
- (2) The calculation is based on the assumption that no new Shares are issued under the [REDACTED], and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (3) As of the Latest Practicable Date, the spouse of Mr. Guan held 18,312,589 A Shares and Mr. Guan was deemed to be interested in the A Shares held by his spouse.
- (4) As of the Latest Practicable Date, the spouse of Mr. Ding held 180,000 A Shares and Mr. Ding was deemed to be interested in the A Shares held by his spouse.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

2. Disclosure of Interests of Substantial Shareholders

(a) *Interests in our Company*

For information on the persons who will, immediately following the completion of the [REDACTED], having or be deemed or taken to have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 our Company, see the section headed "Substantial Shareholders".

(b) *Interests of the Substantial Shareholders of Other Members of Our Group*

As of the Latest Practicable Date, saved as disclosed in this document, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive of our Company) who will, immediately following the completion of the [REDACTED], 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.

3. Service Contracts

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

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

4. Director's and Supervisors' Remuneration

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and Note 10 to "Appendix I — Accountants' Report" for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

5. Disclaimers

Saved as disclosed in this Document:

- (a) none of our Directors, Supervisors or any of the parties listed in “— D. Other Information — 4. Qualification of Experts” below is:
 - (i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
 - (ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;
- (b) save in connection with the Hong Kong [REDACTED] and the International [REDACTED], none of the parties listed in “— E. Other Information — 4. Qualification of Experts” below:
 - (i) is interested legally or beneficially in any shares in any member of our Group;
or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and
- (d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are [REDACTED] on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. A SHARE EMPLOYEE STOCK OWNERSHIP SCHEME

Our Company adopted the 2024-2028 employee stock ownership scheme (the “**A Share Employee Stock Ownership Scheme**”) on September 19, 2024, which were outstanding as of the Latest Practicable Date. As the A Share Employee Stock Ownership Scheme does not involve issue of new Shares after the [REDACTED], the terms of the A Share Employee Stock Ownership Scheme are not subject to the provisions of Chapter 17 of the Listing Rules, and are summarized as below.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(i) Participants of the scheme

The participants of the A Share Employee Stock Ownership Scheme include Directors, Supervisors, senior management and key personnel of our Company as set out in the scheme. Under the A Share Employee Stock Ownership Scheme, a separate employee ownership plan shall be established for each year from 2024 to 2028. With respect to the 2024 employee stock ownership plan (the “**2024 Plan**”), the total number of grantees under the 2024 Plan shall not exceed 800.

(ii) Source of shares and participants’ interest in the schemes

Our Company will repurchase A Shares from the A Share open market at a certain purchase price, and transfer a prescribed number of such A Shares to the accounts of the relevant employee stock ownership plan, and the A Shares of the Company will be held by such employee stock ownership plan. Each participant of the A Share Employee Stock Ownership Scheme holds a certain percentage of interest in the scheme.

(iii) Term of the scheme

Each plan under the A Share Employee Stock Ownership Scheme shall have separate terms commencing upon publication of an announcement by our Company regarding the transfer of relevant A Shares from our Company’s stock repurchase account to the account of the relevant employee stock ownership plan. The 2024 Plan is valid for a period of two years from the date of publishing the Announcement (the “**Announcement Date**”).

(iv) Administration of the scheme

The A Share Employee Stock Ownership Scheme is subject to the approval of the Shareholders. Each annually established employee stock ownership plan is administered by a committee (the “**Management Committee**”), the members of which are elected by the participants of the plan. The Management Committees of each plan oversee its day-to-day management, and exercise shareholders’ rights in respect of the A Shares held under each plan on behalf of its participants.

(v) Vesting of the shares

Each participants’ entitlement to the corresponding portion of A Shares (together with any dividend) held by the A Share Employee Stock Ownership Scheme shall be vested upon expiry of a period of 12 months from the Announcement Date. The vesting of A Shares under each employee stock ownership plan shall be subject to attainment of corporate performance targets and personal evaluation for each participant. The vested A Shares shall be transferred to the relevant participants.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(vi) Total number of shares held by the scheme

The total number of A Shares held by the A Share Employee Stock Ownership Scheme shall not exceed 10% of the total number of A Shares of the Company, with each participant's entitlement shall be no more than 1% of the total number of A Shares of the Company. As of the Latest Practicable Date, 5,000,000 A Shares were held by the 2024 Plan, representing 0.09% and 0.08% of the Company's total A Shares and the total issued Shares immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised). In addition, the Company had repurchased [10,289,491] A Shares (not including the 5,000,000 A Shares under the 2024 Plan) for potential future incentives under the A Share Employee Stock Ownership Scheme.

Under the 2024 Plan, the aggregate number of A Shares granted to the Company's Directors, Supervisors and senior management shall not exceed 15% of the total number of A Shares held by the 2024 Plan. As of the Latest Practicable Date, the Board has not granted any awards under the 2024 Plan.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiaries.

2. Litigation

To the knowledge of our Directors, no member of our Group has significant litigation or claims pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the [REDACTED] of, and permission to [REDACTED], our H Shares in issue, our H Shares to be [REDACTED] pursuant to the [REDACTED] (including any H Shares which may fall to be issued pursuant to the exercise of the [REDACTED]). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US\$500,000 to act as the sponsors of our Company in connection with the proposed [REDACTED] on the Hong Kong Stock Exchange.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

4. Qualifications of Experts

The qualifications of the experts who have given opinions or advice in this Document are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Jingtian & Gongcheng	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report, letter, and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

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 subscribe for securities in any member of our Group.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

5. Binding Effect

This document shall have the effect, if an application is made pursuant to this Document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar 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 Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

7. Compliance Advisor

Our Company has appointed Somerley Capital Limited as its compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

8. Preliminary Expenses

The Company did not incur material preliminary expenses for the purpose of the Listing Rules.

9. No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material change in our financial or trading position since September 30, 2024.

10. Promoters

The promoters of our Company are Guangdong Haitian and Foshan Haipeng.

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

11. Taxation of Holders of H Shares

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Shares (in other words, a total of 0.20% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

12. Miscellaneous

Save as disclosed in this document:

- (a) within the two years preceding the date of this document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (h) save for the A Shares of our Company that are listed on the Shanghai Stock Exchange, and save for the H Shares to be issued, none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (i) our Company has no outstanding convertible debt securities or debentures.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in “Appendix VI — Statutory and General Information — E. Other Information — 4. Qualifications of Experts”; and
- (b) a copy of each of the material contracts referred to in “Appendix VI — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts”.

DOCUMENTS AVAILABLE ON DISPLAY

Electronic 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 <https://www.haitian-food.com/> during a period of 14 days from the date of this Document:

- 1. the Articles of Association;
- 2. the Accountants’ Report prepared by KPMG, the text of which is set forth in Appendix I to this document;
- 3. the audited consolidated financial statements of our Company for the years ended December 31, 2022, 2023 and [2024];
- 4. the report from KPMG on the unaudited [REDACTED] financial information of our Group, the text of which is set forth in Appendix II to this Document;
- 5. the material contracts in “Appendix VI — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts”;
- 6. the written consents referred to in “Appendix VI – Statutory and General Information — E. Other Information — 4. Qualifications of Experts”;
- 7. the service contracts referred to in “Appendix VI — Statutory and General Information — C. Further Information about our Directors, Supervisors and Management — 3. Service Contracts”;
- 8. the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

APPENDIX VII

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

9. the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this document; and
10. a copy of the following PRC laws, together with their unofficial English translations:
 - the PRC Company law;
 - the Securities Law; and
 - the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies.